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**AGRICULTURE,
RURAL DEVELOPMENT
AND GLOBALIZATION**

NEW PARADIGMS IN RURAL DEVELOPMENT: SOME LESSONS FROM THE ITALIAN EXPERIENCE

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ABSTRACT

The purpose of this paper is to analyze the Italian rural development experience, emphasizing its strengths and weaknesses on the one hand, and its peculiarities and possibility of generalization on the other. Such peculiarities call for a critical appraisal of the main theoretical approaches for the analysis of rural development. For example, a mere sectoral approach i.e. based on the “rural/urban” dichotomy does not satisfactorily explain the recent Italian experience, whilst the “local/regional” approach seems to explain much better. Therefore, an attempt is made to interpret Italian rural development patterns adopting the analytical categories proposed by the Italian School of Industrial Economics. The two main conclusions are that the development process: (i) is the outcome of the interplay between socio-economic variables, territorial characteristics (that is, history and geography) and institutions, and (ii) doesn't show a unique sequence, but it can be characterized by a plurality of organizational forms and many different development paths.

Building on this basis, this paper tries to answer a set of relevant questions. The first is whether or not agricultural, agro-industrial, or rural local development systems exist. If so, how these constructs can help to analyze different development patterns, i.e. how many different agricultures exist in Italy. Having acknowledged this plurality of rural development patterns - and typologies and roles of agriculture within them - a fundamental question is how a given (rural) local development system changes: different typologies of transformation are proposed (evolution, restructuring and metamorphosis) and critical points for agricultural change dynamics in the Italian context are analyzed. Finally, the consequences for policy-makers are emphasized, focusing both on alternative strategies for local development policies at large, and for rural development policy in particular.

Key words: rural development, local development, Common Agricultural Policy

1. THE EVOLUTION OF RURAL DEVELOPMENT POLICY IN THE EU

“Diversity is one of the main features of European agriculture. It is also becoming one of the keywords in the debates on Common Agricultural Policy. Any European perspective on rural development must be grounded on the recognition of such diversity and must necessarily build upon it in order to maintain the agriculture required by Europe's people” (Long and van der Ploeg, 1994).

This quotation was reported at the very beginning of the paper I presented at the Tunis seminar (Romano, 2001). A couple of years later we can say that what used to be only a scholars' remark, has been translated into legal acts. Agenda 2000 recognizes that the challenge of world trade globalization and the shift of focus from production to consumption affect not only agricultural markets, but also local economies in rural areas and it explicitly states that the future of the agricultural sector is closely linked to a balanced development of rural areas.

The EU rural development policy is now the “second pillar” of the Common Agricultural Policy, alongside the market measures and the requirements of a competitive European agriculture. It is aimed at meeting the various needs of the rural world, together with the expectations of overall society and sound environmental standards.

As a consequence, the new CAP is based on the following principles:
the multi-functionality of agriculture, i.e. its varied role over and above the production of foodstuffs. This implies the recognition and encouragement of services provided by farmers;
a multi-sectoral and integrated approach to the rural economy in order to diversify activities, create new sources of income and employment and protect the rural heritage;
subsidiarity and decentralization, aimed at stimulating a key role to be played by regional and local communities, and transparency in drawing up and managing programs.

These reforms stemming from Agenda 2000 simply follow the development seen in recent years in the EU, and they seem to fit most Italian rural contexts very well (see below).

2. ECONOMIC DEVELOPMENT: THE ITALIAN EXPERIENCE

The process of economic development in Italy, in relation to earlier ones in other industrialized countries has been, slower, highly specific and more spatially differentiated. To understand this, let us summarize very briefly the most important phases in Italian development.¹

- a) *From the creation of the Italian State (1860) to the end of nineteenth century.* In the second half of nineteenth century, Italy participated in the process of economic development initiated by the industrial revolution by exporting agricultural products to the northern European countries. This early European division of labor lasted until the arrival of American grains. It led to the accumulation of resources in the hands of land owners but did not result in the take-off of Italian industry.
- b) *From the beginning of the twentieth century to the second world war.* The first half of the twentieth century was characterized by a low consumption equilibrium and direct state intervention in the process of industrialization (Bonelli, 1978) which assigned to the agricultural sector the function of maintaining at subsistence levels the growing population, and thus of regulating the flow of labor to the very slowly growing industrial sector. This 'model' of development, which kept a high demographic pressure on land for a relatively long period of time, had a number of consequences for rural development: a fragmented farm structure that still characterizes Italian agriculture; the continued expansion of farming in marginal (mountain) and reclaimed land; the permanence of the majority of population in rural areas; and the very low levels of consumption, in relatively poor, isolated local markets, satisfied by the supply of artisan preindustrial crafts and subsistence agriculture.
- c) *The immediate postwar period.* In the 1950s and 1960s a liberalization of the economy only partly balanced previous state intervention and stimulated a rapid growth in manufacturing industries, led by exports (Graziani, 1972). This resulted in a sharp increase in the demand for labor concentrated not only in urban centers but in specific regions the "industrial triangle", constituted by Lombardy, Liguria and Piedmont. The spatial impact of this new model of development was a significant and sudden migration towards this area of attraction, not only from rural areas but also from North Eastern, Central and Southern regions. It did not produce the social desertification of rural areas, partly because the excess population accumulated in the previous period was very significant and birth rates remained quite high, and partly due to the fact that many families had become farm owners in their places of origin and this reduced their willingness to migrate permanently. In fact, only higher mountain areas suffered from abandonment.
- d) *From the end of the 1960s on.* Quite unexpected to policy makers and the scientific community, still another pattern was recognized, based on medium and small manufacturing enterprises, with a diffused location in small towns and even in the countryside. This new spatial pattern could not be explained merely as the decentralization of congested urban industry in contiguous areas (filtering down) but rather as an endogenous and not necessarily dependent process, characterized by non-traditional forms of cooperation between enterprises ("industrial districts") and in the organization of production: spatial systems of medium and small enterprises difficult to assign either to the rural or urban environment achieved economies of scales comparable to those of large enterprises, operating both on the national and international markets and have been responsible for the geographic expansion of industrial development from the industrial triangle to central and North Eastern regions (Fuà and Zacchia, 1983; Garofoli, 1981).

A few remarks can be drawn from this very brief synthesis. First of all it shows that the Italian development did not follow the classical sequence of stages highlighted by Rostow (1960). This is true in time series as well in cross section, e.g. diffused industrialization has not eliminated the competitiveness of urban industry; both systems are, rather, competing in the world market with the changing advantages and disadvantages that both types of locations have. If we accept the theoretical possibility that there are multiple paths to economic development, this cannot be dismissed as an Italian, non-exportable, extravagance: on the contrary, the experience could contribute to a development theory and its spatial implications for rural areas.

Second, rural areas have played different roles over time, e.g. first allowing for the subsistence of a growing population with slow top-down industrialization, then increasing agricultural productivity with fast urban industrialization, and finally providing capital, human resources (entrepreneurs and labor), and

¹ This section draws heavily on Saraceno (1992).

space for diffused industrialization. The social and economic organization inherited from that “model” appears now as a crucial factor for understanding the origins of diffused industrialization, i.e. rural areas didn't play only the classical function of foodstuff production; rather, rural areas have evolved as mixed economies.

Thirdly there have been important differences in the way in which the rurality has passed through the sequence of development phases just mentioned. Agrarian preindustrial relationships meant quite different things in the South, where latifundia and landless day laborers prevailed, and in Central Italy, where sharecropping dominated: in the South, remittances from migration played an important role in sustaining family incomes and resulted in a slower and more difficult access to peasant ownership; in Central Italy, the farm family became a tightly knit enterprise which maximized profit, even if this was quite modest, and provided one of the social bases for rural entrepreneurship. The period of intense urban industrialization of the 1950s and 1960s attracted laborers to the North West mostly from the rural and urban areas of the South, the North East, and mountains. In recent decades, diffused industrialization developed spontaneously in rural areas of the Central and North-Eastern regions and only more recently in some rural areas of the South, leaving, however, most of the latter almost untouched.

It seems clear that there are two significant processes going on which are certainly affecting rural areas:

- a) the first is the redistribution of employment, even more than population, in favor of medium/small towns;
- b) the second is that rural areas appear to be increasingly diversifying the economic activities that they offer to the population.

Such processes appear to be happening quite spontaneously, and this means that rural areas are quite dynamic economies.

From the theoretical point of view, the rural/urban dichotomy (defined either by demographic size criteria, or by more refined indicators) does not seem to explain the recent trends satisfactorily: problems of threshold criteria between the two, of definition of each concept, and of significant variability within each category, however defined, strongly suggest that we should reconsider why we want to proceed in this direction, since with increased diversification rural areas are becoming less agricultural anyway. At least in the Italian case, the “local/regional” approach seems to explain much more than the “rural/urban” one (see below).

3. ALTERNATIVE PARADIGMS FOR RURAL DEVELOPMENT ANALYSIS: SECTORAL VERSUS REGIONAL/LOCAL APPROACHES

The peculiarities of the Italian experience have put under stress the traditional development paradigms, which focuses on spatial segregation of economic activities and on a hierarchy among economic sectors, such that we could predict a given sequence of stages of growth and define a development ranking among countries (Rostow, 1960; Geschenkron, 1962).

The classical coincidence of agriculture and rural areas on the one hand, and other economic activities and urban areas on the other, didn't work in the Italian case. Or, more precisely, as stressed by Elena Saraceno, “The rural/urban reading of spatial differentiation was meaningful when processes of urbanization and industrialization worked in the classical concentrated way that was typical of the first generation of developed countries” (Saraceno, 1992, p. 467).

The spatial coincidence of both processes lasted only for a very short period (roughly the 50s and 60s). Then, the decline of such a coincidence (diffused industrialization, new leisure functions of rural areas, decentralization of public services) has progressively blurred the original homogeneity of these analytical categories, confusing the neat division of labor between rural and urban areas, thereby reducing its explanatory capacity.

Namely, rural areas are not a homogeneous category: they have played different roles in the economic development process, they are currently different from each other, and they are diversified, i.e. several different economic activities co-exist there.

Therefore, an alternative analytical approach has been proposed, the so-called “regional/local approach” (Saraceno, 1992), which aims at identifying compact territorial entities, functionally organized within themselves by some type of exchange (Becattini, 1979 and 1989).

Using, again, Elena Saraceno's words, "In contrast to the rural/urban category, based on the homogeneity and non-contiguity of their spatial characteristics, the regional/local economy approach is based on the effects of heterogeneity and contiguity, being interested in describing the various forms of integration and exchange that develop among its spatial segments and sectors of activities" (Saraceno, 1992, p. 468).

The thesis we would like to develop is that the regional/local approach is better suited for the analysis of rural development than the traditional one. Indeed, adopting the classical sectoral approach, there is no room for rural development by definition, since the latter implies economic differentiation and therefore, the areas earlier classified as rural, will lose such a qualification to become first semi-rural, then peri-urban or industrial. The problem, here, is that rurality is only defined in negative terms and it can remain rural only if it does not change or if it declines.

A second step is to analyze what the implications are of adopting the regional/local approach, both in theoretical and empirical terms, for the analysis of rural development (Romano, 2000). In other terms, we shall try to verify whether concepts and models developed by the Italian School of Industrial Economics are useful in the interpretation of rural development phenomena too.

4. LOCAL DEVELOPMENT PATTERNS: THE CONTRIBUTION OF THE ITALIAN INDUSTRIAL ECONOMICS SCHOOL TO DEVELOPMENT THEORY

Italian industrial economists and policy-makers began to focus on local development patterns in the early seventies, when seminal studies on diffused industrialization, decentralized production, small and medium enterprises, etc. were published (Becattini, 1979 and 1987; Fuà and Zacchia, 1983; Garofoli, 1981; Brusco, 1989).

The studies on the "industrial districts" (Becattini, 1979; Brusco, 1989) and "peripheral development" (Fuà and Zacchia, 1983) broke with a tradition of development models generally accepted by mainstream economics, but seldom verified reality. Indeed, such studies challenged the principle of increasing return to scale, acknowledged the key role of the territory (i.e. of history and geography) in shaping development patterns, and suggested the existence of new determinants, not necessarily technical ones, playing a crucial role in decision making and local transformation dynamics (Becattini and Rullani, 1993; Garofoli and Mazzoni, 1994).

This marked a major shift from the traditional approach characterized by an "engineering" vision of development dynamics, toward the analysis of the relationships among development, territory and institutions. The offspring of such a shift was the acknowledgment of a plurality of organizational forms and of development paths, i.e. that it is not possible to highlight "the most efficient" development path and sometimes it is even difficult to rank different patterns according to efficiency criteria.

In the last fifteen years a hot debate on different development paths has developed in Italy, focusing on the contrast between "endogenous" and "exogenous" development models, where the qualification of the two alternatives depends on the use of internal/external resources and knowledge transfers and on the internal/external control of accumulation and innovation processes. A general, quite robust conclusion is that endogenous development patterns are better suited for igniting and sustaining (local) development processes.

Crucial in the definition of endogenous development patterns is the concept of local development system (LDS), which can be defined as "an organizational pattern of production territorially based, having strong relationships with the local socio-institutional system, characterized by external economies, deriving from strong exchanges of commodities and information within the production system, as well as by continuous production and reproduction of specific knowledge, skills and local regulation mechanisms, territorial specific, which can hardly be exported to other contexts" (Garofoli e Mazzoni, 1994, p. 17).

Such a definition contains the main characteristics which differentiate the local/regional approach from the traditional ones:

- a) the emphasis on the main feature, intrinsically dynamic, of the development process, characterized by (social) production and reproduction of knowledge, skills and regulation mechanisms (Becattini and Rullani, 1993), non transferable, which determine the peculiarity of each development path;
- b) the emphasis on the links with the local environment, as a necessary condition for positive externalities (external to a given firm, but internal to the LDS, which determines a competitive

- advantage (Dei Ottati, 1987) with reference to different organization forms of production and/or territories;
- c) the social nature, over and above its technical character, of the development process.

Briefly, in a given LDS any dimension economic, social, territorial cannot be isolated from others, because of close interplay of variables and their own mutual interdependence.

Moreover, such a definition is broad enough to entail several “patterns” of local development: growth poles, company towns, industrial districts, etc.

In particular, the industrial district (ID), which has played a crucial role in Italian development, is a peculiar LDS which adds some specific characteristics to the general ones of any LDS. Very schematically, any ID is characterized by:

- a) a given production orientation, very often characterized by a specific typical product;
- b) spatial concentration of firms and residences;
- c) presence of close and peculiar inter-industrial relations, which determine the existence of a “communitarian market” (Dei Ottati, 1987, p. 124);
- d) presence of interpersonal networks, so that a peculiar “informational atmosphere” exists (Becattini, 1987, p. 47);
- e) decomponibility and divisibility of economic processes;
- f) most firms are small and medium enterprises.

a)-d) characteristics are common to all LDSs: namely, c) and d) determine a compact socio-economic fabric, which is the determinant of external economies (low transaction costs) and of a knowledge dynamics which allow competitive advantages emerge and sustain the system development process.

e)-f) characteristics are peculiar of IDs which translate into competitive advantages stemming out from a specific organizational pattern: decomponibility and divisibility are necessary technical conditions for the “factory” organization of production processes (Georgescu-Roegen, 1982) to be able to take place. Such an organization allows optimal use of funds, reducing idle time and lowering production costs. The presence of many small and medium enterprises means flexibility of the whole system, and organizational advantages with respect to large firms (e.g. lower costs for auxiliary processes, coordination economies, lower costs of production factors, etc., see Tani, 1987).

5. ARE THERE “RURAL” LOCAL DEVELOPMENT SYSTEMS?

A relevant question, here, is to ascertain whether or not agricultural, agro-industrial, or rural LDSs exist.

In the LDS literature it has been emphasized that to identify a LDS we must begin with identifying those characteristics that are determinants of competitive advantages for the LDS-candidate and that differentiates it from other territorial entities. Usually, there are three elements to look at:

- a) production specialization of the local system, i.e. existence of a dominant economic activity and complementarity among the activities that take place within the LDS-candidate;
- b) spatial proximity of economic activities (i.e. firms) and social units (i.e. families belonging to the same LDS-candidate);
- c) presence of a compact social fabric, that lets a “communitarian market” and a peculiar “informational atmosphere” appear.

In principle the above mentioned characteristics are verified in the rural case too, so that the category of local development system could be used for analyzing the rural development as well. However, the difficulty lies in the attempt to practically identify a “rural” local development system (RLDS), since it is very difficult to define rurality in terms of production activities mix or, even more difficult, in terms of production specialization of a given area.

More likely the rural qualification of a given LDS should be sought on different grounds. We must recall, indeed, that a given LDS is qualified by the presence of a peculiar production - factor non-transferable collective goods - which determines a long lasting competitive advantage for the LDS. Such goods have been identified by Giacomo Becattini and Enzo Rullani as the so-called “contextual knowledge”: “Any local system integrates explicit knowledge (we call it “coded”) and tacit knowledge (we call it “contextual”) (...) The latter derives from the memories and the interpretation of personal

experiences, it is essentially tacit and informal, and can be directly socialized only through long-lasting and costly processes of context and experience sharing" (Becattini and Rullani, 1993, pp. 29 e 36).

As stressed by Claudio Cecchi, "A local system is defined as rural only if agriculture is the core of its contextual knowledge" (Cecchi, 1998, p. 14).

However, such a definition does not entail all kinds of agriculture we could find within any LDS. Indeed, it could be that a given "non urban" territory is part of a broader LDS, but this does not qualify such a system as rural, since agriculture is not the key element of its contextual knowledge. In this case, agriculture is merely the "periphery" of non rural local systems (industrial, urban, etc.), though some agricultural activities are carried out.

Therefore, we can accept the following definition of a rural LDS: "A rural local development system (RLDS) is defined as a LDS whose social and economic environment is characterized by production and valorization activities based on the exploitation of renewable natural resources having a common territorial basis and that are the core of the system contextual knowledge" (Romano, 2000, p. 11).

It may be interesting to verify the possibility of existence of the analog of the industrial districts in the rural context, i.e. what Romano (2000) called "agricultural" and "agro-industrial" districts.

It is very hard to see how the former could exist. Indeed, recalling the non decomposability and indivisibility of agricultural production processes, it is clear that an agricultural district (AD, i.e. based on pure agricultural activities, that is without processing of agricultural products) cannot exist. The AD can only be thought as slightly more likely when "conventional" decomposability and divisibility of the agricultural process take place, as is the case when a market for some mechanical services develops and/or some animal husbandry activities are carried out.

However, since in reality agriculture is always associated to a certain degree of agricultural production processing, it is clear that from a practical point of view the AD category loses interest.

More interesting is the case of agro-industrial districts (AID). An AID exists whenever a RLDS is characterized by:

- a) decomposability and divisibility of the production processes,
- b) presence of many farms and agro-industrial firms,
- c) agricultural activities represent the core of contextual knowledge,
- d) most agricultural input to the agro-industry are local agricultural products.

The existence of an AID is more likely when agricultural and agro-industrial products have a high degree of tipicity.

6. HOW MANY AGRICULTURES ARE THERE?

The conceptualization of RLDS (and of its subsets, AD and AID) on the basis of context knowledge allow us to shed light on different phenomena that are happening in the Italian countryside. Let us provide some examples (Figure 1).

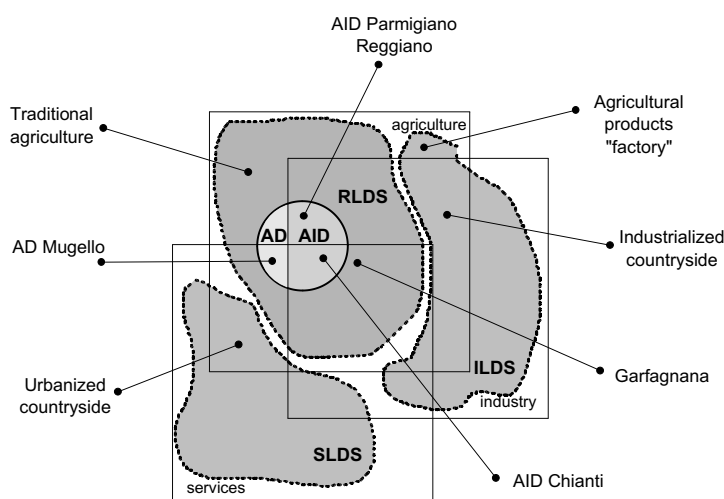


Fig. 1. Economic loci of different types of agriculture, according to the local approach.

The paradigmatic example of a RLDS is the Chianti region (Polidori and Romano, 1997). It contains all the characteristics of a RLDS: presence of contextual knowledge based on many natural resource-based activities (agriculture, agri-tourism, wine production, etc.), many production units (farms and firms) producing typical products (Chianti wine, Tuscan “nice landscape”, etc.) whose main inputs are strictly local, self-contained labor market, compact community fabric and stability of relations with time. Of course, the Chianti region is also an example of AID, since the thousands of small and medium enterprises are linked to each other by an inextricable network of supplier-client relationships, thanks to the decomposability of production processes.

It should be stressed, however, that not always AIDs show the complex of economic activities we can see in the Chianti region. This is the case of the Parmigiano-Reggiano cheese area, where although the contextual knowledge is based on agriculture and cheese processing uses only locally produced milk (Bertolini, 1988; Giovannetti, 1988) some activities are not present. For example, while the strong role played by the Chianti landscape in attracting tourists is clear, we cannot say the same for the Parmigiano-Reggiano area.

The presence of agricultural activities (and services of technical assistance to agriculture) characterize the example we propose as an AD: the Mugello area (Cianferoni and Cecchi, 1987). Here, the production system is made up by many animal husbandry farms, specialized in milk/meat production. In such a case the processing phase takes place outside the Mugello area, i.e. Florence milk processing plant and several slaughter houses outside the Mugello area.

Of course, there are examples of RLDS that are neither ADs nor AIDs. Again in Tuscany, this is the case of Garfagnana (Romano, 1989), where an intelligent institutional capacity building activity started by the Forest Service, has ignited a development process of valorization of local renewable natural resources (agriculture, forestry, agritourism, outdoor recreation, direct selling of locally processed agricultural products, etc.) without decomposability and divisibility of agricultural production processes (processing takes place only at farm level, using craftsmanship techniques).

On the other hand, there could be local production systems that are in a regressive phase, rather than a propulsive-one as is the case in standard RLDSs. This is true for most part of marginal Appennine areas, characterized by traditional organization of production, based on small peasant farms, that currently are not good examples of “development” and whose evolution could be either further marginalization or recovery (if they are able to exploit the opportunities offered by changes in consumption patterns, see below).

Now, a relevant question is the following: the agricultures that belongs to a RLDS, and *a fortiori* to an AD or AID, do they cover the whole spectrum of current Italian agriculture? It does not seem so.

Again, it is the concept of contextual knowledge that helps to classify other agricultural patterns which take place in “non urban” spaces as a consequence of joint action of both the structural transformation of the capitalistic mode of production and of new consumption patterns. There are, indeed, some local production systems in which some agricultural activities take place, but they are characterized by a non agricultural contextual knowledge: therefore, they cannot be classified as RLDSs, that is agriculture is part of a non-rural LDS.

For example, there are areas where agriculture is “modern” agriculture, characterized by a dependency relationship (both technologically and economically) with national and international non agricultural production sectors. Such areas are similar to an agricultural products “factory”, characterized by farms integrated in the food chain but lacking organizational autonomy. A good example of such an agriculture is the sugar beet farms of the Pianura Padana, whose existence and organizational pattern depends on the contractual arrangement with the sugar processing firms.

The same can be said about the so-called “industrialized countryside” (Becattini, 1975). The classical example is the Prato textiles industrial district (Cecchi, 1988), where the contextual knowledge is an industrial one and it determines external diseconomies to the farms. In other words, the “dissonance” between the socio-economic environment and agricultural activities is such that agriculture does not fit the complex of activities and functions that characterize the industrial district and the relationships between agriculture and other activities are therefore conflictual rather than synergic.

Lastly, also the so-called “urbanized countryside” does not conform to the rurality requirements as defined above, since it shows mainly residential functions and it is characterized by an urban contextual

knowledge which qualifies it as dependent development (geographical and economic periphery of urban centers).

7. HOW DO RLDSs CHANGE?

Local systems are neither static nor self-sufficient: they react to external stimuli and to internal evolutionary stimuli. Even more important, “The local system *must* continuously change its inner structure, in order to react to changes in the competitive environment. Its products, its processes, its relation to external markets, its organizational patterns of production-distribution are “condemned” to be continuously modified” (Becattini and Rullani, 1993, p. 31, emphasis added).

Let's therefore have a look at different typologies of RLDSs dynamics.

7.1. Different typologies of RLDSs transformations

Different typologies of LDSs transformations can be summarized as follows (Bellandi, 1994):

- “evolution”, typical of systems that are stable, viable and growing: the system's main production activity and its specialization sectors keep absorbing and orienting local production factors;
- “restructuring”, typical of systems where the system's main activity is substituted for some activities that used to be secondary: a new specialization sector grows and the specialization of the system changes;
- “metamorphosis”, typical of local systems whose form transforms into another LDS form, for instance the evolution of an industrial district into a growth pole or a network-firm.

An example of evolution is the dynamics of Parmigiano-Reggiano AID in the last decade (Figure 2), where production processes are “locally ruled for decades through a strict production code, finalized at obtaining a high quality product which valorizes the milk produced in the area. The system is made up of some 15,000 farms, 1,000 dairy plants and many seasoning and marketing firms. Restructuring took place in most dairy plants, with heavy changes in the organization of the production process, in plants' localization and in the involvement of Consortium members; even more important are changes on seasoning and marketing firms, which have been playing a crucial role, because of very high investments as well as changes in their inner organization” (Montresor, 1999, pp. 16-17).

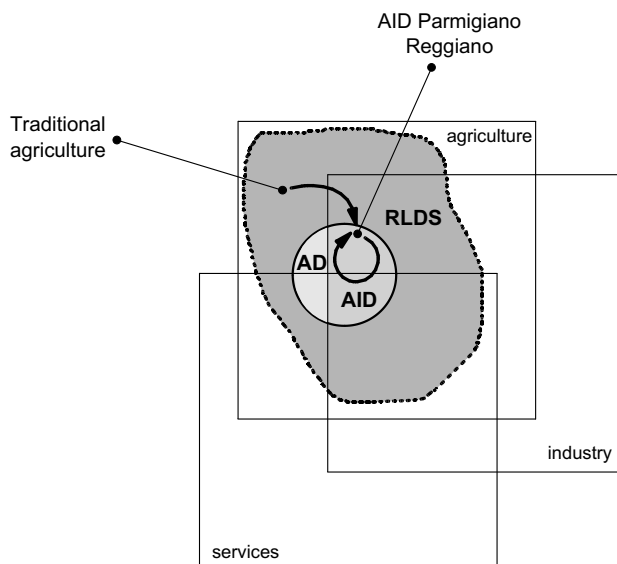


Fig. 2. An example of “evolution”: the case of Parmigiano-Reggiano AID.

Restructuring is typical of Chianti AID, that evolved from traditional agriculture to the current district form (Figure 3). Until the immediate postwar years, the local production system was an agricultural one, centered on the typical Tuscany *fattoria*, based on sharecropping contractual arrangements. The structural transformation of the economy and changes in consumption patterns brought about first a new

organization of the main production system - with the development of extra-farm wine-making activities - and more recently the agro-tourism boom (Polidori and Romano, 1997).

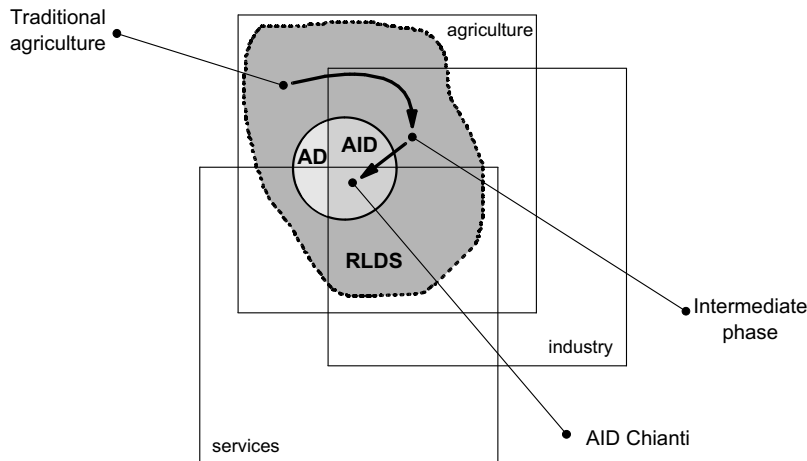


Fig. 3. An example of “restructuring”: the case of Chianti AID.

An example of metamorphosis change is the case of the poultry industry in Emilia-Romagna (Figure 4). Poultry industry in Emilia-Romagna is “characterized by a big firm and some medium enterprises (mostly cooperatives). Different segments of the poultry chain are not organized in a rigid vertical integration; many production activities take place on a putting-out basis, and the close intra-sectoral and inter-sectoral linkages determine the existence of a poultry district. Success determinants are the local job market, industrial relations, education system, local availability of advanced services, and collective action” (Montresor, 1999, p. 19).

In the eighties, some major changes in the poultry sector (oligopolistic power, cyclic over-production crises, changes in consumption patterns) reshaped the competition conditions of the local system and eventually determined the transformation of the leader firm in a global firm, accompanied by a metamorphosis of the local system which changed from district to industrial pole (Romano, 2000).

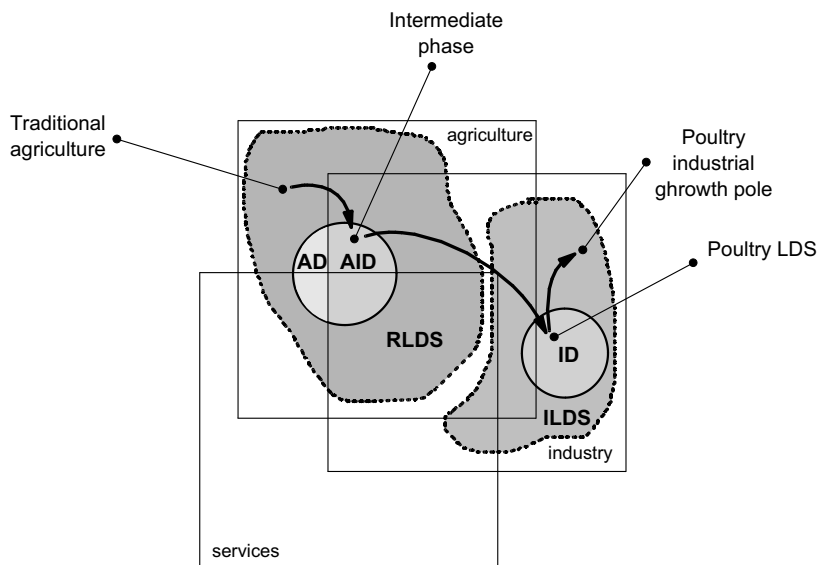


Fig. 4. An example of “metamorphosis”: The case of poultry LDS.

7.2. Critical points of agricultural change dynamics

Critical points of agricultural change dynamics can be summarized as two different situations: traditional agriculture and what we defined as “agricultural products factory”.

In the former case, the most likely path is the metamorphosis of traditional agriculture towards agricultural typologies within non-rural local systems, like the industrialized or urbanized countryside, or

even the complete abandonment of agricultural activities (Figure 5). This is the case of some mountain farms, managed by aged people and characterized by scarce or null market involvement and socio-economic marginality.

In this case there is only one chance for a positive evolution, i.e. the exploitation of traditional agriculture potentials. Broadly speaking traditional agriculture, being not touched by agricultural modernization, is based on very high quality natural resources and in some cases - as in the case of Garfagnana - it could be possible to ignite endogenous rural development processes (Romano, 2001). Such restructuring could be an intermediate phase towards a more evolved form, as in the case of the Chianti AID.

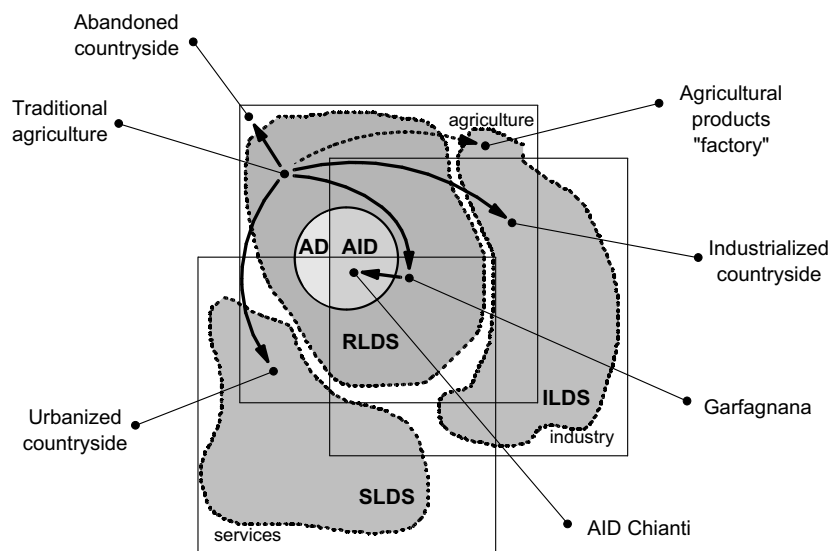


Fig. 5. Likely paths of the critical point "traditional agriculture".

The perspectives of the "agricultural product factory" do not seem positive (Figure 6). Their metamorphosis toward a RLDS, though possible in principle, are not very likely because of lack of conditions for the birth of a RLDS (high quality natural resources, compact social fabric, consistency between current contextual knowledge and that of a RLDS, etc.). They seem rather bound to play their competition game on a mere production cost basis, which forces them to adopt even more labor saving technologies. Likely outcomes could be either the survival of modern agriculture where the gains in terms of cost savings and/or income integration make it possible, or regression towards industrialized or urbanized countryside, not to mention the extreme of complete abandonment of agriculture.

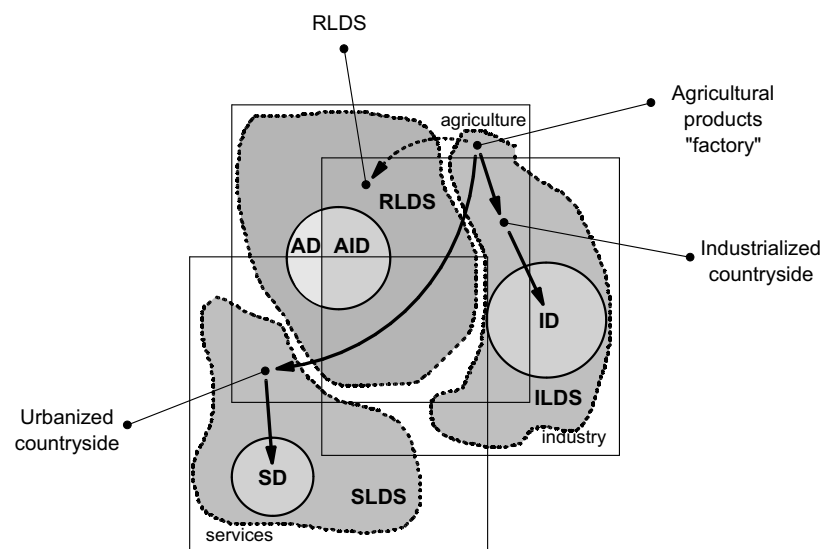


Fig. 6. Likely paths of the critical point "factory of agricultural products".

8. CONSEQUENCES OF ADOPTING THE REGIONAL/LOCAL APPROACH FOR THE ANALYSIS OF RURAL DEVELOPMENT

8.1. From static to dynamic competition: The concept of *milieu innovateur*

We have already stressed that, in order to comply with the ever-changing of competitive environment, the LDS has to change its inner structure. On the other hand, in order to make the LDS concept operationally useful, it is clear that some “permanent characters” of the system should be identifiable. Now, it is straightforward that what is “permanent” in the LDS dynamics is its innovative capability and the complex interplay which characterizes the LDS “atmosphere”. Both characteristics are subsumed in the concept of “*milieu innovateur*” proposed by regional economists (Aydalot, 1986; Camagni, 1994).

The concept of *milieu innovateur* can be viewed as “the dynamic counter part of similar constructs developed since the late seventies within the local, or bottom-up, approaches² (...). What is different and novel in the [*milieu innovateur*] approach is its focus on *innovation processes*, besides *local efficiency factors*: imitation and “technological creation” processes, rapid reaction capabilities, resources re-allocation from declining sectors and products to new sectors and products that use the same basic know-how, regeneration and restructuring of local production fabric when hit by an external shock” (Camagni, 1994, p. 28, emphasis added).

Schematically, any *milieu innovateur* can be identified according to the following indicators (Camagni, 1994, p. 48):

- an index of “local synergies”, which shows local innovation potentials, through imitation processes, local actors’ interaction, private-public partnership on services and infrastructures projects, interaction between research centers and potential adaptors, etc.;
- an index of “local innovation”, which represents all innovative phenomena that can determine economic development, like smithian division of labour, arrowian learning by doing and learning by using, marshallian externalities, etc.

Cross tabulation of such indicators yields four different situations (Figure 7):

- proper *milieu innovateur*, characterized by high level of both local synergies and local innovation;
- local innovation without local synergies, broadly referring to exogenous development patterns;
- lack of both local synergies and local innovation, that is no development; and
- high local synergies without local innovation, whom we can refer to as “potentially” innovative *milieu*.

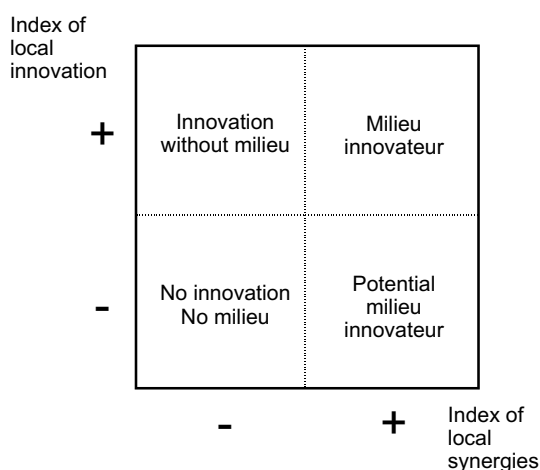


Fig. 7. Identification of *milieux innovateurs* (Source: Camagni, 1994).

² Among which we can recall the concepts of «industrial district» (Becattini, 1979), «local context» (Johannison and Spilling, 1983), «local production system» (Scott and Angel, 1987) and many others based on the ideas of «bottom-up development» (Stöhr and Todling, 1977), «indigenous potential» (Ciciotti and Wettman, 1981) and «flexible specialization» (Piore and Sabel, 1984).

This is useful from the point of view of policy design, since it allows us to identify two alternative strategies of local development (Figure 8): the first one is based on external innovation policies, that eventually integrate with the local social and production fabric (upper arrow), while the second one is founded mainly on the development of local synergies aimed at progressive upgrading of innovations and productivity (lower arrow).

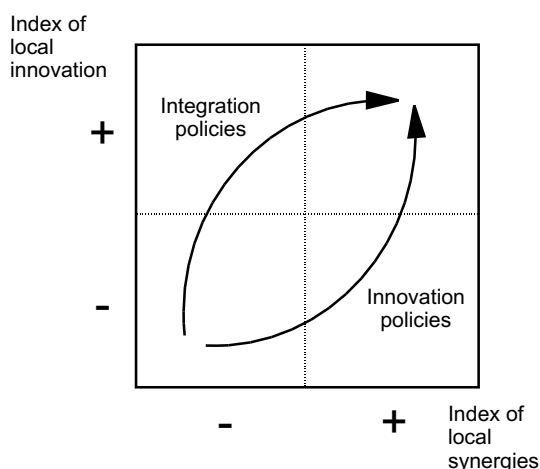


Fig. 8. Alternative strategies for local development policies (Source: Camagni, 1994).

The latter could be static as well as dynamic competitive factors, like efficiency, competence, flexibility, local innovation capability, local synergies, and linkages outside the local system. These factors can be considered specific objectives of local development policies: infrastructures and cultural policies, human capital policies, compensatory policies for flexibility (for example, when unemployment increases), internal integration policies (participation projects through collective agents and facilitators) and external integration policies (inter-regional cooperation projects), respectively.

Pursuing such policies means following four strategic paths (Camagni, 1994):

- a) integration of all policy instruments oriented to local environment: entrepreneurship, human capital, infrastructures, etc.;
- b) geographical selection of intervention areas;
- c) strengthening of already existing local know-how as well as of local production “vocations”, i.e. turning specificities into assets;
- d) signing cooperation and partnership agreements with firms and institutions of other regions, so that the local production system can capture the technological and organizational know-how externally.

This means focusing primarily on such cases that make maximizing of net benefits of a given intervention, that is focusing on potential *milieux innovateurs* and where there is innovation without *milieu*, enriching the local environment through competence- and innovation-augmenting actions or strengthening linkages between external production units and the local system, respectively.

However, a crucial role should be played by institutions, since the new competitive factors can hardly spontaneously emerge, because: a) radical changes (as the ones required by today's competition) are per se beyond the cultural horizons of the average small entrepreneur (i.e. his social culture and previous success stories seem inhibit his capability to understand how crucial innovation is); b) there are economic barriers that, by and large, inhibit the access of small firms to large scale R&D and marketing; c) new competitive generation factors (infrastructures, communication services, etc.) are, per se, beyond legal control of private actors (Bianchi, 1994).

Taking into account such a general picture, let us now try to draw some conclusions for agricultural policies within RLDs.

8.2. Consequences for RLDs policy design

Using the local development approach has proved very useful in discriminating among different phenomena which take place in the Italian countryside. On operational grounds, this means that

economic policies must either be tuned, if sectoral ones, to take into account territorial specificities or be completely re-designed so that any sectoral dimension should be turned into a local one.

Taking into account such considerations, let us examine some important questions of local development policies, with special reference to agriculture:

- a) the presence of many agricultures and, therefore, the need for diversified policies;
- b) the need for an *ex-ante* identification of intervention areas, so that policies may be properly addressed;
- c) the eligibility of RLDs for interventions.

8.2.1. Many agricultures, many policies

The main conclusion of adopting the regional/local approach is that there are many agricultures that require different policies, according to their own characteristics. A first partition of the agricultural universe is the one between RLDs and non-rural LDSs.

In the first case rurality, which can be highlighted through the existence of rural contextual knowledge, represents one of more significant phenomena of current capitalistic restructuring in the countryside. Here, the most important feature is the intersectoral integration of activities within the local development system: this means that sectoral policies are not suitable, and more general intervention policies are required, like the ones for local or rural development.

This is precisely what the EU has proposed, acknowledging the lack of coincidence between rural areas and agriculture: what used to be “rural areas” are now subsumed under the “regions with structural problems” category, i.e. the current phase is a transition phase from the old rural development policy to socio-economic cohesion policies.

If agriculture in the RLDs does not pose concern, more critical is the situation of other agricultures. The more critical points are traditional agriculture and the industry of agricultural products, which corresponds to a potentially innovative *milieu* and to an innovative environment without *milieu*, respectively.

The former needs policies aimed at upgrading traditional agriculture towards further production differentiation of the system, through the valorization of potentials derived from the use of (high quality) natural resources. The latter a possible strategy is the strengthening of forward linkages within the agro-food chain, aiming at valorizing local agricultural products. Of course, this is not an easily transferable strategy: it is a valid option only for those situations where agricultural products whose quality can be effectively exploited are present.

On the contrary, where such a strategy cannot be pursued, it is very likely that the final stage is one of industrialized or urbanized countryside: in these situations agriculture will be taken into account only within other policies if and only if it is consistent with the objectives of other policies (industrial, urban, etc.).

8.2.2. The issue of identifying RLDs

Any policy needs an *ex-ante* identification of the area upon which it should operate, that is, operational criteria aimed at identifying RLDs are needed. Usually, Italian as well as EU institutions use the so-called “local labor markets” as proxies for RLDs. We do not think this is sound practice because such a proxy is better suited for manufacture LDSs and they do not fit very well with the RLDs, typically pluri-sectoral, characterized by integration and complementarity among different economic activities, i.e. the production specialization is not a good indicator for such systems.

Moreover, the “local labor markets” are based on static indicators, and they do not grasp the inner dynamic meaning of the *milieu innovateur*. Therefore, proxies for local innovation and local synergies should be sought.

Another important issue is the level at which such a proxy should be evaluated, since those proxies can only be relative to a given context. We think that these indexes should be evaluated at regional level, since: (i) there is a high variability at national level and, therefore, assuming a national average as benchmark is useless, and (ii) the institutional architecture of Agenda 2000 assigns to Regions a key role

in the articulation and consistency between the primary subject of programming (and its objectives) and the intervention area.

8.2.3. Are RLDSs eligible?

Last but not least is the issue of eligibility, that is, are RLDSs the right counterpart and target of economic policy? We think that the characteristics of RLDSs, or better the community living in a given RLDS, can make explicit an economic policy demand suitable to represent the needs of the area.

However, such conclusions cannot be maintained for other agricultures (i.e. the ones outside RLDSs), where interests of different social groups are highly diversified, if not conflictual. So that it is very hard to find something that can represent competing interests: this calls for strong political mediation, spatially articulated, between local demands and central supply.

So decentralization and governance are the two keywords of these situations, which means strong economic programming, mainly as coordination attempt among local demands rather than as planning acts.

The very last issue refers to the place where “to locate” the RLDS within the articulation of public interventions, in other words, is a new institutional level needed? The Italian experience (L.n. 317/91) can be judged using the words of the father of industrial districts literature, Giacomo Becattini, who argues that “an unprepared and ill-disposed policy-maker like the Italian one [allows] the industrial district be an industrial policy target chaotically juxtaposed to the traditional ones” (Becattini, 1993, p. 101).

This must be avoided. There are objective difficulties that do not help the creation of a new institutional level, the RLDSs.³ Again, it seems that the regional level, if sufficiently flexible, can take properly the demands stemming from RLDSs into account.

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³ Examples of likely conflicts can be represented by the following questions: (i) which relationship will the new institutional level have with the so-called contractual programming (area contracts, territorial pacts, program contracts, etc.)?; (ii) which relationship with Regions, Provinces, etc., after the so-called Bassanini Law?; (iii) which relationships with other already existing zonings (EU structural funds, mountain and disadvantaged areas, etc.)?

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