

17. The governance of industrial districts

Arnaldo Bagnasco

1. GOVERNANCE: AN OLD TERM WITH NEW MEANINGS

The term 'governance' is a word of great currency in the English language and is used sometimes as a near synonym of government and sometimes to refer to more specific meanings. The term 'governance' is generally employed to refer to the process of governing, of decision making and implementation and this is one possible meaning covered by government (Kooiman 2000 and Hindess 2001). When used in this way government also incorporates a concern for agency and players, for resources and for the dynamics that are influential in forming concrete decision making in social groups (Le Galès 2003).

More recently, especially in the specialized language of social sciences, the two words tend to be carefully distinguished; this happens in particular in the study of complex action systems, such as international relations or city management. In such cases, if government involves acts of public authority and the exercise of functional institutions, then governance is a particularly appropriate term because it suggests that within the complex frameworks of contemporary societies even public policies are formulated through the direct participation of various public and private players who negotiate and reach agreements in order to ensure implementation. From this point of view, 'government', this time meaning public authority, becomes 'one' of the players involved in governance within contemporary social systems and assumes its own set of rules and resources. Thus, governance when used in this way also alludes to procedures that encompass new styles and modes of authority; it is precisely this aspect that is captured so aptly by the English term and that is responsible for its currency in languages such as Italian, whose vocabulary does not comprise a word having the same semantic scope to that of 'governance'.

Considering this and in view of the way the word is used in economic and social language, 'governance' can thus be seen as being strongly related to 'regulation'. Its emphasis on the way diverse mechanisms combine and its focus on the ways the economy is controlled by diverse regulatory regimes makes it part and parcel of that kind of interest that involves the study of complex action systems (Triglia 2002) and, to a great extent the analytical tools applied to

governance procedures are similar to those used in the study of the mechanisms and regulatory regimes. This happens particularly when local systems and issues regarding their management and development are addressed: and therefore, more specifically, in studies regarding industrial districts (IDs), the way they work, their dynamics over time; all topics which will constitute the subject of study in this chapter.

In brief, we could assume that the governance of complex systems, and therefore of the districts that constitute the topic of our interest, primarily regards the generation of normative rules, regulations and routines that allow players and social mechanisms to liaise in view of their elaboration and activation for collective ends.

One point must therefore be made clear at the outset: the study of governance or, in other words the study of the regulations that govern local systems, such as towns and IDs, overlaps with economics and society. In fact, it does not involve economic processes only, but economic and social processes that are intricately linked. Thus the output of governance involves not just economic efficiency, but also the broader processes that account for systemic integration (that is, between the various sections of society) and social integration (the ways in which bonds between one person and another are formed) (Lockwood 1964). From this point of view, we could argue, therefore, that the governance of a local system is a directive and regulatory process which recognizes, maintains and redefines any potential congruencies that exist between the economy and society. In this sense, governance must make sure – it has no choice – that it includes in its output a set of social assets that are relatively shared and that are compatible with the values, interests and resources of a local society. Any governance that is oriented towards development must be capable of spotting and capitalizing on existing opportunities by upgrading and maintaining any congruencies present. On the other hand, a local society might resist a kind of governance that is oriented towards development and it might do this for reasons that range from a lack of specific resources to value assets and interests that manage to lodge a successful objection. The study of local systems and, more specifically, ID governance is, therefore, a political economy that encompasses the interactions that take place between individuals, groups, organizations, classes and status groups; that generate choices and assets in an economy with given conditions; and that stabilize implicit and explicit rules which have to be followed. Every developmental process always modifies, at least in part, these conditions. Local-system governance, and in particular district governance, is capable of recognizing these modifications or responding to the conservation of assets that become inefficient or are no longer capable of gathering sufficient consensus. It is sometimes the case, and a rather frequent occurrence, that diverse potential alternatives emerge which offer the prospect of major economic efficiency and possibilities of social integration that are equally plausible or that are difficult to anticipate.

The problem of good governance, which might arise in cases such as these, raises political rather technical issues. The practice of good governance, therefore, emerges as a problem to which social analysts cannot apply a technical formula, or that can be presented as a useful tool for the resolution of each and every case. What analysts can do, however, is to reconstruct the governance of particular and typical local cases, and come to an understanding of their nature and the way they work, and evaluate how far this can be applied to cases that do not present the exact same conditions, or to cases that are completely different and so require specifically designed solutions. Later on I will deal with some aspects relevant to Italian district governance as it is today, and I will attempt to identify elements of good governance that could be applied, within specific limits, to the analysis of other cases.

2. DISTRICT GOVERNANCE: VIEWPOINTS AS SUGGESTED BY EXPERIENCE

To start with, it is useful to mention a few concepts and methods that are part and parcel of the points of view and a selection of analytical tools applied to the district studies.

A district, understood as a local socio-economic system, has its own 'organization'. The term organization refers broadly to the systemic coordination of people and resources with the aim of obtaining particular results. Some aspects of organizational theory might therefore be helpful in taking the subject of governance, discussed so far, a step forward and bringing it into sharper focus (Bagnasco 2003).

Two metaphors come to mind when thinking of organizations. These can be compared either to a biological organism or to a machine. Neither of these metaphors, however, manages to capture with precision a crucial aspect of action systems and this is the players' intentions. The former says too much and the latter too little when it comes to defining actors' intentions. The biological metaphor fails to capture the notion of 'intent', that voluntary component that triggers human action. The machine metaphor, on the other hand, places too much emphasis on the idea of planning and predictability, and hence does not fully apply or applies only partially to action systems. Within this particular context, men do not really function like the mechanisms in a machine in the sense that the final outcomes can never be fully worked out or always predicted. Sometimes, in fact, crucial outcomes are unanticipated consequences, and can only be fully understood by hindsight. In other words, social organization relies partly on unconscious drives and partly on rational planning. It involves processes that give directions and generate normative behavioral patterns; it recognizes and produces more or less explicit rules that have achieved relative stability with time and gone on to form

'equipped interaction fields' (Crozier and Friedberg 1977). We can therefore safely say that the term 'governance' captures that intentional, conscious aspect of organizational processes that also comprise its limitations.

Some forms of organization are more like machines than biological organisms (although the metaphor does not fully apply here either). Such is the case with large and small formal organizations based on organizational hierarchies, chains of command, standardized control procedures and set roles. It is within this context, as for example with reference to firms, that the term 'corporate governance' is used. We are therefore referring to forms of organization that are more artificial and rely on authoritative coordination. Even in this case general organizational problems, similar in scope and similar to those mentioned earlier, emerge; the question being how to resolve the cooperative issues when interdependent players do not completely share the same viewpoints or interests, and when they take lines of action that generate conflict, negotiations and exchanges.

IDs are, however, very complex and complicated systems. They certainly involve several organizations, such as firms, that are authoritatively coordinated. However, one thing must not be forgotten and that is the way these collective players interact and cooperate with each other triggering more or less predictable system effects.

Firms' action is essentially regulated by the 'market': the dynamics of their competition/collaboration are shaped by market relations. The market acts as a guarantor, albeit an imprecise one, for economic efficiency and continuously elicits a whole range of new entrepreneurial experimentation. Market regulations rely on automatic mechanisms: in their pristine form they produce systemic effects that none of the players is explicitly seeking. The market's invisible arm is diametrically opposed to the visible arm of formal organizations. Forms of coordination that are simply directed to the workings of the market must therefore be considered as a resource rather than a mode of 'governance'. However, this resource needs to be governed because if left to its own devices it could have a negative impact on the economy and the social fabric. The market is regulated by state laws or international agreements which legitimate practices and modalities; but we also know that public politics and development policies have a greater and broader impact on the workings and assets of the market and manage to reinforce or give direction to its outcomes.

We thus come across the intentional and explicit aspects of organizational processes; in general but more specifically in their application to districts. In districts, the workings of political institutions constitute a relevant aspect within the broader framework of regulations which, however, must be evaluated within the context of governance systems that comprise several public and private participants, who more or less consciously compete, from their diverse positions, to generate a series of anticipated system effects within a partially or wholly conceived plan. Contemporary economies are mixed economies in which market

regulation and political regulations overlap and combine to varying degrees. The recipe for good governance in developmental processes is one that combines to varying degrees an amount of its constituent ingredients. We could analyze a particular case of experience in a district to see what it suggests. We must, however, keep in mind the fact that district governance sits on the border between economy and society and that it has to guarantee relatively shared social assets, and that it must be compatible with the shared values, interests, and the resources of the local society that must be reproduced. In other words, a governance that targets local development must recognize invested opportunities and value them by upgrading and reinforcing those elements that enable a sustainable link between economy and society. And in order to complete the picture, we must take into account one other aspect of social organization, that is, the 'equipped contexts' of social interaction. This aspect can be better understood through a close examination of direct interaction itself.

Those who have studied districts have taken care to emphasize the importance of the fact that they sink their roots in local communities in which people are cemented by a thick and complex web of relations. If we have recourse to the language of sociology we will get a better grasp of how this works because its definition of organizational processes does not only take into account formal organizations, or organizations of equipped interactive fields generated by politics, but also involves forms of so-called self-regulating social organizations that arise out of direct and iterated interaction, during which participants learn to combine strategy and behavior that does not jeopardize but indeed paves the way for collective results. From this perspective, protracted interaction appears as process that generates norms. When considering their rooting in local communities, however, there is one further element that must be addressed and clarified.

The nature of social relations in this context refers to norms and evaluation criteria that imply major commitments articulated in: non-specific roles, emotional investments and non-instrumental interactions dictated by principle. All this is evoked when the local context is referred to as 'community', a community based on direct acquaintances and one that is cemented by biographical anecdote, by family relations, by the colour of local history and local identities and the dictates of a range of modes of relating to others prompted by ease of familiarity and trust. From this perspective, direct interaction refers to the colours of a local culture that in the process of interaction multiply and adapt with time; interaction therefore generates a broad range of routines and rules that do not emerge out of a void, but that have been sown by an embedded culture that at once facilitates and limits its contours.

In current sociological language it is assumed that an actor/participant who can draw on a rich network of relational possibilities that is backed by an institutional context similar to the one described above, possesses 'social capital' that can act as a resource for him/her to fall back upon (Coleman 1990).

Social capital, however, also constitutes a sort of public good, that can be as a whole deposited in a group or in a society as a collective resource that facilitates cooperative interaction and that is available to people who can use it as an important resource in equipped interaction.

The governance of IDs relies heavily on the valuable resource of embedded social capital, some aspects of which will now be considered. We conclude by observing that self-regulation processes of society can be regarded as governance resources, and not as processes of governance, or to be more precise, they constitute only a part of this process. Hence the term 'spontaneity' is often used with reference to these processes. In other words, lack of awareness plays a role in the self-regulation processes of society; nonetheless from public debates and the cultural elaboration of colocation and sharing, a typical sense of awareness and rules of interaction might emerge. These can be considered aspects of the processes of governance that pertain to the whole system or to some parts of it. A case in point is the example given in the following section.

3. MARKET AND GOVERNANCE: AN EXAMPLE OF NORMS GENERATED IN INTERACTIVE PROCESSES

The market is a social institution which generates interaction within a fixed set of legally-established rules which, however, do not comprise all the known rules in force. Good economic governance needs good explicit rules in order to run its markets, but it can also count on forms of self-regulation or, in other words, on norms that are generated in the course of interactive processes. If governance means above all the setting up of rules, then we must assume that even those rules generated by the various social actors in the course of their interactive procedures are to be regarded as an aspect of governance. The selection of a set of norms meant to regulate market interaction is no doubt in many ways an emerging system effect; we must, however, also not forget that the participants make conscious evaluations drawing on their knowledge of the existing system of local market relations.

I will now examine an article written by the economist Sebastiano Brusco who has conducted a study and attempted to pin down the unspoken rules in force in a typical district of Emilia-Romagna (Brusco 1999). Brusco was aware that these economic systems, just like their implicit rules, are problematic in that they are not always strictly observed and that they are subject to change with the passing of time. Nonetheless, it is precisely these rules that were known and respected by all that explained the workings of the economy when this was at the peak of its success. These rules concern a couple of antonyms: the first lies in the conflict generated by the competitive and cooperative urge 'amongst' firms; and the second in the conflicts and participation 'within' firms; to cope with

these antonyms is the way to the success in small-firm districts that host companies engaged in the production of light-industry goods and that bond with each other as a result of subcontracting relations. Brusco's article demonstrates that we are dealing here with institutionalized solutions. A close look at the details of this argument is very evocative in suggesting the range and complexity of the small-firm districts in question.

The firms in the districts are driven by a healthy competitive urge; the market is based on a high degree of transparency; information circulates with ease; and innovation is ongoing with imitation and incremental modification of the product or of the competitors' techniques. The rule set in place by the community to make sure that private knowledge is turned into a community-shared resource without violating legitimate mutual interest is the following:

Final firms (i.e. firms assembling and selling the final good) are in competition with other final firms, taking advantage of any legitimate opportunities that might arise to pick up the clues that might have led to other peoples' success: trade-fairs, catwalks, exhibitions, shop windows . . . In the same way, sub-contracting firms ought to compete against each other. It would be unfair competition and therefore frowned upon, if a sub-contractor or an employee was bribed to access information about their firm. (Ibid., p. 368)

Once a relationship has been soundly established, then the fundamental rule is:

When two agents are bound by continuous relations, they must not make full use of the market power by virtue of the economic situation, their size and other details. Each will respect the other's need to survive and to succeed, which determine profit margins, to the extent to which one is able to maintain a suitable technological profile, and to one's ability in securing the most highly-qualified labor force. (Ibid.)

Those who do not obey the rules for good interaction, for example those who do not respect delivery conditions/deadlines, will face more or less severe sanctions, the worst of which being the loss of one's reputation in the local *milieu*, a possibility made very likely by the dense network of relations within the local community.

The antinomy participation/conflict that is intricately linked to the conflicting interests of the cooperating agents within the firm is, on the other hand, governed by institutionalized rules and sanctions.

In this case we are again presented with cautionary rules expressed as follows:

It is a good – and ideologically correct – thing to contribute as best as possible to the success of the company for which one works. However, prudence is both permitted and considered legitimate. If the employee requests adequate returns as guarantees for his commitment, this does not mean a lack of trust in the employer but rather the sign of respectable foresight. (Ibid.)

As for interaction a general and broad ranging rule is the following:

One of the conditions for participation is that everyone must be aware that roles within a firm, regardless of whether you are an entrepreneur or employee, do not involve any cultural or political hierarchical subordination, and do not necessarily involve professional inferiority prejudice. So while hierarchy is necessary to the internal machinations of a company, as far as work is concerned, each one is allowed broad margins and initiatives and is expected to be responsible for the work done and to pay for the mistakes made. (Ibid.)

This interaction therefore involves relations between employer and employee that are diametrically opposed to paternalism and excludes 'deferential workers' as is usually the case with small firms. The conditions and relations within the firm are highly transparent, the workers know when no more can be obtained, on the other hand, however, if business thrives they claim their dues. Workers regard the requests made by an owner who is not active enough as a form of cheating. The corresponding rule is the following:

The entrepreneur must be committed to the truth (which gives rise to salary dynamics rooted in merit and the success of the company) and to sobriety of life style which generates an appropriate level of investment in order to guarantee the best possible machinery in use in the factory. (Ibid.)

Within the restrictive context of the district, if an employer does not stick to the rules, it will be more and more difficult for him to find good workers, and if a worker does not respect the rules, this will have a negative impact on his mobility.

4. GOVERNANCE RESOURCES: SOCIAL CAPITAL AND OTHER THINGS

In some regions, successful IDs have constituted a post-Fordist surprise: no one, and least of all economists, had anticipated their emergence. When they were eventually spotted they were explained in terms of system: they were not seen as aggregations of individual small and medium-sized firms, but as economic systems that rose in reference to the resources and typical characteristics of the local society from which they sprung. It is doubtful whether the agents responsible for the birth of these districts were themselves completely conscious of those system effects that they had generated by their own behavior or indeed of the conditions that made these effects possible. It is likely, especially with regards to the former, that they were completely understood by hindsight. Whatever the case might be, these are often referred to as the 'spontaneous' workings of systems whose organization emerges as an effect of automatic mechanisms (such as the market) or of informal mechanisms (as is the case for the rules generated through

interaction mentioned above). Some observers also came to the erroneous conclusion that districts could be explained as a free-market consequence and that only a minimum amount of governance was needed; indeed, they went on to suggest that the lack of explicit governance meant a higher chance of success in the districts.

More attentive studies brought to light a range of precious resources (to varying degrees in quality and quantity according to the case in question) that can be found in local communities such as: traditional craftsmanship, local banks that sustain growth, previously accumulated capital, good internal communication infrastructures and links to external networks, education programs that target professional formation and so on. These resources are usually not particularly rich but they are well spread and act as great assets in the development of districts of whole regions whenever overall conditions are ripe for growth.

Was it, therefore, just the market (to which the diverse sectors of society and various individual choices adapted with haste and ease) that acted as a regulating mechanism for the combined use of these resources? Was it just resources of this kind that were involved? The need to answer these questions shifted the focus to the quality of the social fabric and the nature of the local culture that are intricately linked to the emergence of districts in local communities. As I have stated above, the idea of social capital sprang from the need to explain a vital resource in the development of local communities.

This is, in fact, a key resource that must figure in our analysis. First of all, it must not be confused with those resources mentioned at the beginning of this section, sometimes also called social capital. The rapid success of Italian districts was also due to resources of this kind and we must not make the mistake of overestimating the importance of social capital (in the true sense of the word): this remains an important resource but it must be evaluated within the framework of local conditions and other resources.

My second point needs to be backed up by a theoretical clarification. There are in fact two kinds of social capital: (a) a more traditional, elementary, informal type of social capital that can be found in dense interactive networks. These networks are rooted in that strong sense of identity that is usually to be found in districts. They are responsible for facilitating combined economic action in areas, such as the reduction of transaction costs as a result of interpersonal trust; (b) a type of social capital generated in the process of planning new interactive contexts that, even when formalized through contractual or organizational schemes, show that they are capable of facilitate interaction through the preservation of loyalty and the iteration of interactive networking (see Trigilia 2005). The generation of norms addressed in the previous section is an excellent example of the latter. But even a formal organization whose plans explicitly allow for the conservation of basic social capital, interpersonal loyalty, responsibility for collective purposes and that manages to internally preserve

relations that are not just instrumental, is an experimental generator of social capital. The quasi-organizations and the quasi-markets mentioned by economists are also organizational frameworks that often preserve and generate basic social capital within the overarching networks of companies: these organizational frameworks are unsurprisingly found in districts.

For some time now, in the wake of economic changes that have opened new possibilities for enlarged networks and more fluid relations, new forms of social capital have emerged that draw on much weaker bonds. In Granovetter's words the networks of this new economy do not draw on traditional social capital (such as that found in families) but develops a more appropriate kind of social capital. This is the case of the Silicon Valley in which professional communities have sprung on the basis of esteem and reputation. These communities are made up of highly-specialized people who know each other and who act according to a rigid set of norms and sanctions that pave the way for accepted professional behavior for those who belong to it. This is done in order to make sure that people remain loyal to the firms from which they are recruited while spreading innovation within the system (Saxenian 1994).

The above discussion and clarifications made about the diverse kinds of social capital shows that district analysis cannot be based on ideas of governance drawn on past experiences or inherited resources. Much as these might be important, especially in the initial stages of the set up of a district or in the case of emergent ethnic entrepreneurship, our attention must necessarily shift to the generation of 'new' social capital.

So far we have brought into sharper focus the issue regarding the kind of resources that governance can draw upon, but we have not yet answered the important question whether the market alone is capable of regulating and mobilizing these resources. The answer is obviously negative from the outset, because recognizing the social capital of belonging and experimenting social capital generation become evident useful resources for a more explicit and more general form of governance. Districts, in particular, show that both in their genesis and in the course of their development a more committed form of governance is at work. But in order to explore this issue, it needs first to be placed in its political context.

5. EXPERIMENTS AND PROBLEMS OF INSTITUTIONAL DESIGN

The organization of society is achieved through politics: this is done either through invasive intervention or by acknowledging the fact that civil society is both autonomous and capable of self-regulation. No district was instituted or governed by decree. This does not mean that politics have had no part in instigating

growth within districts. Public policies have not always been the best of their kind; sometimes mistakes were made and sometimes obstacles of a political nature got in the way. What I will attempt to do now is draw the outlines of an ideal type of local governance, that is a model that will draw on types that exist in reality and that will capture the most typical and coherent characteristics of local systems geared towards development; considering that governance of local systems needs several elements, including non-political ones.

Districts will be better understood if they are not isolated from the broader regionalization processes that took place at the time of globalization. As a geographer has put it, the world is full of territorial, social and economic amalgams in search of political representation (A.J. Scott 2001). Local systems of various sizes, including anything from districts to metropolis, are sites of economic and social organization that can themselves be regarded, to some degree, as sole actors on the external stage. To get into shape these amalgams, that is to bring economy and society together, is the main function of politics as discussed above. This political action will promote and represent relatively coherent interests when they are applied to external action. In the fuller sense of the term, this action constitutes the 'governance' of a local system, which relies for its development on diverse local agents, and 'government' – that is, the set of public political authorities with their institutional functions – constitutes just one, albeit a crucial one, of these agents. Quite large local systems, IDs included, could involve – in opting for coordinate intervention – representatives from the local government, entrepreneurs, associations, banks, universities and foundations. Governance and the elaboration of emergent public policies are now based on this model, the same model I have dealt with and anticipated in the course of this discussion. Every agent remains independent and assumes responsibility for the decisions he takes; however a context sustained by institutionalized regulations to allow for cooperative decisions also makes it possible to coordinate and synchronize decisions on public and private investments.

The emergence of the interactive rule and cooperative frame of mind of the diverse players – just like the emergence of a relatively-shared image of the various possibilities that might occur in the course of the development of a local system – are, we must remember, developments that rely heavily on precise planning and political leadership that will demand new styles and new skills. A set of conditions must be created so that the various players – who could at any time break the rules of the local cooperative game (moving elsewhere), still find it would profit them to make congruent long-term investments. In this game, the local government will have to provide the appropriate infrastructures and will do so by respecting set deadlines; it will guarantee administrative efficiency but above all it contributes towards the formation of the collective subject; this is a feat of 'soft social engineering' which is responsible for the emergence of a developmental tendency that is shared by autonomous subjects who will contribute towards its

creation setting up the building blocks of an architecture that will then form a local system.

This is the logic that drove the governance of district development even in the past. It regulated those districts operating on international markets by capitalizing on local system effects and by anticipating the drive towards regionalization at the time of globalization. As time went on, capital, people and resources were becoming increasingly mobile; agents, on the other hand, were finding it more and more difficult to find the resources needed within the same district. The game became complicated: market regulations, networking, social bonds are resources that belong to active governance, in conjunction, however, with the 'soft social engineering' mentioned earlier. The cooperative potential generated by this combination is 'appropriate' social capital that brings together mutual conveniences but also paves the way for a common vocabulary, mutual trust and acquaintances. Networks that are capable of coping with a given problem are also capable of coping with any other.

In the above discussion I have addressed an ideal type of local-system governance in a particular district; in other words, this is an analytical model borne out of a selection of observations drawn from concrete possibilities that capture the logic that governs a set of problems and possibilities that local agents have to deal with. In real life scenarios, conflicting views and interests give rise to conflicts that are followed by opportunistic behavior: the social capital generated and made available through governance can be more or less sufficient to deal with these problems; a social capital that comes equipped with the tools and institutional resources necessary to bring these conflicts to light and manage them is a fully-developed capital of governance.

A district cannot be taken out of its contextual framework. To start with there are certain problems that must be considered against a broader background (that of the infrastructures of transport and communications, for example): single district governance should be efficient in dealing with and prioritizing local necessities. More than one level of government participation is involved in local governance and each brings to local governance a baggage of particular competences. Mayors and local representatives are primarily responsible for local government, but so are the provinces, regions, national government and international unions. Any chaos that might result from laws that have not been well calibrated is a sign of bad governance. The governance of local systems might include more voluntaristic commitment, but many countries, including Italy, have experimented with laws designed to boost local development and create the conditions necessary to regulate and encourage coordination of diverse local agents. In Italy there is also an act that regulates IDs. Although these resources are open to misuse, they could also provide a framework for healthy local interactions (Consiglio italiano per le scienze sociali 2005).

6. AND TO CONCLUDE, ONE FINAL ISSUE

Can districts therefore be set up in places where they do not exist? No district – as already stated – has ever been set up by plan or decree. Indeed, the spontaneity of Italian districts seems to suggest that these can flourish only, when circumstances permit it, in the right time and the right place. But this is an excessive statement. Many places come already equipped with resources that can be drawn upon and with some traditional resources of social capital that acts as an asset in the development process.

The question regarding the possibility of setting up districts in places where they do not exist has already been addressed in Italy and scholars have come up with ambivalent results. Appropriate national and European schemes have been set up, the most notable of which is the ‘territorial pacts’ agreement that provides access to public funding in underdeveloped areas. The alleged aim of this scheme is to facilitate trust relations between public and private subjects with the double intent of designing and setting up projects for the development of infrastructures and improving services; and of triggering integrated entrepreneurial initiatives. It is evident in this case that an attempt was made to use the rationale of district development and some successful results were obtained in the production of public collective goods, cooperative networks between small firms, the elaboration of shared objectives, mutual trust and the simplification of administration governance processes.

Other cases, on the other hand, were not as successful as had been anticipated and this ended up by undermining the sense of trust in their potential. This happened when preexisting networks of local interests misused the opportunities offered, a particularized use of resources that were secured and redistributed but that were not invested in strategies that targeted development. We could argue that the social capital generated was not of the right kind, or that there was not enough of it for developmental governance. In cases such as these the district rationale fails to take off, or to generate districts. It is very likely that the initiative schemes on which they depended did not include measures to guarantee that the resources available were put to good use, or that their other shortcomings needed to be adjusted. The example of successful cases, even when these were difficult, show that the generation of social capital for developmental purposes is possible, and that the main obstacle lies in the social capital of those who have local interests at heart and who feel threatened by the drift towards modernization. An efficient local system designed to promote development is, in cases such as these, difficult because it calls for ruthless political intervention such as the eradication of existing social capital when this does not constitute a resource for development. Political action, however, must not fail to anticipate and aim for a kind of governance that draws on existing local resources. In a world that is increasingly drifting towards the redefinition of new regions, the creation of local systems, even in peripheral contexts, is a step that must be taken.