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Regional Inequalities in the Commodity of Trust: The Case of Two Industrial Districts in the Italian Footwear Industry

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Abstract

This paper seeks to illustrate the connection between sociocultural characteristics, specifically trust, and its effects on the innovative capacity and competitiveness of industrial districts. Looking at the Italian example specifically, it is argued that differences in the sociocultural trait of 'trust' have important implications on the prosperity and survival of these systems of production. To support this claim, evidence is taken from two specific districts in the Italian footwear industry, one from a central region, and one from a southern region. Using information from a wide body of literature, it is furthered that each district's response to the pressures of globalization faced in the 1990s is a reflection of their respective region's sociocultural composition, and underlying trust propensities. Instead of adopting a simplistic have-have not approach to this comparative analysis, it is argued that social networks operating within the two districts are facilitated by differing types of trust. Evidently, it follows that social trust of the central district is more advantageous to the vitality of industrial districts, as opposed to the exclusive kin-based trust of the southern district. The paper closes by considering the implications of this argument, and the identification of future research prospects.

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1 Introduction

Italy can undoubtedly be classified as a country with sharp regional differences in culture, politics, and economics. This paper will attempt to illustrate how relative prosperity in the northern regions, and economic troubles in the southern regions, can be attributed to observable differences in regional cultures and attitudes. This relationship will be examined in the context of an important form of production organization in the Italian economy, the industrial district. The sociocultural element that will be used to analyze the performance of these districts is critical to both their formation, and survival: trust. By examining the relationship between regional identities, and performance of industrial districts in these respective regions, this paper will argue that the northern regions' comparative advantage can be attributed to a sociocultural environment better suited to district success.

To demonstrate this claim, this paper will be divided into five sections. The first will give a brief historical overview of the development of industrial districts in the post-war period throughout Italy. The second section will provide a review of the literature studied for this paper, and introduce two important pieces pertaining to the causes of regional polarity in Italy, and its effects on regional economics, and politics. The first, a study conducted by Tabellini (2005), reviews the impact that sociocultural traits have on the economic development of regions throughout Europe. The second, a book by Putnam (1993), examines the specific traditions of Italian regions, and their impact on the development of civic communities, among other institutions. The paper will then progress into synthesizing cultural and economic information, in a section that presents the innovative advantage possessed by northern and central districts, relative to their southern counterparts. It is asserted that northern and central districts possess a greater tendency to not only cooperate within the district, but also forge meaningful ties with a variety of contacts outside the district. Their southern counterparts, on the other hand, are comparatively deficient in the quality of both internal and external cooperation. This argument will subsequently be used to identify the different ways in which two specific industrial districts in the footwear industry responded to certain pressures associated with globalization, putting a significant strain on Italian manufacturing in the 1990s. The central district was able to effectively respond to these pressures, and continue to reproduce a sustainable and competitive environment. The southern district, conversely, responded in a counterproductive manner, symptomatic of a community plagued by a deficient trust propensity, and an uncooperative cultural milieu. Finally, the paper will close with a short address on the implications of this comparison, its apparent limitations, and what can possibly be done to remedy its effects.

The two districts that will be used for comparison are the Barletta district, located in the southern region of Puglia, and the Fermano district, located in the central region of Le Marche. Both districts are important pieces in the Italian footwear industry, a major industry in the Italian manufacturing sector. Despite focusing on two specific cases in a comparative context, the argument offered is evidently inductive in nature. It is not the position of this paper that these districts reflect special cases, but anecdotal representations of a theory that is rather generalizable in the Italian case. Although it is beyond the scope of the paper to do so, the main argument should logically be compatible with similar combinations of other industrial districts, located in differing regions of the peninsula. Notwithstanding each region's unique traits, traditions, and histories, the broad argument suggests that this trend should hold true along the familiar dividing lines between the largely industrialized northern and central regions, as opposed to their historically laggard southern counterparts. This connection ostensibly represents an important area of research in the Italian context, where the divide between North and South continues to produce meaningful implications on the future of a unified nation.

2 Development Stages of Industrial Districts after World War II

Before progressing into the paper's main argument, it is first necessary to provide a practical definition of an industrial district for this paper's purpose, as well as a brief overview of the trajectory of their development throughout Italy. The objective of this paper is not, however, to debate exactly what constitutes an industrial district, or what defining features comprise its anatomy. Therefore, I will adopt a simple and straight-forward definition of industrial districts. Notably, industrial districts are characterized by the geographical concentration of workers and firms socializing and conducting business in a local environment, usually involving specialization in a particular industry, and strong linkages between business relationships, and sociocultural backgrounds (Mucelli et al. 2015). This territorial agglomeration is set apart from simple clusters through its sociocultural ties, linkages serving both market and non-market needs, and a network of institutions that support its reproduction (Rabellotti and Schmitz 1999). In other words, industrial districts are geographic agglomerations of firms, suppliers, subcontractors, and other organizations, that predominantly operate in the same industry, both in cooperation and competition. Actors from these organizations tend to play an active role in the sharing and dispensation of knowledge, either tacit or codified, throughout the district. This knowledge network subsequently allows district firms to essentially 'punch above their weight' in terms of both their innovative capacities, and competitiveness more generally. Features that describe the Italian districts specializing in the footwear industry include a large amount of producers, relatively small firm sizes, and concentration in a few geographic areas (Rabellotti and Schmitz 1999).

The broad historical development of these districts throughout the Italian peninsula can be broken down into three distinct stages. The first of these stages covers the years immediately following the Second World War. It was in this era that industrial districts began their early evolution, largely in the context of a post-war redevelopment effort. Marangoni and Solari (2006) note how industrial districts developed primarily in those regions of Italy that displayed a long tradition of a strong, communitarian culture. A more specific description of geographical distribution shows the early stages of development occurring almost exclusively in the north-eastern and central regions. Nevertheless, the small and medium sized firms that were organized in the form of industrial districts quickly grew to become major players in the Italian manufacturing sector, and formed roughly thirty percent of total employment in 1951 (Marangoni and Solari 2006). Despite this early success, industrial districts did not immediately disperse further, into the southern regions of the country. Boschma and Ter Wal (2007) point out that not until the 1960s, and the southward migration of industrial district pioneers from northern regions, did districts begin to form in the southern regions as well. This represents an important point that will be elaborated on in the following sections, and will be used to demonstrate a certain degree of incompatibility between industrial district principles, and traditional southern Italian culture. Notwithstanding their delayed and somewhat inorganic introduction, however, southern districts grew in both number of firms, and employees, throughout the following decades (Boschma and Ter Wal 2007).

The second stage of development picks up roughly from the turn of the 1970s, and is marked by the accelerated growth experienced by both industrial districts, and the Italian economy more generally. Although the twentieth century as a whole saw net growth in Italian manufacturing, it was the decades following the post-war period that were responsible for large-scale growth in manufacturing, and a variety of other sectors. The nexus between industrial districts and economic growth did not go unnoticed, and many scholars began to view this method of organization as a possible solution to problems posed by international competition, and the proliferation of large firms in high-tech industries (Becattini and Coltorti 2006). The net result was an increasing reliance on industrial districts as the 'lifeblood' of Italian manufacturing, with a hope geared toward inducing further entrepreneurship, and small business development in local economies. It is important to note that the success of industrial districts in this period largely occurred independently of any assistance, in the form of favorable policies or otherwise, from the central government. In fact, despite increasing growth throughout the 1970s and 1980s, the Italian government did not formally recognize industrial districts as part of the Italian economy until 1991 (Dei Ottati and Grassini 2008). This lack of support from the national government, coupled with the differential development patterns across regional boundaries, further supports the idea that sociocultural traits play an active and important role. The fact that this particular form of economic organization was not forced upon regions by an overarching authority indicates that the impulses leading to their formation can likely be attributed to bottom-up forces at the grassroots level. In other words, district formation in Italy can mainly be credited to actors already operating in the region either explicitly, or implicitly, consenting and 'buying in' to this form of organizational arrangement.

Ironically, the formal recognition of industrial districts as a key part of the Italian economy came at the beginning of an era that would be marked by complications, and subsequent decline. As such, the third period of development — or counter-development — began in the late 1980s, as Italian industrial districts began losing competitive ground to eastern European countries, and newly industrializing countries in Asia. These countries began eating into Italy's share of total exports, and quickly posed a serious threat to the future of Italian manufacturing (Rabellotti and Schmitz 1999). Italian manufacturers were able to remain competitive momentarily, in large part due to the devaluation of the Italian currency 'Lira', but even these efforts were promptly trivialized (Rabellotti and Schmitz 1999). The result of this transition represents an interesting turn of events. Just as industrial districts had been credited with economic growth and success in the previous decades, they now began to receive a disproportionate amount of blame for the subsequent decline in productivity, and growth. For the most part, this trend continued into the new millennium.

In spite of these difficulties and growing skepticism, industrial districts remain an important cog in the Italian manufacturing sector, and the economy more broadly. They continue to be a major contributor to Italy's economic output, as well as a major source of employment to the Italian workforce. As recently as 2014, there were approximately 278 industrial districts in the country, with the majority continuing to be found in the northern and central regions, representing over a quarter of Italy's gross domestic product (Mucelli et al. 2015). Furthermore, districts still account for roughly one quarter of Italy's employment, and just under forty percent of employment in the manufacturing sector specifically (Rabellotti et al. 2009). It is important to point out, for the purposes of this paper, the dominance of so-called 'Made in Italy' traditional industries (i.e. clothing, textiles, footwear, etc.) in the composition of Italian industrial districts. These specific industries represent upwards of three quarters of total industrial district activity on the peninsula (Rabellotti et al. 2009). Given their importance to the Italian economy, it is no surprise that there is a vast body of literature covering the development, success, innovative capacity, and future prospects of Italian industrial districts. Before progressing, it is necessary to briefly review some of this literature in the context of this paper.

3 Key Features of Industrial Districts in Italy

The body of literature examined for this paper represents a wide range of perspectives on the development of industrial districts in Italy. In an effort to keep this section as concise as possible, however, the literature review will be limited to three chief trends that are especially important to point out. The first of these is the general consensus that Italian industrial districts demonstrate higher rates of productivity to both non-district manufacturing, as well as the overall national average. An important aspect of this success, and one alluded to by many of the authors, is the strong sense of local identity that characterizes Italian districts (Lazerson and Lorenzoni 1999). It is noted that district entrepreneurs and workers frequently live and work in the same communities they grew up in, standing in contrast to other regional clusters like Silicon Valley, where most important actors are immigrants from other regions and countries (Lazerson and Lorenzoni 1999). This strong sense of identity plays an important role in explaining the district's efficacy in fostering an environment of cooperation, while maintaining elements of competition. However, it will later be examined how an excessively narrow and rigid identity within the district can prove to be counter-productive both internally, and externally.

Related to the consensus on district productivity found in the literature, and the second aspect highlighted here, is a connection between the collective culture of industrial districts, and their consequent greater capacity for innovation. This innovative advantage is primarily drawn in comparison with non-district firms, and is largely credited to the social bonds that characterize districts (Martucci and de Felice 2011). The common net result attributed to these unique social bonds is an increased motivation to exchange information, specific forms of tacit knowledge, services, goods, and people (Boschma and Ter Wal 2007). This connection between sociocultural traits and the efficacy of districts forms an important crux in the argument furthered by this paper, yet there are some differences between this paper's positions, and the literature researched. It is argued that some of the authors have a tendency to overemphasize the internal cohesiveness of districts, while neglecting the importance of external associations. This form of district linkages is especially important in the context of the current era, one characterized by an increasingly globalized market. Put simply, excessively strong and rigid local identities within the district can actually prove to be counter-productive. It is argued that this is true in the case of both internal cooperation, and external diversification. Internally, rigid identities, if infused with certain problematic traits, serve to inhibit the smooth flow of information and knowledge between district actors, and consequently fail to reproduce a cooperative environment. Externally, excessively strong local identities act as a detrimental, almost discriminatory, force that prevents the possibility of external actors playing a role in enriching the district's knowledge pool.

This position is echoed by some authors within the body of literature, who strive to point out many of the misconceptions associated with industrial districts. Lazerson and Lorenzoni (1999) explicitly subscribe to the view that if social bonds are excessively tight, they can serve to hinder the capacity to change and adapt to different circumstances and markets. There is a clear connection between this view, and the general argument of this paper, in that strong internal bonds are important, but the strength of a solidified and rigid identity is not positively correlated with district success. Another common misconception that is criticized, and compatible with this paper's argument, is the sometimes overstated role of geographical co-location. Boschma and Ter Wal (2007) argue against the misguided assumption that co-location within a district is automatically equated with access to the district's knowledge pool, and thus innovative capacity. Instead, they argue that geographical proximity does not necessarily imply active participation in district activities, and not all firms within a district benefit equally from the knowledge pool (Boschma and Ter Wal 2007). While co-location certainly plays a crucial role in the firms' activities and behavior, this argument complements the point made above, that hyperactive identities, if not ordained with the proper traits, can produce an environment that prevents internal cooperation, rather than encourages it. In other words, strong bonds may act to cultivate a healthy climate of cooperation, if properly utilized. Once again, however, the strength of bonds is not positively correlated to success, and not all sorts of bonds are conducive to cooperation across different agents within a district.

Finally, another theme found in the literature that is relevant for this paper is the continued existence of regional inequalities present in the Italian economy, and their infusion into the system of industrial districts. Expressly, industrial districts are not immune to the disparity in various indicators of economic performance observed between northern and southern regions. Martucci and de Felice (2011) argue that this demonstrates the perpetuation of the so-called 'southern problem'. The study conducted by Boschma and Ter Wal (2007) in the Barletta footwear district, located in the southern region of Puglia, found that only a limited number of local actors were fully engaged in the local knowledge network. Others, like Amighini and Rabellotti (2006), show that firms in the Barletta district display a notable susceptibility to international competition. The Marche districts, on the other hand, seem to have adopted an open innovation model where firms fruitfully utilize a variety of both internal, and external contacts (Mucelli et al. 2015). Furthermore, it is not only noteworthy that the productivity gap between the North and South is present in industrial districts, but is actually largest in industrial districts, as opposed to non-district manufacturing. In the case of industrial districts specifically, the productivity gap between the North and South is measured at a staggering twenty-four percent difference (Di Giacinto et al. 2014).

There are two final pieces of literature that are especially important for the objective of this paper. Tabellini's (2005) study on the connection between sociocultural traits and economic development, throughout different regions of Europe, represents an important piece of the argument that will be formed. Tabellini (2005) used data collected in opinion polls from the World Value Surveys to measure indicators of trust, respect for others, confidence in the link between individual effort and economic success, and other traits associated with economic development. It also should be mentioned that many previous authors have studied the connection between social differences and economic indicators between northern and southern Italy. There is a wide body of literature evaluating the different histories and traditions of these regions, leading to differences in social capital, and the subsequent economic lag of southern Italy (Tabellini 2005).

The second piece of literature, written by Putnam (1993), also contributed a very influential piece pertaining to this subject, and similarly argued that northern and central Italy's comparative advantage in social capital has led to uneven political capabilities on the peninsula. Although strong regional identities within national borders have materialized in almost every country across Europe, there is good reason to place considerable emphasis on the Italian case. According to Tabellini (2005), Italy stands out relative to its European neighbors, with especially pronounced regional inequalities. Putnam (1993) cites the historical traditions of northern and southern regions, and discusses their role in producing the stark inequalities that continue to trouble a unified Italy. These specific pieces of literature contribute to the argument of this paper, and will be used to show how certain sociocultural values can impact industrial district development in either a positive, or negative manner.

4 The Role of Trust in the Fermano and Barletta Footwear Districts

The two industrial districts selected for this study are both important pieces of the Italian footwear industry, and both thrived during the aforementioned 'golden age' of manufacturing in Italy. The district selected from the southern region of Puglia, the Barletta district, constitutes the second largest footwear district located in southern regions, and the seventh largest in all of Italy (Amighini and Rabellotti 2006). This district was selected by virtue of its importance in the industry, as well as the availability of data pertaining to the objectives of this paper. The district representing the central region of Le Marche, the Fermano district, accounted for over twenty-nine percent of national employment in the footwear industry at the time of Cutrini's (2011) study. Fermano was chosen because Le Marche represents a widely renowned region of excellence throughout Italy (Mucelli et al. 2015). Put simply, these two districts were selected because of their comparable geographical locations, as well as their relatively different performance levels. Between the two districts, there is a reasonably large difference in overall size. Fermano is composed of 2554 firms and over 21,000 employees, while Barletta contains only 453 firms, and just under 6000 employees (Amighini and Rabellotti 2006). However, despite this difference, there is the similarity of both districts being dominated by small-sized firms. As such, despite Fermano's larger number of total firms, roughly ninety-eight percent of all employees work in firms composed of fifty individuals or less (Mucelli et al. 2015).

Analyzing these physical similarities and differences, however, is not the purpose of this paper. Rather, the purpose is to demonstrate how sociocultural differences in the two districts serve to affect the innovative capacity of firms, and subsequently their responses to the aforementioned problems posed by globalization in the 1990s. In this respect, there are two important differences to note that affect the innovative capacity of each district. The first of these differences is the lack of ties with larger external firms, and the capacity to bridge the gap between these larger firms, and the smaller firms within the district. The reason why this is important, despite industrial districts typically being dominated by small firms, is that larger firms represent a source of external and diverse knowledge that can be transformed into innovation. The second difference, stemming from the first, is a difference in flexibility between the two districts. A notable result of connectivity between small firms and larger firms is the ability to avoid the fixed structures that can give rise to routinization, the antithesis of innovation. To synthesize these two differences together, it will be demonstrated how both can be tied to a defining sociocultural trait present in industrial districts: trust.

Although it would be a gross oversimplification to boil down an array of relevant cultural factors into one specific trait, trust was specifically selected as the basis for analysis for a variety of reasons. First, trust was one of the traits specifically examined by Tabellini (2005) in his study of regional cultures, specifically in the case of Italy. To elaborate, differences in the willingness to trust and cooperate with others was a cultural trait that stood out as having a great degree of variation across Italian regions in Tabellini's (2005) data. Secondly, trust is one of the select traits that forms the 'lifeblood of industrial district formation', and survival. Putnam (1993) interestingly conceptualizes trust as the lubricant which fosters cooperation, a critical element in each district's vitality. Thus, it can be argued that trust is an integral part of industrial district systems, as without it, meaningful cooperation between agents would be difficult to generate, and sustain. Put another way, trust is one of the defining features that sets an industrial district apart from a simple agglomeration of firms, suppliers, and subcontractors, who happen to coexist within the same locale. Trust enables actors to bridge gaps, and create an entity that is greater than the sum of its parts.

Although the importance of inter-personal and inter-firm trust is evident in the survival and reproduction of district success, like many other sociocultural traits, definitional issues have proven rather persistent. In this paper, I will adopt the following conceptualization of 'trust' provided by Peralta and Saldanha (2014: 539). They frame trust as, *"a dispositional and enduring physical characteristic, or an aspect of the relationship between two persons, a person and a team, or a person and an organization"*. Selecting this definition makes particular sense due to its compatibility with the industrial district framework, due to its acknowledgement of the variety of avenues where trust can operate between individuals, and organizations.

Returning to the first of the differences in innovative capacity mentioned above, it is important to point out Lazerson and Lorenzoni's (1999) contention that small district firms directly benefit from networks with larger firms by enjoying access to a diverse body of knowledge, and that districts as a whole develop through the transfer of knowledge from large firms, to small firms. This is not to say that small firms are incapable of producing and applying knowledge independently, or that innovative capacity is positively correlated with firm size. Rather, this contention is merely used to illustrate that linkages with larger firms, whether internal or external, allow smaller district firms to diversify their body of already existing knowledge, and possibly import useful knowledge from outside the district. It is logical to assume that larger firms will, by virtue of their size, have a wider market reach, and wider pool of resources to devote to knowledge collection and production. It is also important to point out, however, that larger firms may not be as dynamic or efficient as smaller firms where it concerns translating this latent knowledge into innovative capabilities. Therefore, a relationship between firms of different sizes can be mutually beneficial in gathering, understanding, and utilizing knowledge for the purpose of innovation.

From this perspective, Martucci and de Felice (2011) were incapable of identifying any leading enterprise existing within the Barletta district, or any ties with a leading enterprise outside of the district. An alarming result of their study shows that only one district enterprise was clearly taking advantage of knowledge from a variety of sources including local, Italian, and foreign bodies, with which it had observable ties (Martucci and de Felice 2011). This finding can be used to corroborate the study conducted by Boschma and Ter Wal (2007) on the Barletta district, and their similar finding that the knowledge network existing within the district was rather limited and shallow. On the other hand, the Fermano district seems to be largely characterized by long-term and frequent relationships between larger 'leader firms', and smaller local actors within the district (Cutrini 2011). This difference represents a fundamental first step in explaining the recent disparity in performance between Barletta and Fermano, as the latter's wider and more diverse body of knowledge at its disposal has important implications on its own innovative capacity.

As stated above, a direct result of healthy linkages with larger firms among smaller district firms is the inherent flexibility these linkages produce within the district. This result is alluded to by Lazerson and Lorenzoni (1999), in their statement that bonds with larger firms are a decisive factor in avoiding the perils of routinization. Furthering this point, it can be argued that the lack of ties with leader firms in Barletta's case hinders its overall capacity to import new forms of knowledge, with the potential to produce changes in products, or production processes. In fact, the most notable innovation produced in Barletta is not only credited with the district's rise to prominence during the industrial district's 'golden age', but is also the only notable innovation credited to the district since then. In the 1960s, firms in Barletta replaced the widespread use of rubber with new plastic materials, bringing radical changes to the production process. This caused Barletta's share in the market to increase rapidly, and drew curious agents into the district (Amighini and Rabellotti 2006). Although this change did produce notable success for the district up until the 1990s, the failure to continue looking for new knowledge, and new innovations, led to the crisis of the 1990s hitting Barletta especially hard. This analysis can be contrasted with the case of Fermano, where linkages with larger firms allow external knowledge to regularly be funneled into the district. Although Fermano, like Barletta, is still dominated by smaller sized firms, it is the quality and diversity of linkages that matters most in enriching the knowledge networks of industrial districts.

To tie this analysis in with the main argument of this paper, the disparity in innovative capacity between Fermano and Barletta can effectively be attributed to sociocultural differences. For the purposes of clarification, however, this is not to say that these factors are the only factors that can explain the performance or innovative activity within industrial districts. While alternative explanations are elaborated on later, this paper specifically addresses sociocultural factors as one possible explanation that warrants further examination. Returning to the case at hand, however, sociocultural characteristics appear to be a pervasive underlying factor in the comparison of Fermano's continued prosperity, and Barletta's recent decline. While 'family capitalism' is a cultural phenomenon present throughout the regions of Italy, it especially characterizes southern regions, and the firms within the Barletta district (Martucci and de Felice 2011). Deeply rooted family bonds may be useful for a variety of different goals, yet it is not clear that innovation and productivity, by way of cooperation in knowledge networks, are among them. Rather it appears that these tight family bonds, intensified in the southern regions, can be endemic to reproducing an environment that discourages both internal and external collaboration, as trust is commonly predicated on individual familiarity. In other words, trust is often based on kinship and other intimate associations, rather than a mutual interest in cooperation, underpinned by the value of reciprocity. This contention is consistent with the view of Putnam (1993), who argued that trust based on simple familiarity between particular individuals leaves much to be desired, as opposed to a socially entrenched environment of cooperation. This problematic outlook of southern districts presents itself as a serious roadblock to establishing the diverse and dense networks that encourage knowledge sharing, and produce innovation. Fermano's ability to form diverse bonds, on the other hand, speaks to its reduced affinity to strong familial bonds, and higher propensity of trust among district and non-district actors. In this sense, the concept of trust can be subdivided into two categories, as alluded to by Putnam (1993). In the first, which he calls 'thick trust', cooperation is predicated on the interactions between particular individuals, as a function of their mutual belonging to particular social groups (Putnam 1993). The second type, social trust, is broader, and fundamentally, is not dependent on the identities of particular individuals, but on the collective outlook of the community as a whole (Putnam 1993). Clearly, it is the latter form that is evidently more helpful in establishing external linkages, and is also more commonly found among inhabitants of northern and central Italian regions.

Tabellini's study shows that, in looking at regional culture more generally, Le Marche was able to achieve a higher coefficient of trust than Puglia, based on the data collected. To once again compare this finding with Putnam's (1993) analysis, there seems to be a strong correlation between the agglomeration of successful and prosperous industrial districts in Italy's northern and central regions, and the locations of strong civic-minded communities, dense networks rich in social capital, and high propensities of voluntary cooperation. The trust deficiency observed in Puglia represents a crucial element in explaining the tendency of the Barletta district to avoid linkages with different and diverse actors, and a reluctance to venture away from familial bonds. Its comparative lack in sociocultural resources, as mentioned by Putnam (1993), prevent southern districts from achieving a similar environment of voluntary exchange, brokered by a sense of reciprocity. The higher degree of trust observed in Le Marche, and the north-central regions more generally, can be used to explain Fermano's ability to forge ties where Barletta failed, and its better overall performance in comparison. In short, the greater willingness in north-central Italian culture to look beyond the family, or other networks of narrow membership, and establish meaningful linkages elsewhere directly contributes to Fermano's dense and abundant network of contacts. To further the argument of this paper, however, it is necessary to elaborate on the theoretical base, and support it with tangible evidence. As previously mentioned, the connection between sociocultural differences, namely differences in trust, and the salience of these two districts, is best observed in how they respectively responded to the new pressures felt by Italian manufacturing in the 1990s.

5 Comparative Analysis of Responses to Globalization in the 1990s

As stated above in the historical overview, the 1990s marked the end of the 'golden age' of Italian manufacturing, and led to a period of increasing economic divergence where some districts continued to be relatively successful, while others experienced deep structural issues. Recalling that this period of strain was largely the result of increased competition from countries with deregulated labor markets such as China, Ramazzotti (2010) identifies the failure to adapt to external change as a leading cause of a district's decline in competitive advantage. Ramazzotti (2010) goes on to identify what he refers to as the 'low road' to restructuring in the face of such changes. This path is characterized by futile attempts to maintain competitiveness through seeking out cheaper labor costs, a move that discredits innovation, and violates the conditions for social cohesion required in an industrial district (Ramazzotti 2010). This position echoes that of Amighini and Rabellotti (2006), who view the international fragmentation of production as a tempting, but almost suicidal response, in the case of the Italian footwear industry. Using this perspective, and the above analysis of sociocultural and innovative differences, the response of each district will be summarized and evaluated below, to illustrate why the central district grew, while the southern district declined.

5.1 Barletta District

Barletta's response to the increased competition of the 1990s is symptomatic of a lack of innovative effort, stemming from weak internal cohesiveness, and a general absence of high-quality external linkages. The district's response can be effectively summarized as an effort 'to fight fire with fire'. Beginning in the 1990s, firms from the Barletta district began to transfer significant portions of production to eastern European countries, predominantly Albania, characterized by low costs and deregulated labor markets (Boschma and Ter Wal 2007). This trend only intensified over time, and before long, much of the production that had previously occurred within the district was outsourced to foreign countries. Amighini and Rabellotti (2006) point out that Barletta ranks first among Italian footwear districts in outsourcing production, with just under three quarters occurring in foreign countries in the year 2000. Interestingly, Barletta also ranks last among Italian footwear districts in value of final exports (Amighini and Rabellotti 2006). Aside from the outsourcing of production, the Barletta district pursued another strategy that is uncharacteristic of any organization that can rightly be labelled as innovative, or competitive. The district successfully lobbied for government protection against more price-competitive imports from newly industrializing Asian countries. This protection was codified in 1994, with the European Commission placing quotas on imports from countries like China and Thailand (Amighini and Rabellotti 2006).

These trends can by and large be attributed to a lack of trust, specifically of the aforementioned 'social' variety, leading to a deficient capacity for cooperation, and innovation. While this deficiency could for the most part be concealed during the 'golden age' of Italian manufacturing, external changes and evolving markets put them directly under the microscope. As such, it is clear that Barletta is ridden with structural issues both internally and externally. Externally, and consistent with what was argued above, this lack of social trust was perhaps most problematic in preventing firms in the district from establishing ties with large leader firms that may have been able to provide useful knowledge for adapting. Put another way, when suddenly faced with a rapidly changing market governed by new demands and new competition, Barletta was essentially exposed for its greatest weakness: its limited pool of knowledge. As opposed to spending the previous decades establishing quality contacts and stockpiling valuable knowledge assets, it seems firms in the Barletta district were content to limit interaction among kinship-based contacts, and fall into the trap of routinization. Excessively strong familial bonds acted as a roadblock to the adventurous attitudes needed to look beyond the confines of the locale itself. When changes were made, likewise, they were simply efforts to compete through price, rather than innovation in product design, or in production process. Coupled with the virtual non-existence of external linkages, there were also visible issues internally. For example, outsourcing certain stages of the production process may not have been a bad idea in certain respects, yet the way this course of action was employed in Barletta's case is indicative of internal structural issues. Rather than going about the outsourcing of production in a strategic, methodical manner, the Barletta case more closely resembles an ill-advised mass exodus. Given that the former path would require a certain degree of coordination, and a significant amount of communication, it can be argued that there was likely none of either in the decision to employ the latter. This points to an environment severely lacking in cooperation, and consequently lacking in the underlying trait of social trust, which would encourage a diverse variety of actors to interact, and exchange knowledge.

In this sense, Barletta's response to these pressures represents a textbook case of the 'low road' identified by Ramazzotti (2010). An over-reliance on redundant forms of kinship-based bonds, and a lack of social trust afforded to alternative sources, threatens the very future of the district itself, by preventing it from adapting to changing external circumstances. As such, it seems there are not only issues with the linkages of district firms with actors operating outside of the district, but also between the district firms, and actors themselves. The outsourcing of production on such a monumental scale requires no special degree of cooperation, and essentially defeats the purpose of the district itself. This approach is evidently indicative of Putnam's (1993) 'thick trust' where interactions and exchanges are facilitated by virtue of individual identities, as opposed to encouraging surroundings. This strategy, or lack thereof, stands in sharp contrast to that employed by the district of Fermano, where comparatively higher degrees of social trust, and enriched networks, allowed the district to effectively map its course in a rapidly changing market.

5.2 Fermano District

Consistent with what has been argued throughout this paper, Fermano's strategy represents almost the antithesis to that of Barletta's. It is important to note the flip-side of the interesting statistic mentioned earlier, where Barletta ranked first in the outsourcing of production, and last in the value of final exports. In the same study, Fermano was shown to rank exactly the opposite, last in the amount of outsourced production, and first in the value of final exports (Amighini and Rabellotti 2006). Although Fermano did outsource a notable portion of production, measured at thirty-four percent, it seems the overall strategy employed in exactly what was outsourced displays the qualities of a considerably more innovative approach, with an observable value placed on long-term sustainability.

Furthermore, rather than seeking out low cost labor environments in an effort to salvage competitiveness, the Fermano district responded by implementing high quality standards, and entering new niche markets, largely immune to the pressures exerted by newly industrializing countries (Amighini and Rabellotti 2006). In this respect, the firms in Fermano were not quite desperately attempting to remain competitive, but confidently establishing new ways to be competitive, in new markets. Competitiveness was now achieved by improving product design, and strengthening control along the value chain, for the sake of quality (Mucelli et al. 2015). Also, in spite of the limited degree of delocalization, critical functions such as product development, marketing, and distribution, were retained within the district (Cutrini 2011).

In contrast to the case of Barletta, these strategies can be credited to both the growing position of larger firms in the Fermano district throughout the 1990s, and the greater degree of coordination and cooperation within the district itself. In fact, the districts in Le Marche as a whole underwent a period of restructuring that saw the consolidation and strengthening of the position occupied by larger firms, and their linkages to the smaller actors within the district (Cutrini 2011). This restructuring reflects a prudent strategy to tackle the pressures of globalization by placing firms with a wide body of knowledge, and presence in international markets, at the core of an innovative effort. The ability of the Fermano firms to establish themselves in new niche markets would likely not be possible without the knowledge and creativity provided by the linkages with large leader firms, located outside the district (Mucelli et al. 2015). In short, then, without the sort of social trust present in the district giving rise to these beneficial forms of linkages, the Fermano firms might well have chosen the same problematic path as their Barletta counterparts. In support of this claim, Fermano entrepreneurs identified trust as the leading factor in selectively outsourcing certain functions of the production process, while retaining the most important ones (Cutrini 2011). Evidently, this strategy avoids the 'low road' mentioned by Ramazzotti (2010), as the Fermano firms were able to effectively adapt to changing markets. Instead of outsourcing and seeking market protection, the firms of Fermano sought out new markets, and improved products and production using knowledge acquired from diverse contacts. This effective strategy seems to be the net product of a flexible cultural milieu, underpinned by a degree of social trust that is not present in the case of Barletta. The sort of trust observed here, conversely, is more akin to Putnam's (1993) "social trust", where specific individuals are less important, cooperation is encouraged through a system of reciprocity, commonly held values, and interests. It would be difficult to imagine such a coordinated effort without a collective system operating in synchronization.

6 Implications

Given that Italy is a country that is already affected by regional differences in a variety of economic, political, and social ways, the typical options for fixing this sort of disparity might not be as attractive in this case. Many authors commonly identify public action as a means to fix the problems associated with troubled industrial districts in the context of globalization. However, this paper remains skeptical of meaningful policy changes being achieved in the short-term, especially at the national level. The 'high road' articulated by Ramazzotti (2010), in contrast to the aforementioned 'low road', involves the introduction of policies to change the incentive structure and favor regulated labor markets. It is evident that this is much easier said than done, however, especially in the context of Italian politics.

Dei Ottati and Grassini (2008) point to a lack of political interest at the national level as a major roadblock to the implementation of policies for Italian industrial districts. A historic lack of political stability in Italy has also long hindered the establishment of a cohesive national culture. Given both the disinterest and ineptitude of the national government, then, a logical response would seemingly identify regional action as the means through which the goal could be achieved. This position appears to be consistent with the findings presented by a study on the stakeholder networks found in the province of Lecce, which is also located in the southern region of Puglia (Pino et al. 2014). In this study, the authors present findings which indicate a high degree of interconnectedness and collaboration between diverse actors in Lecce's local territorial systems (Pino et al. 2014). A noteworthy aspect of these dense and active networks is the decentralized models of governance that operate within them, and the participation of a wide array of actors in the formulation and implementation of development strategies. Although this notion of decentralization has not been corroborated across all examples of success in the southern regions, it presents a rather logical and convincing argument that wider involvement in key governance areas could foster an environment more suited to cooperation, underpinned by a greater degree of social trust.

The point to be made here, then, seems to be that these regional and local issues are likely best addressed at the regional and local levels. However, Putnam's (1993) conceptualization of regional traits as having deep historical roots remind us that the implementation of such a system would likely not be an overnight occurrence. Much like the formulation of industrial districts were largely the product of collective action at the local level over a sustained period, their preservation in the modern era depends heavily on those same forces. In short, strategies aimed at widening the scope of relevant actors at the local and regional governance levels could be an important first step in addressing the perils of a noncompetitive and fragile district milieu. The aspect of this finding which is perhaps most encouraging is that this change can be achieved without formal policy implementation, where efficient action is crippled by political deadlock. Instead, meaningful results could be produced through simple initiatives such as local conferences, where political, economic, and cultural actors are placed in an environment conducive to communication.

In this respect, this paper does not intend to further the claim that southern districts, and regions more generally, are imprisoned in a vicious cycle of underperformance. As is the case with any trends, there are exceptions to the overall rule. In other words, there are certainly examples of thriving and prosperous industrial districts, located throughout the southern regions of Italy. These districts are not only invaluable economic assets, but should also be of particular interest to researchers. A thorough analysis of the structure, networks, and institutions that operate within these districts is surely warranted, and could help shed light on more specific steps that can be taken in redressing the ills of less successful cases. Specifically, identifying unique traits within these districts that can possibly explain their success, and the extent of their replicability, could help form a coherent course of action.

Although this paper hopes to make a meaningful contribution to the rich discourse on innovation, industrial districts, and the effects of sociocultural characteristics, it cannot ignore other possible factors that also warrant further research. For example, northern and central regions are typically more urbanized than their southern counterparts, perhaps helping explain why there are deeper connections between northern district firms and the aforementioned larger firms that help import useful knowledge. Disinterest in engaging in predominantly rural markets might be a logical reason why it is more difficult for southern firms to form linkages of this variety. Also, the role of proximity must be considered in this elaborate network, as northern districts are evidently closer to the large European markets of Germany and France, among others. This proximity could prove relevant both in explaining disparities in export shares, as well as disparities in knowledge pools, as a wide body of literature cites the importance of geographical proximity in sharing tacit forms of knowledge (Morgan 2004).

This is not an exhaustive list of the alternative factors that could possibly explain the comparison undertaken here, but represents issues that could inform interesting research projects. Conclusively, this paper purports to show that the development and general success of these unique forms of production organization are not immune to differences in sociocultural traits that have regional roots, namely in the propensity of trust, and variety of trust, between individuals and organizations. The specific cases of the Barletta and Fermano districts have been used to illustrate concrete examples of how this comparison manifests itself in an observable manner.

7 Concluding Remarks

The underlying purpose of this paper has been to illustrate and elaborate on how the performance of two industrial districts in the Italian footwear industry can be attributed to a fundamental difference in trust propensities, and varieties. The concept of trust was framed as a critical building block in the establishment of industrial districts, and a critical element to their survival. It has been shown that the real and observable cultural differences between northern and southern Italy, extend into the operation of industrial districts from each region. Namely, the central region of Le Marche benefits from a long-standing civic tradition that has fostered an environment of reciprocity, and cooperation among its inhabitants, extending into its district milieu. On the other hand, the southern region of Puglia is hindered by its excessive reliance on familial social bonds, and a relatively less symbiotic setting. Furthermore, these differences are at least partly responsible for each district's response to the changing environment experienced at the beginning of the 1990s. While the Fermano district was able to cultivate an environment brimming with social trust, and use this trust to establish linkages with larger firms possessing external knowledge useful in this new era, the southern district of Barletta was not as industrious. The firms located in the Fermano district, organized by native inhabitants, and operating in a cooperative environment, were encouraged to form the diverse linkages that enrich social networks. Additionally, when pressures forced structural changes, the level of coordination formed through frequent and meaningful interaction allowed for a relatively seamless transition period. Operating in an environment with a very different variety of trust, one saturated with tight family bonds, Barletta firms ignored the diverse knowledge that was necessary to produce the innovations required in this new context. This lack of knowledge translated into a misguided strategy, that led to a further lag behind the more prosperous districts located in the northern regions. Essentially, the flexible nature of Fermano's bonds allowed the district to bend, but not break, when adversity hit. At the other end of the spectrum, Barletta's rigid familial bonds, a mainstay in southern Italian culture, proved to be a ticking time bomb that was detonated by neoliberal deregulation.

Further research on this relationship, as well as the larger inequalities between the North and the South, is critical for the future of the country as a whole. These inequalities, coupled with strong regional identities, are already putting significant strain on a notoriously weak central government. While a feasible solution to this problem may not be rooted in national politics, the production of such a solution would undoubtedly give rise to a new era of increased trust, cooperation, and unification in a variety of political, economic, and social ways.

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