

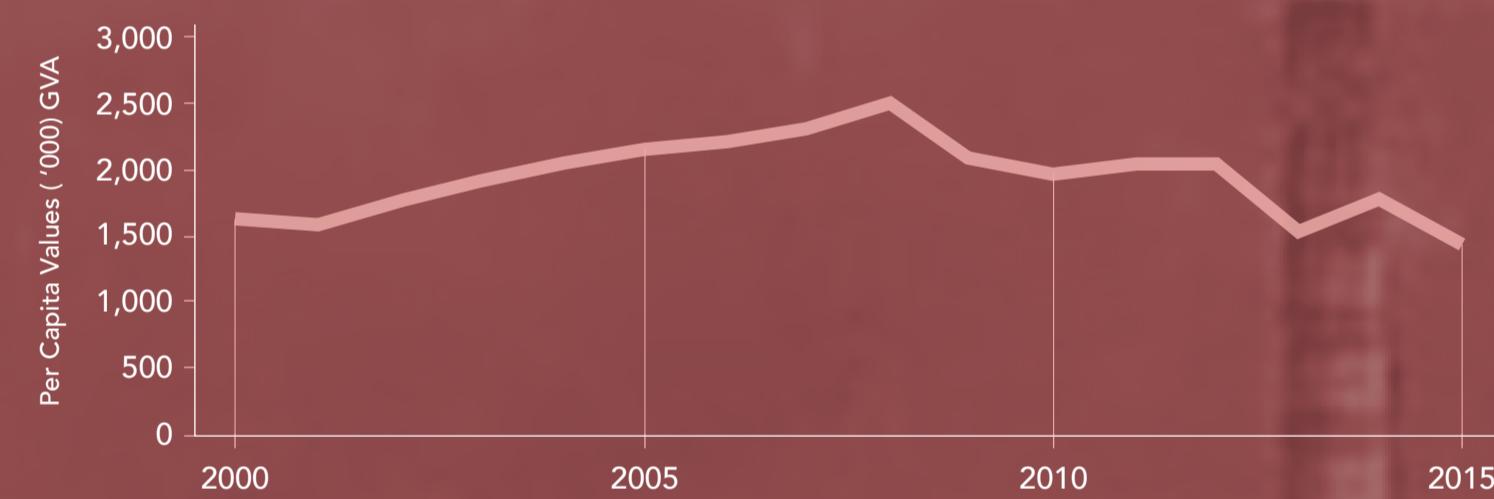
THE CHANGE IN THE ECONOMIC STRUCTURE OF AN INDUSTRIAL CITY: A CRITICAL ANALYSIS

The importance of institutions

“Cities generate negative, as well as positive, externalities; addressing those externalities requires both infrastructure and institutions [...] Standard welfare economics teaches us that either subsidies or Pigouvian fines can solve that problem, but both solutions are problematic when institutions are weak.”

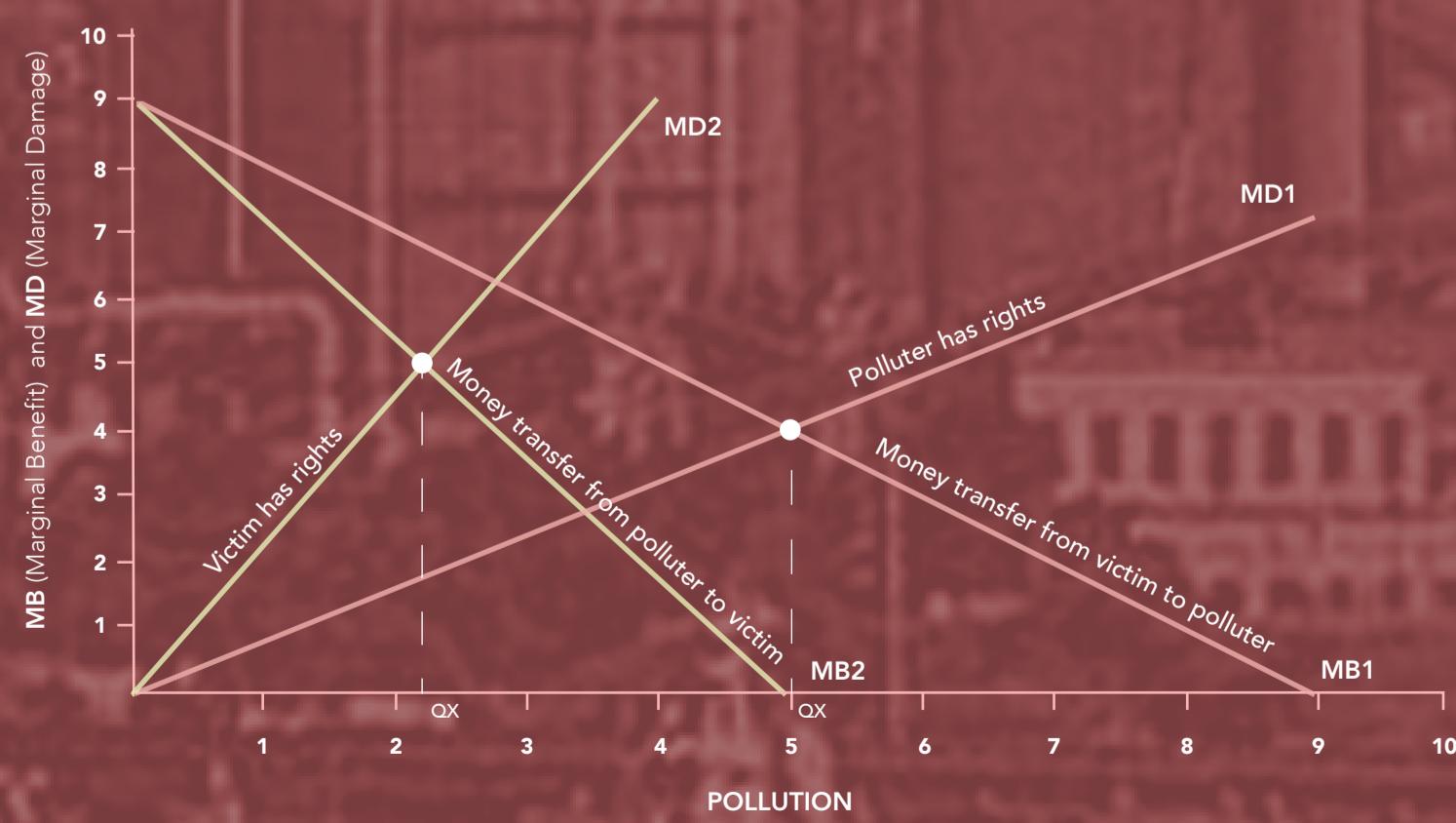
Edward Glaeser

SECONDARY SECTOR



The steel plant "ILVA" (recently acquired by ArcelorMittal) has always been the main source of wealth, representing the 75% of province's GDP and 76% of the port movement in 2008. It suffered a deep crisis in recent years due to legal prosecutions for pollution.

Coase Theorem



The non application of this theorem is relevant to our analysis, recalling that, according to it, the efficiency level is always attained regardless of who holds the property rights.

Following the economic “maturity”, the steel crisis and the low-wage competition, there has been a significant industrial decline worldwide in recent years, which led to an expansion of the tertiary sector.

This has caused, in many countries, the so called “structural change” of the economy, shifting the centre of the economic activity from the industry to the service sector, sometimes causing “deindustrialisation” of the cities. Some of them kept their industries, in some cases renewing and improving them, while others have completely changed their structures from industrial cities to high-tech or touristic cities.

*SIMILAR CITIES

(IN THE PAST)

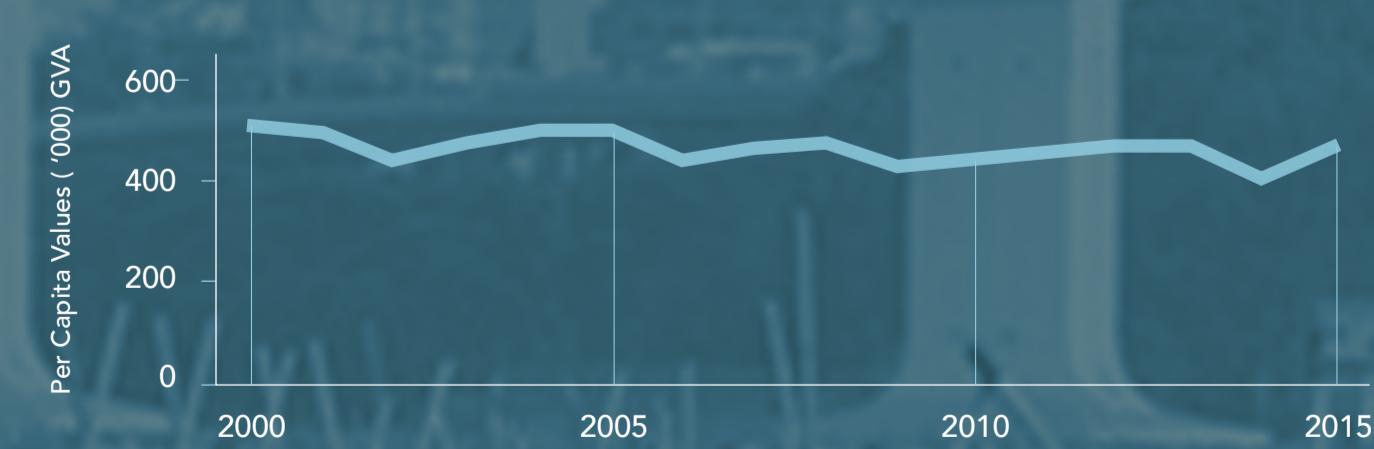
- Tallin
- Odessa
- Liverpool

TARANTO*

For our analysis, we will consider a city in the south of Italy, home of the biggest steel plant in Europe. Taranto has not yet untapped its potential, remaining anchored to its past industrial transformation. With the use of economic theory and literature, we will analyse the importance of the industry, what should have been done and if a structural change is attainable. The results of our analysis will be important not only for this city, but also for many others in the world that suffer similar issues.

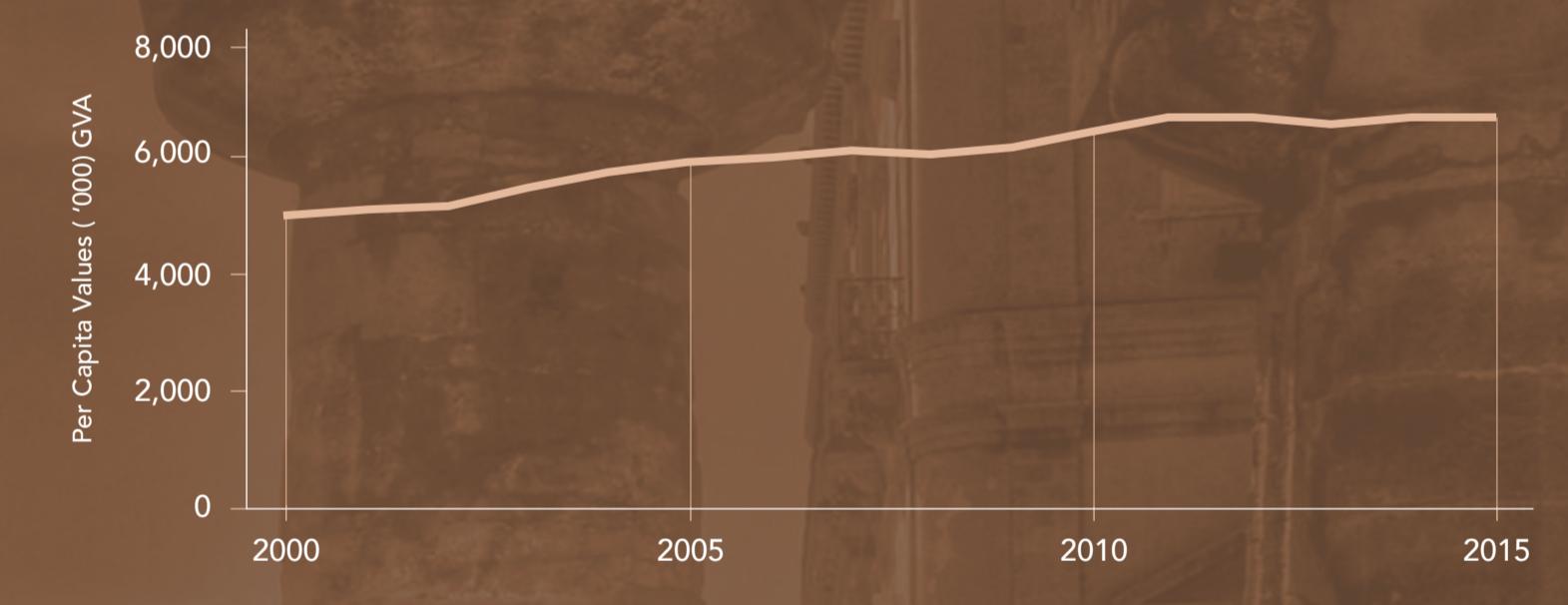
What will be the path to follow?

PRIMARY SECTOR



The importance of agriculture, fishing and mussel farming has always been relevant in the economy of the city and it has not suffered too much from the recent crisis, though it is not the main engine of the economy.

TERTIARY SECTOR



The tertiary and advanced tertiary sectors are rising through the years, with many important opportunities to be exploited, such as:

- Tourism
- Commercial trades
- Renewable energies
- Airport (soon to be spaceport).