

## Chapter One

# Introduction: Growth, Inequality and the Territorial Division of Labour

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### **Areal Differentiation and Development Models**

Italy is a country with long-standing and deep-seated regional inequalities. Until the 1980s, most attention was paid to the development divide that separates the Mezzogiorno from the centre-north (Figure 1.1 noting that the Mezzogiorno comprises the southern regions of Abruzzo, Molise, Basilicata, Puglia, Campania, Calabria, Sicilia and Sardegna and, in some definitions, the south of Lazio and Figure 1.2 which identifies the underlying relief including the Alps in the north, the Po valley and the Appenine chain which stretches through the centre of Italy). Of course there are differences within each territorial entity no matter how small it is, and every place is ultimately unique. The reason for grouping places into regions and making generalizations about them is that, in spite of their differences, the places grouped together have certain characteristics in common. The areas comprising the Mezzogiorno, for example, all shared characteristics of economic backwardness, even if economic structures, the degree of backwardness and the particular causes of relative underdevelopment differed.

In 1977, the publication of Bagnasco's *Tre Italie (Three Italies)* resulted in a further distinction between the metropolitan economies of the northwest and the rest of the centre-north (centre-northeast). The northwest was made up of four regions: Piemonte, the Valle d'Aosta, Lombardia and Liguria. Centred on the three cities of Turin (Piemonte), Milan (Lombardia) and Genoa (Liguria) that comprise the apexes of Italy's industrial triangle, these areas were the heartland of Italy's largest industrial enterprises. The centre-northeast, or Third Italy, conversely was made up of regions that were more rural, whose leading urban centres were smaller and which were characterized by economies in which SMEs played a larger role (Trigilia, 1992; Garofoli, 1991; Becattini, 1990).

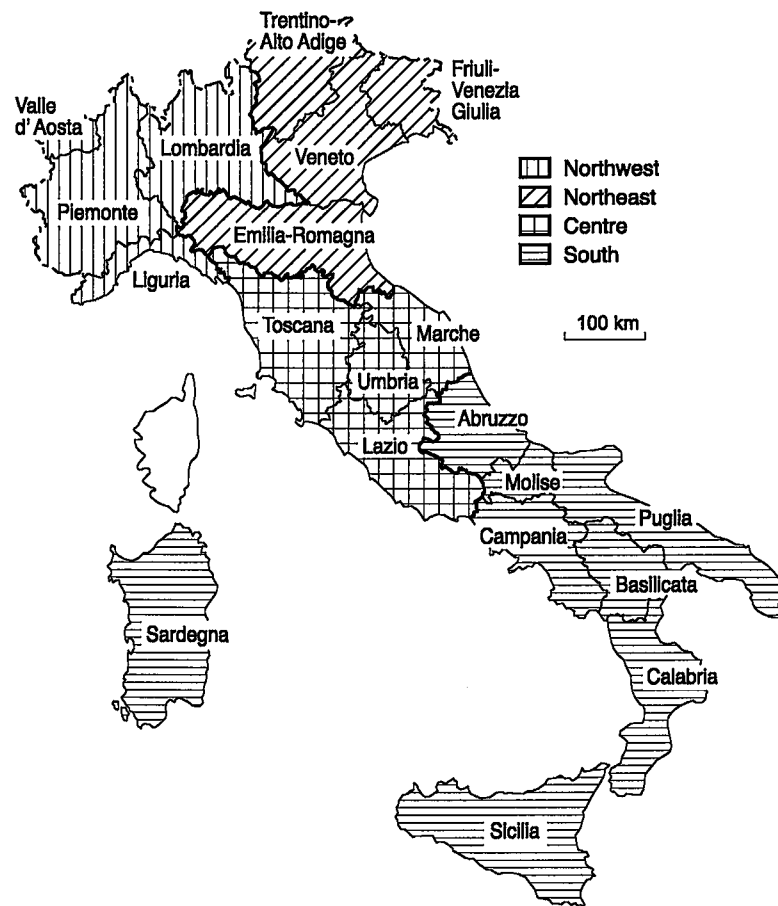


Figure 1.1 Italy's territorial units and regions.

The distinction between the Three Italies is evident in Figure 1.3. This figure records demographic growth on the horizontal axis and manufacturing jobs per resident on the vertical axis for the Census years from 1951–2001 for ten groups of regions. The groups comprise regions with similar trajectories. All three metropolitan areas in the northwest (Piemonte, Lombardia and Liguria) started out with a large number of manufacturing jobs per resident. The centre-northeast had a moderate share, while the Mezzogiorno and Lazio had a small share. The metropolitan areas saw significant population growth until 1971 or 1981 but then decline set in. The areas of the Third Italy, conversely, saw very limited population growth but very strong increases in manufacturing jobs per resident. In the



Figure 1.2 Italy: main relief.

south, several distinctions can be made. In a number of small regions that initially lost population, there was significant manufacturing job growth. Calabria lost ground marginally on both indicators. The regions containing the large cities of Naples and Bari, the islands and Lazio saw strong population growth but relatively small increases in manufacturing jobs per resident.

As further regional differences were identified, additional geographical distinctions were made. The Third Italy was itself divided into the anticlerical and socialist/communist 'red' provinces of central Italy and

Manufacturing jobs per '000 residents, 1951–2001

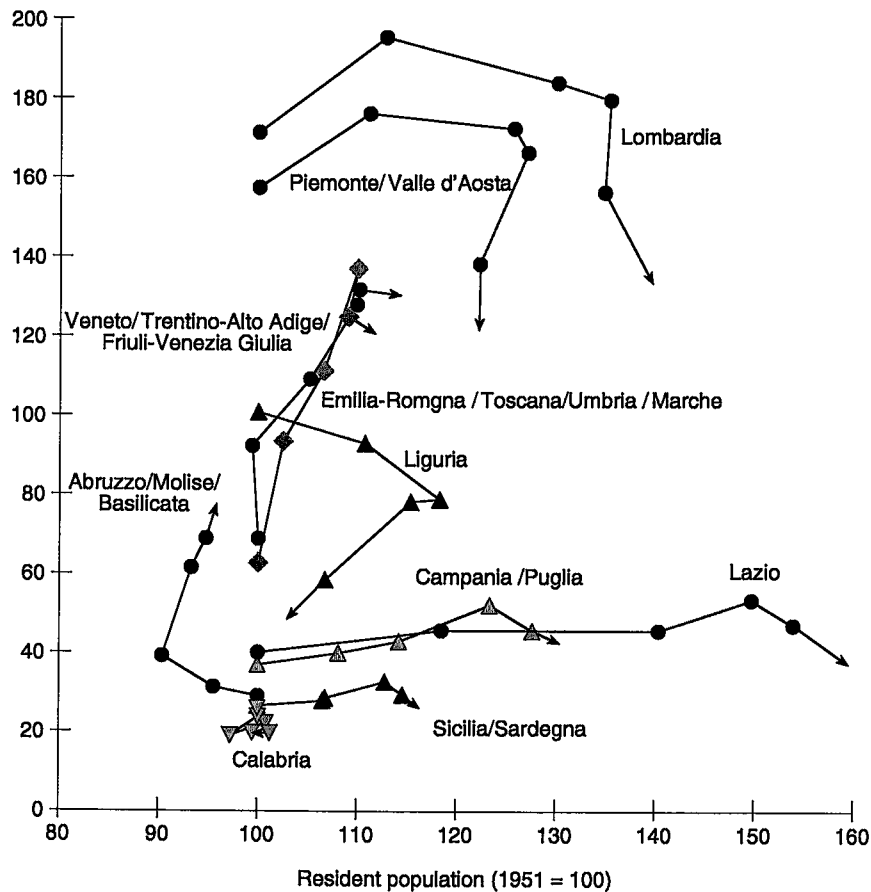


Figure 1.3 Manufacturing job and population trajectories, 1951–2001.

the formerly Austrian, Catholic 'white' provinces of the northeast. Areal differentiation was also discovered in the Mezzogiorno. Arlacchi (1983), for example, identified three Calabrias: an area of great estates and class conflict in the area around Crotone; an area of small, self-sufficient peasant farming around Cosenza; and a zone of export-oriented citrus fruit farming controlled by Calabria's traditional Mafia around Gioia Tauro. Other distinctions cut across these divisions: as the district model of small-scale entrepreneurship and flexible specialization took hold in formerly weakly industrialized areas along the Adriatic coast, Fuà (1983), for example, identified the Adriatic Way.

The identification of these areal differences was closely associated with successive analyses of Italy's remarkable modernization after World War II (WWII). In the 30-year Golden Age (1945–75) Italy, along with other relatively developed capitalist economies in Europe, east Asia and countries settled by Europeans, experienced unprecedentedly fast economic growth. Average growth rates were fastest in a series of initially less-developed economies, of which Italy was a striking example. As a result these less-developed countries started to catch up with the world's leading economy (the United States) and other initially more-developed countries. High rates of growth coincided therefore with strong economic convergence. In the mid-1970s, however, the situation changed. After a sharp and generalized decline in profitability that started in the mid-1960s, average growth rates declined. Although they increased in the late 1980s and in the years from 1993 until the aftermath of the economic crises of 1997–8 and the fin-de-siècle collapse of the new economy bubble, rates of growth remained comparatively low for the next 30 years.

In this context of slower growth, the rise of the Third Italy had a major international impact. One reason why was that the relative dynamism of the regional economies of the centre-northeast enabled Italy to resist the growth slowdown to a greater extent than other capitalist (mixed economy) metropolises until the early 1990s. In retrospect it is clear that the rise of some of these regional economies antedated the turning point that occurred in the mid-1970s. What struck observers, however, was the fact that the regional economies of the centre-northeast grew quite rapidly, as the metropolitan economies of the northwest lost momentum, and as the south stagnated and came to be identified with economic inefficiency, corruption and crime.

A great deal of attention was subsequently paid to these models and their role in shaping Italy's performance in the 1970s and 1980s. As well as the literature on the Three Italies, there were studies of Italy's industrial districts (Garofoli, 1991; Dei Ottati, 1995), and of the models afforded by particular regional economies, such as the classic Emilia-Romagna model. In political science, the thesis of Putnam, Leonardi and Nanetti (1993) concerning the role of civic cultures in shaping economic performance was originally developed in relation to the sharply contrasting economic performance of the centre-north and the Mezzogiorno. This research stimulated a large literature on the role of social capital and 'good governance' and their implications for the destinies of different economies. In the 1990s the resulting regional cleavages played an important part in reshaping the Italian political scene, especially with the rise of the LN as the representative of the northern petty bourgeoisie (Agnew, 2002).

The second reason for international interest in the Third Italy lay in two arguments advanced by Piore and Sabel (1984). The first was that the

growth slowdown was associated with a crisis of the Fordist industrial model (defined as mass production of standardized goods with dedicated machines and unskilled workers). The second was that the developmental success of the Third Italy was a result of a model of industrial development that offered an alternative to the mass production system and a way out of the crisis of Fordism. Markets for mass-produced goods, they argued, were saturated in advanced countries, while consumers were interested in goods that were more diversified and had a higher design content. In this situation smaller, more flexible and specialized enterprises, that made more diversified goods and services, with skilled craft workers and flexible equipment, had a competitive advantage. (At the same time the instability of demand gave integrated systems of highly specialized and adaptable SMEs, without major overheads, advantages over large firms). Piore and Sabel argued that the combination of a demand-side response, in the shape of customized products and changes in product mix, and a supply-side response, in the shape of the employment of skilled workers and flexible machines, amounted to the re-emergence of a craft model of development that they called 'flexible specialization'. In Italy, West Germany and Scandinavia, they argued, specialized industrial districts and regional economies made up of networks of such SMEs and supporting local collective services and community networks were dynamic and successful. The success of these areas offered, they continued, the prospect of the end of mass production, its replacement by a model of 'flexible specialization', a reconsolidation of regional economies as integrated units of production, and the creation of a new post-Fordist world. Indeed, they argued, if development does finally proceed along this path, the 1970s and 1980s will be seen in retrospect as a major turning point in the historical process of industrialization: whereas the nineteenth century saw mass production destroy craft production, the 1980s may represent a second industrial divide in which industrial societies started to abandon mass production and returned to nineteenth-century craft methods.

In the wider geographical literature there were parallel developments. On the one hand, some research concentrated on the economic foundations of agglomerated economic activities in traditional sectors as in the Third Italy and in innovation-oriented new technology industries. In this research emphasis was placed on the role in local development of the geography of economic transactions (Scott, 1988) and the supply-side determinants of creativity, knowledge, innovation and learning (Castells and Hall, 1994). On the other there was a development of region-centred approaches to local economic development. These approaches emphasized the socio-institutional and associational foundations of regional economies and, in particular, of those considered successful. Offering explanations of economic performance that rely primarily on institutional factors (Amin and

Thrift, 1994), these studies paralleled the Putnam thesis on the centrality of the cultural/institutional determinants of economic action. Called the new regionalism, and associated with the subsequent 'cultural turn' in economic geography, this research enabled economic geography to widen its vision to include cultural and institutional dimensions of economic life. In doing so, it added to earlier 'structuralist' explanations of regional uneven development, including political-economy approaches, which had overemphasized economic causes, and were too deterministic, paying insufficient attention to social and political action (Hudson, 2003). The institutional and cultural foundations of local and regional economies do shape the possibilities for, and impose constraints on, development. They also help explain, for instance, why economic activities agglomerate and grow in certain places rather than in others. A paradoxical consequence of this approach is, however, that some economic geographers have increasingly downplayed the significance of the economy in their own field (Martin and Sunley, 2001). Although culture and institutions are important dimensions and determinants of socioeconomic activity and development, they are not the only determinants, nor are they usually the most important. As Sayer (1997) argued, economic forces are especially important in contemporary life. The importance of economic analysis should not therefore be underestimated.

The new economic geography of the economists (henceforth called, after Martin and Sunley (2001), geographical economics) offered yet another way of seeing the processes that shape economic landscapes. Within this tradition, emphasis is on the interaction of economies of scale, input-output relations and markets in creating economic agglomerations. The models associated with this tradition have, however, several limitations. From a conceptual perspective, these models extend the formal mathematical modelling of early location theory to develop equilibrium solutions to new maximization problems. All are essentially concerned with the allocation of resources, or with the long-run supply side determinants of growth and development. What these models assume is a smooth and automatic process of adjustment to economic shocks: resources released as a result of structural change are quickly re-employed. Although the starting point is profit-seeking enterprises, the underlying concepts of corporate strategy and of the relevant external environment are narrow ones, while the derived economic landscapes are abstract and highly simplified (see Chapter 2 and Perrons, 2004). Not surprisingly, these models do not ask whether different/similar mechanisms of growth operate differently/similarly in different regions. Essentially, these approaches neglect the significance of the characteristics of real places and the place-specific characteristics of growth and development. Whereas the new economic geography gives too much weight to the cultural/institutional determinants of economic action, the new

geographical economics pays too little attention to the specific characteristics of regional economies and the significance of institutional and cultural factors in shaping economic landscapes.

### **After the Three Italies**

In the last section we identified several sets of ideas that drew attention to, and helped explain, certain overlooked and/or emerging realities in Italy. In addition, we indicated that these ideas were of wider international significance. More specifically, three developments were highlighted. First, the literature on the Three Italies identified aspects of areal differentiation that had been overlooked and that were of increasing national and international importance. Second, the literature on flexible specialization and industrial districts identified an increase in the importance of a model of industrial organization involving small-scale industries in semi-rural and small-town environments in the centre-northeast of Italy and elsewhere in the developed and developing world. Third, region-centred approaches, drawing on earlier work on industrial districts, were thought to offer ways of explaining the structure and trajectory of these areas.

At an early stage, however, the generality of the flexible specialization thesis was challenged. In many sectors, it was argued, mass producers can take advantage of flexible production techniques, and oligopolistic groups will dominate the scene. As Coriat (1991) showed, to succeed flexible specialization requires that economies of scope are greater than economies of scale. This condition will hold if overall demand is static, and if demand is irregular, or products are subject to rapid obsolescence. In these conditions, an enterprise that can change almost instantaneously from one product to another will have the edge over one that seeks to realize scale economies. Furthermore, in the conditions of monopolistic competition that characterize these sectors, the more dynamic, flexible firms can actively pursue strategies of product differentiation so as to maximize monopoly rents. Strategies of flexible specialization offer, therefore, not a new macro-economic model of development but a principle for success in certain conditions of demand and competition. The model is in fact most appropriate in particular sectors (manufacture of clothes, knitwear, textiles, ceramics, and shoes where fashion and/or seasonal factors lead to rapid product changes), in conditions of unequal income distribution, and in economic conjunctures in which instabilities predominate. Indeed, argued Coriat, its orientation towards elite markets and its monopolistic character qualify the ideal properties its advocates attribute to it.

Similarly Bagnasco and Oberti (1998) were able to point to the existence of several worlds of production (see also Bagnasco, 1977; Storper and



Salais, 1997). One of these worlds was centred on the SME systems that grew from the 1960s onwards, mainly in parts of centre-northeast Italy outside of the main areas of modern industry. Characterized by strong trade, craft and sharecropping traditions, high rates of family saving and a dense tissue of small towns, these areas saw a strong development, across three decades, of microenterprises in traditional industries, and sometimes of related machine tool industries. These SME systems were a result of several mechanisms: a residual mechanism involving the survival of SMEs in segmented markets where there was little competition from modern enterprises; a specialization mechanism involving concentration on traditional activities where scale economies were relatively unimportant; and a diffusion mechanism involving a decentralization of employment to escape social protection legislation and the industrial conflict characteristic of large plants. The world that resulted survived and prospered in the shadow of the Fordist industries in the northwest and the underdeveloped and subsidized south.

A second was the world of large-scale industries which were restructured in the 1980s and 1990s. Although this transformation enabled some of them to retain their economic importance, a sharp decline in direct employment reduced their direct impact on society and its class structure. In these sectors fixed capital investment remained large, requiring organizational stability and a foreseeable future. In the absence of these conditions, short-term profitability was difficult to achieve.

A third world was associated with a diversified service sector. This sector included traditional activities that were modernized but in which significant self-employment survived, and a more dynamic set of information, communication, entertainment, advertising, leisure, health, education and financial services. In these sectors organizational structures and economic logics differed profoundly in particular from the world of large-scale industry. Fixed capital investments were small, while production was of immaterial goods. Enterprises were flexible and could adapt rapidly to market fluctuations. For simple tasks, these enterprises employed part-time workers or staff on fixed-term contracts. For professional work, individualized semi-professional relations were preferred. In these circles, what prevailed was a market logic that prioritized short-term profitability and a culture centred on *laissez-faire*, individualism and speculation.

SME systems were in other words just one of several worlds. In the conditions prevailing in the 1970s and 1980s this world was one that achieved dynamic growth and played a leading role in sustaining Italian economic expansion. As a result, it did warrant special attention, but not to the exclusion of other worlds.

The importance of transcending existing concepts of the Three Italies stems not just from the existence of other worlds of production. As early as

the 1980s, it was also evident that the development path of which flexible specialization was just a part was going hand in hand with sharp increases in territorial inequality. In Italy, after 1974, there was a reversal of earlier processes of convergence and catch-up, which could also be observed more widely in the capitalist world: successful regional economies were rewarded and strengthened, while unsuccessful economies were discouraged and relatively weakened, always on the grounds that the result would be a faster increase in aggregate wealth than a more equitable model of development would offer. Surprisingly, the geographical literature, perhaps due to its region-centred approach, had moved away from the study of unequal economic development, socioeconomic inequalities and the role of power relations in shaping the space economy. Within economics what prevailed were, until recently, expectations of convergence that were difficult to reconcile with the reality of widening inequalities. A major feature of the economic geography of Italy and the developed world was, accordingly, either overlooked or not explained.

The significance of the uneven development of different worlds of production has increased in recent years. One reason why is that, after three decades of growth, the relative economic performance of the Third Italy deteriorated sharply, as did that of Italy as a whole. At the root of these growth slowdowns were the interaction of specialization in the traditional 'Made in Italy' sectors, a changing external environment and changed conditions in areas of growth. As far as the external environment was concerned, three factors were important. First, globalization and political and economic transition in the former Communist world resulted in the emergence of new competitors. Second, the growth of demand remained weak. Third, the fixing of Italy's exchange rate relative to those of other Euro zone countries prevented further devaluations. As a result, one of the main mechanisms permitting the adaptation and development of the 'made in Italy' industries was closed off. Alongside these external factors there were several internal factors. First, the adaptive capacities of SMEs were limited by their small size, limited research and development and limited access to external finance. Second, congestion and other external diseconomies had a strong negative impact on company performance, while collective efforts to support innovation, training and knowledge-related activities were not sufficiently effective. Third, a number of social factors that had played a major role in aiding industrial development were under strain. One was the erosion of traditional family solidarities. Another was the expansion of education which made the young reluctant to follow in their parents' footsteps. As a result, there were labour shortages and problems of entrepreneurial succession. In these circumstances, the adaptation and survival of districts requires a profound transformation of the district model. At present, one of the main responses is for individual

enterprises to delocalize tasks to CEECs and SEECs. As a result, the enterprises that lack the resources required to internationalize are abandoned. If, however, entire districts are to survive, what are required are the internationalization of entire SME systems and a strengthening of their presence on international markets (Bersani and Letta, 2004).

Accounts of the Third Italy should be seen, as they were in Bagnasco's study, as just one part of a more systematic account of the structure and development of the space economy. A more systematic account requires a consideration of the interdependence of multiple worlds of production and the relationships between development and underdevelopment. A view that we shall defend is, accordingly, that, instead of a single path of modernization and development, there are multiple, interdependent, changing and context-dependent pathways, and that, alongside mechanisms that equalize development, there are mechanisms that make it more unequal. More radical versions of this second thesis suggest that in capitalist societies development and underdevelopment are two sides of the same coin (Hymer, 1975). An implication of this second set of ideas is that the central object of analysis should be the shifting map of areal differentiation and the shifting mosaic of uneven development.

In recent years, a shift of attention has started to occur as the relative fortunes of different parts of Italy have changed. Amongst other developments, there was a renewed focus on the south. A number of new empirical studies concentrated on southern industrial districts. Centred on traditional craft activities, some of these areas achieved remarkable growth (see Cersosimo and Nisticò, 2001; Viesti, 2000; Meldolesi, 1996). To contest the simple opposition between a successful Third Italy and a uniformly stagnant south, economists, geographers and sociologists were able to re-emphasize the fact that the Mezzogiorno manifested striking internal differences. Areas of economic crisis and slow growth coexisted alongside dynamic industrial districts, specialized primarily in export-oriented manufactures (Trigilia, 1992). At the same time, some critical voices considered the enthusiasm that the identification of areas of growth in the south generated as excessive and as overlooking some of the critical problems southern development confronted. More generally it was clear that improvements in the relative economic performance of the south during the second half of the 1990s were due to the fact that national economic stagnation had a smaller impact on the Mezzogiorno than on the centre-north. Nonetheless, the Mezzogiorno is again a widely debated topic. As Petruszewicz (2001: 63) recently argued:

The changing Mezzogiorno, the Mezzogiorno at work, Apulia's tiger economy, Basilicata's administrative efficiency, the cultural revival, the 'Bassolino phenomenon', Gioia Tauro harbour: these are the terms that begin, just

begin, to sketch out a new discourse on the Italian south. Southern municipal administrators – Antonio Bassolino of Naples, Gerardo Bianco of Catania, Leoluca Orlando of Palermo, Giacomo Mancini of Cosenza – are national figures and constitute a leading component of the new movimento dei sindaci (mayors' movement). The winner of the Nobel Prize for literature, Dario Fo, says he prefers Naples to Milan, because the former invests in culture, while the latter invests in the fashion business. . . .

The so-called new meridionalismo ('southernism') of the 1980s and 1990s, in an abundant and lively literature, has questioned many stereotypes and commonplaces in the Mezzogiorno's history, sociology, anthropology and economy. An even newer revisionist wave is provocatively tackling the questions of southern identity . . . , 'civicness' . . . , culture . . . , and economic dynamism . . . . Much of this scholarship makes use of new methodological approaches – orientalism, discourse analysis, deconstruction – contributing in the process to the rejuvenation of Italian social sciences.

### **A New Economic Geography of Uneven Development**

Accounts of the Third Italy and of flexible specialization always were partial accounts of economic and social reality. These aspects of reality were, however, given special emphasis as they were thought to point towards a new economic order. The world that these discourses sought to explain has, however, changed, while some features of the old world including the combination of relatively slow growth and increasing inequality were overlooked. In this situation, the challenge that arises for geographical scholarship is to describe and explain the coexistence of sharp cyclical movements and relatively slow average growth, of remarkable economic modernization alongside relative stagnation, of shifting patterns of areal differentiation and of changing trends in social and territorial inequality in a changing international geopolitical context (for one attempt see Perrons, 2004). Involved is a shift in geographical perspectives on industrial change and regional development. Such a shift is made possible by the scope for synthesizing elements of different approaches that have emerged in recent years, in the belief that the complexity of the phenomena under investigation requires an approach that recognizes the complementarity of different narratives.

Accordingly, the first aim of this volume is to offer a way of synthesizing elements of existing narratives precisely to develop new ways of analysing the shifting geographies of economic and industrial performance. Empirically, we shall analyse the changing trajectories of Italian regional economies relative to the rest of the European Union, the changing position of Italian enterprises in European and international divisions of labour and their impacts on Italy's regional economies. The aim is to demonstrate that

variations in regional development are the outcome of complex and geographically differentiated politicoeconomic processes. More specifically, our aim is to identify the connections between comparative regional development, the underlying territorial division of labour and the mechanisms that shape them. The approach adopted considers the firm as the central economic actor in explanations of industrial change. Considerable attention is also paid, however, to the impact of a firm's environment. One aspect of this environment is a firm's network relations with other firms. Networks exist at a regional level. In contrast to the new regionalism, however, the approach adopted in this volume pays greater attention to the embeddedness of firms in international networks. In addition, whilst emphasizing the fundamental profit-seeking nature of enterprises, it recognizes that an institutional environment also affects corporate economic performance, and that this institutional environment comprises not just other firms but also a set of institutional, political and cultural conditions (Usui and Colignon, 1996; Powell and DiMaggio, 1991).

A second aim of this volume is to suggest that what has to be explained is the coexistence of increases in wealth, shifting trends in inequality and profound and interdependent contrasts in territorial development. Commencing at a macroeconomic scale, the aim is first to measure growth and trends in regional inequality. These trends in growth and inequality are the aggregate result of the changing trajectories of Italy's regional economies and of their underlying development models. Making sense of the whole requires, therefore, a study of the parts, where the parts include not just the district and flexible specialization model of the Third Italy but also the mixed fortunes of Italy's metropolitan economies, the recent upturn in relative development, after years of falling behind, of the Italian south, and the striking internal differentiations within the south that separate growing districts from earlier poles of development. The next step, however, is to disaggregate what is happening at a regional scale and to examine the impact on relative development of the changing social and territorial division of labour and the changing position of Italian enterprises located in particular regional economies in European and international divisions of labour. Most attention will be paid to large industrial corporations and to capital- and technology-intensive industries, including the remarkable reshaping of Italy's economic landscape as a result of the privatization of the state holding companies (PP.SS). One reason why is that little recent attention has been paid to these sectors, although it must be emphasized that the examination of particular industries is designed primarily to illustrate a method of analysis of more general applicability.

Connecting microevolutions, regional development models and wider trends is important as it makes it possible to place the former in context and to reveal the variety that the latter conceals. This task is a difficult one.

There are, however, ways of making progress. What part does the evolution of an industry play in creating the aggregate wealth of a locality? That question can be answered by disaggregating aggregate trends. Aggregate trends in relative development are ultimately the sum of millions of often strongly differentiated, place-specific, microeconomic changes or constancies. Aggregate trends, reflected in aggregate data, are in other words the result of the underlying changes/inertia in the social and territorial division of labour that result from millions of actions of varying size and impact, although the speed and direction of change of the latter are affected by interaction effects and the system-wide results of adding up the parts. These underlying changes involve the destruction of the old, the rise of the new and the associated changes in social and territorial inequality. As we shall show, a new international division of labour is emerging. Old industries that paid high wages to relatively unskilled people are subjected to strong cost competition, move offshore or go to the wall. New industries and new technological and organizational models provide high incomes for symbolic analysts (Reich, 1991) most often in rich areas. New low-paid services create jobs for a large tranche of people (including immigrants) who work but are poor. To these changes one could add the erosion of the status and rewards of welfare professionals/public administrators, although it is not dealt with in this volume. To put it another way, trajectories of accumulation and their impact on the changing volume and composition of the demand for labour and the rewards paid for different kinds of work play a key role in explaining trends in comparative development.

After identifying the ways in which a particular sector is expanding or contracting, detailed analysis of its components can be carried out to see to what extent what is happening to the parts is the same as what is happening to the whole and can help us understand it. What are the parts? In this volume the parts are the enterprises. Instead of the territorial entities of the new regionalism, the point of departure is the profit-seeking firm. The approach will differ, however, from that of methodological individualism. Attention will be paid, insofar as the individual enterprise is concerned, to a combination of value chain approaches to upgrading and analyses of locational behaviour. Actions also depend, however, on the systems of which actors are a part. Emphasis will accordingly also be placed on the nature and role of the context of action set by interfirm relations and firm-political/cultural environment relations and governance mechanisms. Qualitative and quantitative case-study material from the ESRC research project and the authors' other research will help in this respect. As Sayer and Morgan (1985:153) argued, 'by looking at firms in . . . causally relevant [contexts] . . . and examining what they actually did, the logic or structure behind . . . [seemingly] . . . inexplicable patterns in the aggregate data becomes clear'. A similar point was made by Hudson (2003:745) when he

wrote that 'the precise effects that . . . [broad structural relations] do or do not have are contingent matters and must be revealed by careful, theoretically-informed empirical research, typically via an intensive case study (of factories, firms, or regions, for example)'. In the spirit of these arguments this volume will show that the decision-making processes of companies depend on a complex interaction of principally economic but also political and cultural factors at a range of scales.

Although developed in relation to Italy-centred evidence, and concerned to provide new insights into Italian development, the result will be of wider significance. In particular, this volume aims to provide (1) a new way of conceptualizing industrial change and regional development, that synthesizes some of the major insights of recent research, (2) a way of connecting aggregate/meso trends with micro developments and (3) a framework applicable to the analysis of place-specific change in other parts of the world.

### **The Structure of the Book**

After an account in Chapter 2 of recent theories of comparative development and territorial economic organization, Chapter 3 presents a conceptual framework for the analysis of regional economic performance and the changing social and territorial division of labour. Chapter 4 documents trends in economic growth and inequality in Italy. Trends in inequality have received far too little attention in the geographical literature on the new regionalism, yet increased inequality is paradoxically a major feature of the new economic geography. At this stage attention must also be paid to the changing contours of the Italian political scene and Italy's political economy that were instrumental in shaping recent trends in growth and inequality (Chapter 5). The next step is a disaggregation of these trends in order to identify the performance of individual regional economies and of some components of aggregate demand (Chapter 6) and the contribution to regional performance of particular industries (Chapter 7). An important aim of Chapter 7 is to start to explore the relations between regional performance and industrial/firm performance. To this end a disaggregation of regional performance into its sectoral components is complemented by an initial analysis of industrial performance and its regional impacts.

At this point, we had already started to concentrate on certain industries, regional economies and economic zones. The first decision was to use two industries to exemplify the approach we propose: the motor vehicle and chemical industries. The second was to examine their restructuring in four intersecting worlds: core EU Member States in which Italian goods and services are sold and in which Italian enterprises invest/acquire assets; the

transition economies of which some are closely integrated into interregional and international divisions of labour and flows of goods, people and capital with Italy; the Mediterranean area with which Italy has close relations and which faces risks of marginalization as Europe's centre of gravity moves eastwards; and the wider world where relevant, as for example in the globalization strategies of Italian corporations. The third was to concentrate an analysis of territorial impacts on (although not exclusively) the regional economies of Lombardia, Piemonte, Puglia and Basilicata.

The reasons for choosing these industries were threefold. The first was a desire to concentrate on economic activities that serve wider markets rather than on the recycling of income within regional economies. The second was to choose sectors that are redeploying at an international scale. The third was to choose sectors in relation to which the authors have detailed survey and interview data. Insofar as the approach is fruitful, it can be extended to other sectors. As far as the regions are concerned, the choices were a result of three considerations. First, the volume is concerned with the new inequalities generated through the integration of the most and the least developed parts of Italy into the international division of labour. Second, these areas have received scant attention in the recent past, in spite of the fact that the two northern metropolitan regional economies account for a large share of Italy's economic activity.

The next step is the development of explanations of the restructuring of our chosen industries with a view to explaining those aspects of the territorial division of labour that make significant contributions to regional economic performance. To explain these aspects of the territorial division of labour and their impact on inequality we examine, in Chapter 8 (motor vehicles) and 9 (chemicals), corporate profit, upgrading and internationalization strategies of Italian enterprises. The central argument is that accumulation is leading to changes in the demand for labour. In core countries/regional economies these changes reduce the demand for unskilled labour and raise the wages of symbolic analysts. In areas into which economic activities are delocalized there are increases in the demand for relatively unskilled labour. These trends have sharply differentiated regional consequences, adversely affecting for example places in which old industries that paid high wages to relatively unskilled people are destroyed and advantaging the new centres of the knowledge economy which includes core strategic functions in old and new industries. These and other conclusions are summarized in Chapter 10.