

Local Economic Development

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Glossary

Endogenous development Development model based on the social capability of local (and national) actors which allows both valorization of local resources, development of productive interdependences, and control of transformation of social and economic system through accumulation and innovation processes.

External economies The agglomeration of firms and industries reduces transaction costs and the presence of education and research facilities, of financial institutions, and efficient labor markets allow the access to strategic and specific assets; the interactions among different actors and institutions allow the production of new knowledge and professional competencies which are available for local firms.

Growth Pole Model Model of industrialization (introduced by François Perroux) based on the crucial role of large innovative firms in propulsive industries.

Industrial district Model of industrialization based on networks of small- and medium-sized firms, with division of labor among firms and productive linkages. The balance of competition and cooperation among firms allows efficiency of small firms (through specialization) and their innovation orientation.

Linkages Backward and forward linkages have been introduced by Albert Hirschman to stress the opportunity for two sequences of productive interdependences (toward production of material inputs and equipment, in one side, and the transformation of production toward final markets, in the other one) of the industrialization process, generating special pressure toward investments.

Local productive system System to be eliminated productive organization model based on the use and accumulation of “specific resources” which cannot be transferred in other areas; model based on the strict interaction between economy, society, and territory.

Milieu innovateur Term and concept introduced by the French-speaking “Groupe de Recherche Européen sur les Milieux Innovateurs” (Gremi); the milieu innovateur suggests that innovation is the product of spatial proximity and thick networks among innovative firms and social and institutional appendages.

The Starting Point

The rise of local development analyses and policies is mostly based upon two main phenomena: (1) the failure of traditional schemes of regional development (generally based on the attraction of large external firms and “top-down” strategies managed by national institutions); (2) the starting-up of new “bottom-up” development experiences and new patterns of local and regional development. Moreover, it is necessary to remember the role of European programs (cf., especially, the Leader Program in rural areas) which has supported local development initiatives since the end of the 1980s.

Regional development schemes based on Perroux’s growth-pole model, characterized by the use of huge financial and fiscal incentives to external large firms and the idea of imitation and reproduction of the development conditions and organizations already experienced in developed regions, collapsed during the 1970s. This was due both to the failure of development goals (for lack of local economic integration and multiplier effects which determined the construction of the so called “cathedrals in the desert”) and to the fiscal crisis of the central state, which was no longer able to offer incentives to large firms in order to delocalize their plants in depressed regions.

Moreover, the development of new industrial regions in peripheral areas, with different production organizations compared to earlier industrialized regions and countries, caused troubles to the center–periphery schemes and called for new interpretations.

Novelties

The emergence of new industrial regions since the late 1970s till the beginning of the 1990s, and their better economic performances modified the previous hierarchy among regions both at international and national level. The economic crisis and the deindustrialization of some of the first comers—industrial and well-developed regions—was coupled by the rise of new regions within the international division of labor and trade relationships.

This novelty was neither the consequence of capital mobility from developed regions nor the replication of previous models of production organizations. In other words, this process was not the consequence of simplistic regional reorganization due to market

forces which reacted to different relative prices. On the contrary, it implied both the role of social and cultural variables and new forms of social regulation. The new industrial regions are usually the consequence of a dialectic process between market opportunities, mobilization of existing (often unused or badly used) resources, knowledge and learning, and new forms of production organization.

The local development approach recognizes, in fact, both the opportunity for different paths of development (e.g., based on small firms and systems of small firms, like industrial districts) and the role of local actors in managing the use of their resources, through the introduction of specific strategies.

This leads to a plurality of local models of development (i.e., opportunity for different strategies of local and regional development and for different economic policies using a wide set of tools) and allows to take into account the subjectivity of the local actors (i.e., firms, collective private organizations, intermediate institutions, public institutions, and local and regional state) in their behavior and decision-making process in relation to investments and long-term interventions.

Local development cases were usually induced through spontaneous organization (this specifically implies “bottom-up” processes) but, at the same time, often benefited from the capability of introducing specific forms of social regulation and models of economic coordination.

The scale of local development—both for the analysis and for the construction of local strategies—could vary in consideration of different economic and social features (including density of population) and historical background of different localities. Practically the definition of scale depends on the internal homogeneity and identity—from an economic, social, and cultural perspective—and external differentiation, in comparison with external areas. It depends, then, not only on structural characteristics (which could be measured with statistical indicators) but also on subjective perception of local actors. The definition of local strategies is, in fact, very often decided on a voluntary basis which includes even the geographical definition of locality boundaries. Empirically, local development analysis and strategies refer to an intermediate scale between the municipal level and the administrative regional level. When the great urban areas are excluded, local development strategies are introduced in areas with a population range between 30 000 and 200 000–300 000 people.

A New Paradigm

Local development introduces a new paradigm in economic and social regulation as territory becomes a new regulatory bridge between the state and the market. Space has ceased to be a source of costs for firms and instead is assuming the role of favorable (or nonfavorable) environment, the creator of external economies (or diseconomies). In fact, territory plays an active role transforming a geographical space into a network of social relations and interactive actions producing new knowledge and competencies. Territory works, then, as a meeting point of economic organizations (cf. the division of labor among firms and innovation trajectories), social regulation, and institutional governance. This explains why territory produces and takes into account external economies for individual firms, creating public goods through (both implicit and explicit) collective actions.

This means resources can be different and not standardized, strategies and actions can differ, pathways to development are different and open: territory matters. Regions and localities are not only portions of national systems but are also effective media of social and economic interactions among actors, interests, opportunities to singling out, mobilization of resources, solving problems, producing decision-making, creating firms, organizing economic activities. The national system (its gross domestic product (GDP) level, its economic structure, and its competitiveness) is just the outcome of the local and regional economic organization.

There are subjective and deliberated actions of local actors: very often collective actions accompany firms’ strategies. This means, there exists a system logic and opportunity for intervention of the local state. Voluntarism and awareness about goals, opportunities, and threats are crucial elements in the governance of the transformation process.

There is space for economic development everywhere, even if past stories are important, producing some effects of “path dependency”; in any case the coherence of the local strategies and the capability of local actors, and their responsibility in finding solutions are giving opportunities for socioeconomic voluntarism which is in opposition to geographical determinism.

The Theoretical Background

Local development analysis has been strengthened after the success stories and the literature on industrial districts (starting from the writings of Giacomo Becattini), which underlined the character of the model of productive organization that is opposite to that of the big company and “development from above”. This would be a model based on dense clusters of small and medium-sized enterprises (SMEs), with strong productive specialization (both at the local and firm’s level), intense productive linkages which produce high division of labor among local firms, great capability in problem-solving and especially, progressive production of new knowledge and professional competencies which determine a strong orientation to innovation and high-quality products. Industrial districts, in their dynamic functioning mechanism, can produce dynamic competitive advantages which are embedded on the territory.

Piore and Sabel (in their book *The Second Industrial Divide*, published in 1984) draw strongly on the Italian example of industrial districts to oppose the model of flexible specialization to the Fordist model, by stressing the role of the historical alternative to mass production. Piore and Sabel have the great merit of breaking with the orthodox theoretical schemes. Scott and Storper also pay particular attention to the experience of industrial districts in analyzing the changed relations between economy and territory.

The literature on industrial districts showed that small firms (when organized in networks and territorial organizations) could be effective (reaching high labor productivity, comparable to the values obtained in large firms) and innovative, breaking with traditional interpretative schemes based on a simplistic (and deterministic) view of the principle of scale economies.

The model of industrial district denies the validity not only of a series of theoretical assumptions generally (and often uncritically) accepted, such as those concerning the lack of economic efficiency and innovation in small firms, but also of the rationale of regional development policies (and of development tout court) followed in both developed and developing countries.

Industrial districts disclosed (both theoretically and empirically) opportunities for alternative paths of development (even driven by different sectors, not necessarily industrial sectors) which could be strongly based on specific assets of the territory. Territory matters and local development is important.

The analysis of the productive organization of the industrial district and its social factors allows us to shed light on important new variables in the decisions (on localization, investment, strategies) of economic actors that condition the processes of transformation of the local economy (and society) and consequently of the regional and national economy. Relations of cooperation among firms, relations between the system of production and the socioinstitutional system, the competencies and involvement of workers in the productive organization of the firm and in the wider social model of the area, the role of specific local institutions that intervene to overcome deficiencies (or “failures”) of the market (such as technological centers, services centers, training schools, and local development agencies) become crucial. In other words, a social system of interrelations, of circulation of information, of production and reproduction of values organizes itself to permeate and characterize the mode of production. This means that many crucial factors are historically embedded in the local society and are not therefore easily transferable to other areas: the process of development acquires its definitive character as a “social process” by refusing to appear only as a technical one.

In this way, territory plays an active role in the process of development as it includes all those historical, cultural, and social factors that are the basis of specific models of productive organization, of the continuous interaction among economic and social actors and, therefore, of the actual processes of economic and social transformation. Therefore, the emphasis on the territorially anchored organizational model of production hinges upon at least two dimensions:

- (1) the system of production, the relations among firms and, therefore, the social division of labor (aspects such as ways of exchange of goods and services, transaction costs, production costs, increasing returns, dependence or relative autonomy of supplier firms);
- (2) the social and institutional base which allows that specific organizational form (such as worker consensus and participation; coherence of the strategies of specific local institutions; local policies of support and stimulus; reproduction of knowledge and values; and social investments necessary to reproduce external economies).

In the last years, during the long crisis, the attention on the social basis of the production organization and agglomeration of firms has increased enough, bringing scholars to underline the relevance of the diffuse awareness of people on both socioeconomic structure and future of territories (e.g., the book of Becattini *La Coscienza dei luoghi*, published in 2015) and business scholars to speak about the creation of “shared value” (e.g., Porter and Kramer in *Harvard Business Review* in 2011).

Local Productive System and Endogenous Development

The analysis of industrial districts opens the debate on crucial items which characterize both local economic and social structure and competitive factors within national and international division of labor. Industrial districts open, then, the general question of local development trajectories and the opportunity for alternative paths of development, including models without (or with marginal presence of) industrial production. Nowadays, a large literature exists on local development models based on agriculture (even with the so-called “agro-industry districts”), tourism (with several different models of production organization and with different degrees of intersectoral integration), cultural activities (cf. the so-called “cultural districts”), environmental management, and so on. National (e.g., Cnrs in France, Inea-Crea in Italy) and international agencies (e.g., ILO, OECD), not only academic groups and scholars, worked deeply on these issues in the last decade.

Moving ahead toward the functioning mechanism of these alternative paths and introducing the discussion on the autonomy’s degree of local actors and institutions in the process of economic and social transformation, we can understand the role played by the concepts of local productive systems (LPSs) and endogenous development. These concepts are rather crucial both from an analytical perspective and from the point of view of development strategies and policies.

The goals for local development strategies and policies are mainly the use, valorization, and implementation of local resources (often specific resources, different from standard ones which are predominant in mainstream approaches) and the construction of dynamic competitive advantages (to maintain the sustainability and durability of economic and social organization) through the control of the accumulation process and innovation.

The approach on endogenous development stems upon some seminal works, during the 1970s and beginning of 1980s, that allow a paradigm of the development “from below” to emerge and, additionally, the approach connects itself to the literature on territorial and “agropolitan” development and on eco-development (cf. the works of Stöhr, Friedmann, Sachs).

According to the recent literature on this theme a model of endogenous development guarantees autonomy to the process of transformation of the local economic system, generally assuming the traits of a self-sustaining process of development. The process of transformation is based, therefore, on local specificities and on the capacity to govern fundamental variables.

Economic development is always simultaneously a process of territorial restructuring, that is, it assumes, in many different shapes and forms, a geographic complexion. One of the most important expressions of this link between territory and development consists of dense regional agglomerations of firms and workers.

Three major conditions underlie this link, namely: (1) the existence of specific resources (and assets) that cannot be easily transferred elsewhere; (2) the emergence of a system logic that binds firms, collective actors, institutions, and workers together into a functioning economic order; and (3) the formation of project capacity, that is, an ability to deal with internal crises and to react to external challenges, which requires, in turn, the establishment of coherent mechanisms of local economic governance.

We can describe this kind of territorial development in terms of the theory of LPSs. The literature on LPSs initially stems from the analysis of successful industrial districts in economically advanced countries in the 1970s and 1980s, but it has continued to evolve in various directions, including an important step forward into issues of endogenous development.

The concept of LPSs can be generalized to any organizational model of economic activity rooted in geographic space and based on the presence of external economies, specific resources, tacit knowledge, and mechanisms of social regulation. In this kind of system, the local milieu has a crucial relation to a number of interrelated variables, namely:

- (1) Production organization, that is the operational structure of the local economic system as reflected in rules and modes of management that allow for "division of labor" among firms. This, in turn, fosters the formation of productive linkages, social relationships, and cooperation rules. Where trust and loyalty prevail, costs of interfirm transaction are significantly reduced.
- (2) Professional skills and competencies are reproduced in the local area, both formally and informally. Social interaction and learning foster the acquisition of skills, and progressive learning stimulates new interests and abilities.
- (3) Diffusion of knowledge and information (about productive and managerial techniques, market outlets, local resources, competencies, and so on) wherein rules of competition and cooperation shape the diffusion of knowledge, on an involuntary basis in the first instance, on a voluntary basis in the second. Knowledge about local business conditions becomes a common heritage, a true public good.
- (4) Structures of social regulation help to solve common problems in the LPS and to negotiate points of political tension. These structures assume many different guises: governmental agencies, intermediate institutions, civil associations, private-public partnerships, and so on.

These points lead on to the related issue of endogenous development, that is, the notion that the LPS possesses a degree of autonomy in regard to its internal structure and evolutionary course. This degree of autonomy derives from the decision-making capacities of individual and institutional actors in the local area, and from their ability to control and internalize flows of knowledge and information.

A model of endogenous development is, in fact, based on the formation of "social capability" at the level of the community of firms and institutions operating in the local sphere, through the progressive construction of a series of critical regional assets. Four such sets of assets (introduced by Garofoli in the book *Endogenous Development and Southern Europe*, published in 1992) are of special importance in the present discussion:

- (1) the first revolves around the valorization (i.e., use and implementation) of local resources such as human resources, financial resources historically accumulated at the local level, material endowments, entrepreneurship, professional competencies, technological know-how, and so on;
- (2) the second is concerned with the existence of (and ability to develop) interfirm productive interdependences (i.e., production of linkages effects) in the local area;
- (3) the third involves control of dynamic learning and innovation processes (i.e., reduction of X-inefficiency and capability to introduce new products); and
- (4) the fourth is focused on the capacity to guide the process of accumulation at the local level, transforming financial resources into productive investments.

To be sure, endogenous regional development does not imply regional closure or imperviousness to external influences. On the contrary, it goes hand in hand with the insertion of the LPS in a wider economic environment (which implies progressive relations with the external) with multiple local impacts (new technologies, market shifts, national legislation, and so on). Endogenous development, in fact, means capacity to transform the social and economic system; capacity to react to external challenges; and capacity to introduce specific forms of social regulation at the local level that support these two processes. Endogenous development, in synthesis, is the capability to valorize local specific resources and knowledge and to internalize external knowledge; it is the capacity to innovate and produce "collective intelligence" at the local level.

Endogenous development, in other words, refers simply to those elements of the productive system that, by reason of their collective order and mutual synergies, possess certain powers of local social choice and self-determination.

Local Development and Innovation

This argument becomes clearer when we turn our attention to the role of innovation in development. Innovation is, at least for a great part, territorial in nature by reason of the interaction mechanisms and learning process that drive it forward, and that themselves have a distinctive spatial expression. This general point can be found in a variety of theoretical contributions from the growth

pole concept of Perroux (with its emphasis on lead firms as sources of new product innovation) to the more recent idea of regional innovation systems. In the latter perspective, technological innovation is based in territorially specific processes through the interaction of individuals and institutions in the course of everyday work and life. Territorial economic innovation and development are also, for necessity, path dependent as clarified by the evolutionary theory of innovation.

Two further distinctive lines of analysis have developed the issue of the relations between innovation and territorial development. These can be identified in terms of (1) the technological district (introduced by Antonelli in 1986), and (2) the milieu innovateur as formulated by the Groupe de Recherche Européen sur les Milieux Innovateurs (or GREMI). In the technological district approach, the process of technological change is underpinned by the existence of dense interactions and cooperation ties between firms located in close proximity to one another. The concept of the milieu innovateur suggests that innovation is the product of an environment made up of the LPS and its various social and institutional appendages. The notions of technological district and milieu innovateur are, of course, very close to one another. They share an evolutionary and nonlinear conception of technology and development; and they explicitly recognize the effects of spatial proximity in processes of technological innovation and the importance of externalities.

These remarks now bring us full circle back to the question of clustering, bearing in mind that “in a world of learning economies the specialization of firms and countries becomes increasingly important for economic performance” (cf. Lundvall and Johnson’s book, *The Learning Economy*, published in 1994). In short, the clustering and specialization of firms are critical foundations of competitiveness and innovation, and the region is a true nexus of economic development. We must not forget, however, that LPSs are also sites of widespread, sometimes massive, market failure, so that collective action is called for as means of dealing with the consequent problems of inefficiency and misallocation. Much market failure in these systems consists of suboptimal information flows, inadequate supply of skills and competencies, and under provision of certain critical services in circumstances where requisite scale thresholds are not satisfied by local conditions. Examples of this latter condition can be found in deficiencies regarding knowledge about distant or emerging markets, failures in the transfer of technological know-how, or low levels of access to financial resources for SMEs.

Problems like these call for different forms of governmental action and institution building in civil society. These instances of collective action are in turn subject to processes of “institutional and regional learning”, including the so-called experimental regionalism proposed by Sabel in 1995. In the latter case, regions function like laboratories in which social experiments based on “learning-by-doing” and “learning-by-monitoring” are carried forward to various stages of completion by different kinds of corporate bodies.

The False Dichotomies in Local Development

Some dichotomies are often used in debate and discussions, just to put in opposition different perspectives, strategies, and policy orientation; it is possible to think about the following ones:

- (1) local and global;
- (2) competition and cooperation;
- (3) state and market;
- (4) identity and (external) openness.

The literature and case studies on industrial districts showed that the opposition between local and global does not exist at all. The district’ firms are used to valorize specific resources and external economies of the territory combining them with international market opportunities: without external outlet there could not exist any opportunity for division of labor among firms and productive specialization.

At the same time the balance between competition (which favors economic efficiency) and cooperation among firms, especially among complementary firms (which allows division of labor, problems-solving, and continuous accumulation of knowledge and competencies) represents a structural characteristic of the industrial districts.

The capability to introduce specific forms of regulation and collective actions, mainly as a reaction to market failures, represents a step forward the economic and social transformation of a local economy, giving new opportunities for local competitiveness and innovation. Often the introduction of intermediate institutions, introducing rules (cf. consortia among firms) and new competencies (cf. services and technological centers) is able to create the conditions for market organization. This means collective actions, often with the support of local and regional state, can foster market mechanisms. Collective actions and intermediate institutions can then create the conditions for market efficiency, clarifying that the market is often a social construction. In conclusion, state and market are not in opposition.

Similarly, without identity of the local economic and social system (cf. common problems for local firms and local community) it is not possible to perceive opportunities in solving problems and to guarantee conditions for local policy intervention. But without the international comparison, the access to external information and knowledge, the knowledge of external conditions of production and external markets, no room exist for effective local strategies and policies.

In conclusion, the dynamic dialectics and the interaction among the different couples of apparent dichotomies are able to determine transformation and development. Local development realization does not exist without this kind of interaction: all the success stories of local development demonstrate the existence of this dialectics.

The Typology of Local Productive Systems

At the end of the 1980s and beginning of the 1990s, the literature faced the question of typologies of local models of development and scholars sought to identify diverse typologies of LPSs. The objective of the discussion on typologies of development is not the exhaustive elaboration of all possible models of local development. Rather, it is to allow a plurality of development models to emerge and reveal the potential bifurcations of processes of transformation and the roles (and responsibilities) of local social actors in controlling these transformations of local social and economic systems. This underlines the key role of forms of social regulation that are introduced (and that can be introduced) at the local level, and of local development policies.

Storper and Harrison (in *Research Policy*, in 1991) worked around the concepts of “core” and “ring”, with four main typologies (all ring, no core; core-ring, with coordinating firm; core-ring, with lead firm; all core, no ring), whereas Ann Markusen (on *Economic Geography*, in 1996) draws the attention on “sticky places” with four typologies (“industrial districts”, “hub and spoke district”, “satellite platform district”, and “state-anchored district”). Garofoli (on *Industrializzazione diffusa in Lombardia*, in 1983) and Leborgne and Lipietz (in *Les régions qui gagnent*, in 1992) worked around three typologies of agglomerations of firms which, after the recent rediscovery of the question in recent years, especially in the discussion on clusters of small firms in less-developed countries (LDCs), could be summarized with the following proposal:

- (1) clusters of small firms, specialized areas with static competitive advantages (agglomeration of specialized suppliers in areas with low wages) and weak ties among firms and lack of control on final markets;
- (2) LPSs, with division of labor among firms and continuous production of professional competencies; interaction and learning become strategic factors and allow a progressive shift toward the introduction of dynamic competitive advantages;
- (3) system-areas, with effective territorial integration network, and presence of complementary firms which allow the introduction of new knowledge and innovation; voluntary decision-making and partnerships for transformation and innovation; introduction of collective actions and effective local state intervention are able to produce dynamic competitive advantages.

In the last typology it is possible to include a lot of different areas which are following the “high road to development” like innovative industrial districts, local innovative systems, and technological poles.

The discussion on typologies is very important for the identification of strategies for local development, especially for the recent debate on LDCs. This kind of approach, in fact, could foster all the reflections on autonomy of local economy, the upgrading paths and opportunities, the employability of labor force, innovation introduction, and self-sustaining development processes. This could, then, help to single out goals and tools to launch effective strategies of local development.

The Role of the Territory: A Regulatory Tool

The impact of local development analysis and policies is crucial even in light of more general issues, particularly as they show that territory and the mesoeconomic level become strategic assets for development strategies at the national scale. Coordination and capability to mobilize knowledge, professional and technological competencies, decision-making processes, and actors’ behavior for economic development in LDCs strictly depend on this kind of approach, which gives the opportunity to transform general economic development objectives into strategic actions, involving different actors and institutions (both private and public). The lack of capability in economic development strategies in LDCs is generally due to the incoherence between national goals and tools and media introduced to mobilize resources and competencies into a real and effective economic process, with induced and multiplier effects as a consequence of a plurality of connected decision-making and investments.

All this means both a coherence at horizontal level (among different local actors) and a coherence at vertical level (among different levels of government; i.e., along the institutional filière). This, perhaps, explains the success of the local (and endogenous) development approach in several LDCs.

The success stories of local development are numerous and show very different economic structures and different strategic items and tools in solving problems, launching local initiatives, and transforming economic and social processes. Different cases of industrial districts can be found, especially in Southern European countries, and some interesting cases of technological poles and cases of transformation and improvement of the quality of life in several rural areas can be found, even in LDCs. The huge number of analyses on the role of clusters and firms’ networks in emerging countries and the increasing introduction of development strategies in these countries (especially in Latin America countries—cf., for instance, the Sebrae’s initiatives in Brazil and the recent ILO’s support for production development in Argentina— but even in other continents—cf. the DAT projects on LPSs in Morocco) explain clearly the relevance of local and territorial development, even for achieving effective results on more general objectives of economic development. All this explains, even, the increasing number of national and international networks of territories and experts working on international comparisons to favor mobilization of private and public actors and the launching of an International Award on Territorial Development, already at the 5th edition.

In all success case studies, it is often possible to identify a logic of planning of territorial integration and a very intense orientation to the use and valorization of local (mainly human) resources. In light of the above, the idea of a diffusion and multiplication of “good practices” to solve economic and social problems in other areas is gathering strength. At the same time, it is important to have a correct perception of the different tools and schemes of development strategies and policies, looking at

some successful European schemes (like Leader, Urban, and Interreg programs) or at new ones introduced in some countries (like territorial pacts, territorial integrated programs, and Smart Specialization) which rediscover some seminal concepts of the literature on local and territorial development.

Local Development Policies and Strategies: Some Guidelines

The main objectives for local development (and also for local development agencies) are the improvement of the existing firms (i.e., the increase in labor productivity, the improvement of workers' skills and competencies, the rise of the strategic capability of firms, a better position within national and international markets) and the formation of new enterprises (to improve the firms' density, increasing the diffusion of knowledge and the innovation's orientation, the complementary linkages among firms, and total employment, i.e., better use of existing resources).

This could clarify why, in spite of the increasing role of local development policies introduced at national and supranational (cf. the European schemes, IADB, UNDP and other international organizations schemes) level, the results in promoting effective development have been often weak, inducing sometimes failures of local development initiatives. Very often, in fact, the mobilization of local actors and institutions was led looking for financial support better than looking for the solution of crucial local economic and social problems, through their involvement and the construction of capabilities' empowerment.

This suggests the importance, first of all, of the capability to single out goals and opportunities for local economy and society, that means capability to organize national and international comparisons to understand the relative position of the localities within the arena of the international division of labor, but even to select possible initiatives and projects, creating awareness and trust looking at other successful experiences.

The second necessary condition to launch effective local development strategies is the capability to animate local actors and mobilize resources, mainly the unused or badly used resources, as already underlined by Hirschman in his seminal work in 1958.

The concept of LPS is crucial here as it introduces a system logic within the interaction of a large quantity of private economic actors and collective and public parties, thus helping to design development trajectories, alternative strategies, and transformation paths. Very often the introduction of procedures of strategic planning, which can assume even the forms of decentralized social negotiation could help the effectiveness of local development strategies.

A few final comments are presented as a sort of methodological guideline. Earlier in the article, we have used indirectly some crucial concepts of development theory and strategies, which are useful to clarify. In particular, it is useful to underline that an effective local development process is based upon five different conditions:

- (1) the existence (and continuous production) of Hirschman's backward and forward linkages effects (complementary relationships and increasing division of labor are, then, crucial variables);
- (2) the organization of territorial integration (this will produce cumulative effects through multiplier mechanisms);
- (3) the achieving of a critical mass of economic activities (the local/regional version of the Rosenstein-Rodan's "big push"), which emphasizes the role of agglomerations;
- (4) the coordination and capability to introduce problems-solving interventions, through collective actions; and
- (5) the mobilization of sequential and coordinated investments which are able to modify the profitability and feasibility of different investment decisions.

In conclusion, local development strategies and policies are a crucial tool for valorization of existing resources and reaching collective goals even at the national scale. Without the ability to mobilize resources and capabilities and without the coordination of different actors, at the mesoeconomic level, it could not be possible to obtain high social and economic performances at the national level. This is to say that national economic competitiveness and the quality of the life at the national level depend from the capability to realize effective local development strategies in the best part of national areas and territories.

See Also: Agglomeration; Industrial Districts; Local Economic Development; Networks.

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