Integrated governance and territorial networks: a new challenge for development: remarks on Italian North-east model

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“Se vogliamo che tutto rimanga come è, bisogna che tutto cambi”
Giuseppe Tomasi di Lampedusa
“Il Gattopardo” 1957

1. Introduction

After an extraordinary economic and industrial development lasted during all the Eighties, the economy of North-eastern Italy has slowed down its race until living its actual crisis. The well-being and the economic development obtained with a particular model of economic and social growth is now facing a complex variety of obstacles not easy to be overcome.

Indeed, many of the elements which determined that extraordinary entrepreneurial and territorial development have come to an end. In the last period, the political, economic and social development model is clashing against the federalist State reform. Moreover, due also to the current national and worldwide situation, what has been defined as “the Northeast locomotive” more and more appears to fail pulling ahead, but, on the contrary it seems it is slowing down nearly inexorably, also as a consequence of the enlargement of European Union and consequently a stronger competition with the emergent countries.

Until the end of the Seventies, the Northeast was considered the Meridione of the North, with an economy which needed development both in economic and social aspects, and which appeared to be peripheral and marginal compared with the great companies of the North West.

Only since the crisis of fordist enterprises and with the processes of de-industrialization in the Eighties, the PMI of the North East began to be recognizable in their specificities which made them superior also to those realities that were more structured and wealthier in resources. Specificities as high productive flexibility, ability to move in the international markets (with the creation of new goods that were so peculiar that assured them the leadership in international markets), possibility to respond to specific requests and to find new solutions. These certainly were elements which, reinforced by penetration, determined the creation of the so called “Veneto Model”. It was in the Nineties that the development models of the PMI turned from peripheral to central\(^1\) and were studied internationally for their performances\(^2\).

In order to explain this crisis, we need to examine in depth the future sceneries and try to understand how a traditionally lively economy can react in order to maintain an adequate level of growth in spite of the problems emerged in the last seven or eight years.

The issue to be analysed is the necessary change both in goals and in actions on more fronts. In other words, not only a drastic change is needed from the closely economic point of view, but also, and above all, it has become necessary to develop an idea of aggregation and integrated exploitation of the resources, unknown before since considered unnecessary. What has made unique the model of northeast development has been the territorial concentration of productive specializations that, indeed, is not an exception, but the rule for the necessary new relationship between local and global. The territory indeed represents a versatile integrator, open and differentiating for the economic actors. The success of the districts, which are the foundation of the Northeast

\(^1\) In the Seventies the \textit{pro capite} income of the area passed from a 4% above national average to 10%: those years were characterised by the small enterprise diffusion and development, of the enlargement of industrial employment, of the emergence and growth of the Districts, of the start of local specialization in exports. A second period of differential growth can be identified between 1986 and 1995, when regional \textit{pro capite} income passes from a 10% to a 20% above national average. In this phase growth is certainly pulled ahead by the manufacture industry exports trends and by the increased of the tertiary generated by this development. It is necessary to underline that as a consequence of this strong growth, Veneto and Friuli-Venezia Giulia are at the moment the Italian regions that influence most the exports on PIL respectively.

model, depends in fact on the ability to maintain active the processes of change and innovation, meaning with change and innovation not only dynamics linked with industrial processes, but, more in general, with all the processes of mutation of the way to define the development and prosperity of a specific area. For this reason, an analysis of the present situation and of what appears to be the situation for the future can be useful also in relation to other realities. Certainly the topic is large, however what we want to underline is the influence of political and decisional processes and the need to exploit all the available instruments of territorial development,concerting them between the existing entities on the territory.
In other words, we will attempt to describe how the actual system has developed and how the European context and local Public Administrations can have a positive influence on resolving the new economic and social requests. This analysis will be carried out using the concepts of democracy, citizenship and considering governance, constructed like a united net of local actors for development and territorial growth.

2. Present situation and its historical background

In order to better understand the model of the Northeast (and the one of Veneto region in particular) it is necessary to make a note about its economic organization and cultural structure, which originated it and then maintained it. In the first place, we must emphasize the presence in the Northeast of local productive systems typically based on small and medium enterprises (Pmi) and often organized in industrial districts or sometimes in territorial agreements that group a varied of local entities united by a single productive vocation. It is necessary to take into account that the Nineties have been characterised by the emerging challenges, decisive for the sustainability of local models of development for PMI, which can be summed up in the deep transformations towards a reticular an typically fordist economy, with the creation of enterprises networks and the beginning of a process of delocalisation (highlighting the relevance of territorial and relational dimension of development, focusing on competition between local systems more than between single enterprises) and in the regulation of local development, that is through governance nets, in order to better the services offered to citizens and to enterprises, quality of life, and conditions that ease the settlement of enterprises and human resources. In particular, in the local systems of Pmi, the political dimension of the regulation is acquiring a fundamental importance, since the opening towards the exterior of the local systems, like the district above all, but also like the urban systems, constitutes a challenge for the survival of the local system from the point of view of its cultural and political identity.

If however we don’t want to assist to the inevitable decline of the dynamism of the Pmi, that cannot alone face globalisation competitive challenges, this challenge must be faced at a political level with the awareness that it becomes more and more necessary to switch from a regulation of local development entrusted to communitarian nets, to the market. It is necessary, therefore, to go towards a new shape of regulation, properly political, in which political institutions intervene as regulator subjects, not as much in a hierarchical way, as like propulsive actor of processes of governance that in this way assume a fundamental importance, especially in the local dimension.
It is important to remember that the concept of governance (Mayntz 1999) has to be interpreted as an alternative both to the top down\(^3\) political regulation, that is to the hierarchical control made by the State, but also to the regulation of the market, based on the principle of utilities exchange, and also, finally, to the communitarian regulation based on reciprocity principle. The governance rather sends back to the concept of net of relations, generated from a negotiation process, that guarantees in a way social coordination, and therefore regulation, aimed at the attainment of defined goals, in which the politician participates too, but with modalities that vary from

\(^3\) It is important to define that the use of governance concept (or bottom up regulation) has to take into account the limits of Government concept (or top down regulation) and, more in general, with the classic separation between State, civil society and market, in order to distinguish the different degree of political direction of economy and State intervention. As Le Galès well explained (1998, pag. 77) the two terms, however, are not without ambiguity, also due to fact that in the United States governance and government are used as synonyms. In our position, on the contrary, the two terms have to be distinguished.
context to context.
The concept of governance (net), therefore, like the concept of network, is in fact a concept that can describe the relations of transaction between the actors, but does not explain with which cognitive models this exchange leads to a social net construction. In order to have these information, it is necessary to conjugate, then, the concept of net with the one of "institutional context", that helps us in defining the concrete system of action (Crozier, Friedberg 1978)\(^4\).

However, what interferes most on territorial management is the administrative style, that is the prevailing modality in which political issues are faced and managed, which constitutes an interesting rule of the institutional game, since it is a way to proceed shared by the actors and stabilized in time that contributes, on one side, to regulating social behaviours, reducing uncertainty and, on the other hand, to producing symbolic values connected with them. It can therefore be argued that the administrative praxis contributes to consolidate the social construction of the relation between the institutions and the social context, through that March and Olsen call "institutionalisation of the meaning" (1989, p.71).

In the Northeast, on the contrary of what happened in central Italy, because of the catholic culture and of the domination, until the Nineties, of the Christian Democratic Party, has been created a non-interventionist and aggregative administrative praxis. The not-interventionist administrative praxis is, in fact, coherent with the system of meanings of the white sub-culture of anti-statalist localism that has in the local community network (catholic, but not only that) the place of social conflict regulation, while it regards with suspicion the political context, conceiving it, above all, as a place for exchange from which the local community can exchange political consent in order to acquire suitable resources for its reproduction. It is a praxis that, therefore, makes insufficient use of the programming as an instrument of regulation, privileging distributive policies and produces, on one side, a model of institution of aggregative type, oriented to the defence of local particularistic interests and therefore to the idea of politics as exchange- and, on the other hand, a polycentric local system.

Using March and Olsen words (1992, p.178-79) “In the aggregative processes leadership implies the mediation between coalitions and interests. In an integrative process the leadership implies a fiduciary administration of social traditions and future needs, and in addition it involves an educational role (). The theories of aggregation consider public policies and the distribution of the resources as the fundamental result of a political process.” On the contrary, the theories of the integration (more widespread in Central and Southern Italy) consider a primary result the development of a political system equipped of shared goals and values.

3, Instruments of local Development and social cohesion

In this context are therefore included the instruments supplied by the several public entities for the development of the territory. Indeed, the Northeast phenomenon, grown in the Eighties not only thanks to a high versatility and flexibility of the small and familiar enterprises, has benefited from a widespread tax evasion, from the export of capital abroad, and from a large exploitation of foreign labour in order to assure the necessary work force to the enterprises. However, a big part of the enterprises has a familiar character, strongly specialized in their own product but not always oriented to organizational efficiency and efficacy nor to innovation.

In other words, products are of a high quality, but many enterprises do not invest in innovation and the cost of labour is higher than in the underdeveloped nations.

In order to overcome these problems there is more than one remedy, but a strong effort is necessary in order to resist to the competition of the Eastern European and Asian Far-East countries.

Part of these instruments are supplied by European Union in funds for projects for Training, support for job opportunities, and infra-structural modernization (FSE and FESR).

These instruments are aimed at the improvement of the working conditions through the training of underemployed

and workers. Moreover, the EU promotes international projects (like Equal or Leonardo) for the spread of the Good Practices and for the constitution of trans-national partnership. The effort made by European Union\(^5\) is indeed to create networks that may help enterprises to innovate, de-localize and invest in human capital. This is the new challenge that the North East (and the Italian system in general) has to face at present: to take advantage of all the instruments (not only the European ones, that expectably will suffer a drastic cut after 2006, due to the Enlargement of EU to eastern countries) but also the use instruments like the Project Financing\(^6\), negotiated planning\(^7\) and territorial marketing (above all thanks to ICT), the reunion of comuni in a same territory through territorial pacts and the reinforcement of the industrial districts, by now linked not only by a contiguity in space. However, in order to evaluate the economic context of the Northeast, we cannot forget that a very important role is played by the social network, by cultural traditions and by family support. In the Eighties, two economists, Fuà and Zacchia\(^8\), studying the evolution of the industrial development models in Central and North Eastern Italy, had highlighted how the processes of growth of areas characterized by small and medium enterprises had happened in continuity with the territory and local society. In other words, an “industrialization without fractures” took place: indeed, local development did not seem to be marked by fractures, on the contrary of what had happened, for instance, in the North West Italy, where the industrialization process had demanded the arrival of great masses of population from Southern Italy, the creation of a large working class and clearly distinguished from the middle class. The East North, instead, has grown in a substantial continuity with its propelling factors. It is difficult, in fact, to explain the economic performances of this area without considering, for example, the support that the familiar organization has given to the enterprises. It’s not for chance that many among them are still today of a familiar character, defining a situation in which company and family often constitute a unity, where more than half of the entrepreneurs comes from a background of employee labour.

The creation of the industrial districts itself can be understood considering the processes of urbanization of the countryside, that already had an important communicative and infra-structural network. In other words, economic

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\(^5\) European Commission has adopted, on the 10th February 2004, a communication, in which it illustrates its idea on European Union, for which it outlines the budget plan for the period 2007-2013. Three are the priorities proposed in order to take most advantage from the enlargement and to help Europe prosperate: sustainable development, citizens’ interests and the reinforcement of the Union role as a world partner. The new Union with 27 member Countries can reach these goals without increasing the actual expense limit. The annual complexive amount necessary for the allocations of payment can reach 143,1 billions Euro in 2013, which is equivalent –in the Enlarged EU too- to 1,15% only of EU PNL. In the period we considered, the amount will be, on average, about 1,14% of PNL. The political priorities proposed by the Commission are: sustainable development, growth, unity and employment.

\(^6\) The project financing, is an anglo-saxon originated technique for projecting and planning interventions, especially of structural nature. The project financing uses a complex multidisciplinary approach, aimed at financing, constructing and managing infrastructures and public utilities, through a massive use of private funds. It represents one of the new models that find more and more in the relationship between private and public a new path for the realisation of modern infrastructures, necessary for a competitive development of local systems. An operation of project-finance is characterised by the ability of the project to self-finance, producing sufficient cash flow to pay back the loans that financed the work and guaranteeing in the meantime an adequate remuneration for the capital that was invested.

\(^7\) Negotiated planning is a planning methodology which allows to regulate the interventions of multiple public and private subjects, for a united management of financial resources. It was introduced in Italy by the law 341/95 and is aimed at the promotion and valorisation of local development processes obtained through the cooperation among enterprises, local organizations, industrial and workers’ associations, banks, foundations. The negotiated planning instrument is defined by 662/96 law as “the agreement, promoted by local organizations, social agents or by other public and private subjects, on the realization of a program of interventions characterised by specific goals of local development promotion”. It has a double aim: on one side at allowing a coordinated management of institutional subjects’ planning instruments, on the other at easing and encouraging a bottom-up decision process by all public and private subjects interested in local development themes, using the concertation instrument. Negotiated planning aims at supporting local development policies’ efficacy, in order to increase competitiveness and occupation of a defined territory, also through a simplification of operative modalities and rationalisation of public and private expense.

\(^8\) Giorgio Fuà e Carlo Zacchia, Industrializzazione senza fratture, Bologna, Il Mulino, 1983
development, social and territorial context, have constituted factors that for along time have been interwoven and mutually fed, allowing the economic and social growth that we can observe today. They have given life to what has been defined the “Italian locomotive”. To sum up, society and economy of the East North have been for a good deal accomplices of the development. The enterprises found a legitimacy which was internal to society itself, they were its expression and they drew support from it, also a symbolic one.

Now, this type of development has reached a turning point and asks for revision, above all because the factors that were the base of its success are finishing. It is true that economy has grown and continues to grow, although the international conjuncture slowed it down. And it is equally true that the labour market continues in its positive trend and the activity rates are increasing. However, the quantitative availability of local population decreases progressively. The young native generations are fewer, and less and less willing to accept whichever job, above all because they are educated, they enter later in the work market and with always higher expectations. They have become selective in their choices and, if they can, they avoid the unskilled labour, considered lass characterizing. The entrepreneurs themselves, on the other hand, have difficulties in finding, among their own (few) sons, someone available to assume the direction of the enterprise, often because they have a higher education, because they prefer to set off towards jobs of liberal and professional character.

Not for chance, in the North East, the average age of the entrepreneurs in Veneto is the highest. It is relevant, therefore, in recent years, the problem of the generational gap. And even the territory itself, often from resource, has been transformed into a tie. Its saturation has become paroxistic, the infrastructures has not developed in the same measure as economy.

Therefore, in order to find new settlement areas people have begun to move into other countries.

The economic development of a district character, founded on the Pmi, is fed by the resources of the territory, and by the social capital produced by the local context. In them it finds its legitimacy and acknowledgement. In the moment when these resources are finishing, instead, a progressive gap between its components is created. A scissor that must be controlled if we want to keep on feeding the “locomotive”. It includes the necessity to find new legitimacy to the enterprise’s economic action, to find again contexts of reciprocity between economy, territory, society, territorial policy, so that a new complicity can be started, different from before. The aggregation has been and is now, in many cases, a factor of growth, as it is visible in the productive models of network enterprise scattered in large areas of the Country, that is the objective of the main development policies launched both at a national level, and at a communitarian one.

Certainly, the phenomena of social cohesion that are generated on the territory, or better, in the local dimension, are currently subordinated to changes and destabilizing factors: increasingly complex economic sceneries confuse also the united systems of enterprise, as they pose new requirements of development for the urban contexts.

The maintenance of a certain degree of equilibrium between competition and cohesion represents the indispensable condition both for what concerns the continuation of the model of local development, and in order to guarantee the government of the urban realities, the possibility that these can find again a leading role in the social and economic development of the Country.

Indeed, on one side the hyper-liberist sceneries – being them real or predicted- can involve serious problems in terms of a pulverization of social cohesion, on the other side the Italian cities seem to cross a phase of re-thinking trying to find the correct way to offer an answer to the question of quality of life that made by the citizens (emergency, quality, atmosphere, services), recovering however the propulsive push towards growth, social innovation, the practice of modernity.

The territory, the rooting, the reference to the common values of the single areas of origin, in the past have certainly represented important factors of cohesion.

Nowadays, the progressive un-packaging of the social state and other factors of securizzazione projects on the territory, apart from new worries, also renewed and increased responsibilities on how to reorganize or maintain alive the factors of aggregation among the variety of subjects that animate the local contexts. It is necessary to

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9 Marini Daniele e Ferraro Federico, Responsabilità d’impresa e coscienza sociale: Il caso degli imprenditori di Padova e del Nordest, Quaderni FNE Collana Ricerche, n. 17 – febbraio 2004
reaffirm the supremacy of cohesion on the centrifugal pushes and to the powers and functions fraying in the single territorial contexts that compose the Country, for the cohesion is in itself an element in a position to support the competitiveness of local systems. It has been so in the past, and so can keep on being. The experiences of the industrial districts, of the productive network systems, the territorial pacts for development and the associations of communes (municipalities) show how the cohesion at local level has been vehicle of change and acceleration of the growth of social capital and territorial one.

It is also necessary also to be aware that the excesses of inner cohesion can involve dangerous consequences for social systems, being them Local Agencies, industrial enterprises or districts: on one side, in fact, an excessively united system tends to oppose to change that comes from the outside, to “build a wall” to defend what already exists, in this way risking impoverishment; on the other side, the cohesion excess risks to turn into something that is very similar to “oppression”: the elements of the system endure it passively and develop unconsciously repressed aggressiveness against the system itself.

4. Problems, confrontations, perspectives

After making a historical summary of how the Northeast model has developed, it is certainly useful to analyse how the political class of this area has tried to manage the territory and how local context is not easy comparable to other European examples. Thanks also to a new electoral law that allows the direct election of the mayor, this office in the last decade has increased its decisional and executive power. However, the mayors, in general, have maintained importance for local policies, but don’t have any more the ability they had some years ago to interpret the citizens’ desire for autonomy and opening to the world. The political class of regional government (only now the regions are elaborating their own statute after their creation in the Seventies) have not been affirmed neither at European nor at national level. The weight of Veneto, Friuli-Venezia Giulia, Trentino-Alto Adige, appears very limited in the government compagine, if compared with other areas and the electoral consent guaranteed to national political majority; the comparisons with Scotland, Catalunya, Baviera, that were so common only a few year ago, today seem simply not adequate. In other words: it is different the political relief that those Regions (Länder or Comunidades Autonomas) assume and exercise on European and national institutions, and compared with the North East regions, whose political class does not seem to have increased importance and power outside the borders of the area (also due to the aggregative culture that we previously pointed out). The productive categories can only suffer from this deficit of power and representation, since the economic development depends, in elevated measure, on political factors, and on political decisions, so that among the entrepreneurs, (above all among smallest), the comparison with Europe generates worry (the participation to the united currency, indeed, begins to be conceived as a tie for the penetration of our products on the markets). In social context, the perspective of the enlargement begins to provoke some fear, for the impact that it can determine in terms of immigration, for the consequences on de-localization.

Certainly the unknown generates more fear, and unfortunately the Northeast entrepreneurs and the citizens’ often too narrow mentality has often brought to a closure towards innovations, in clear contradiction with what has always been the strength of the model of the Northeast, that is innovation, creativity, flexibility.

For this reasons in the last years, although the impulse to training given by the FSE incentives, it has not been fully understood the possibility of development of the human capital that has been offered to us. The examples of Spain or of Ireland make clearly understandable how such an important opportunity had to be taken, and it is already watched with regret at the funds and incentives redistribution after the 2006 and the EU enlargement to East. Therefore the challenge that can be foreseen at the horizon is surely not simple; in order to exit as winners, the economic class of the Northeast (and its political class) must once again make an effort oriented to change, recognising that in order to remain competitive in global markets it’s necessary to think of new strategies, to new markets, heading at the quality, at the made in Italy and in particular way at the so-called economy of knowledge that concentrates many of its resources in research, innovation and development of the competences and of the human capital.
5. Conclusions

The North East has a global economy and a political policy. This is the formula that reassumes the degree of internationalisation of its political system. This leads us to a paradox: if really the economy, as it seems, is linked with the territorial governance, then it is necessary to find a adequate formula for government, that is a new concept of democracy.

The essential concept of democracy was typical of the 18th century: it stands for people’s government, therefore something completely incompatible with the State, for the reasons outlined by Rosseaus himself (1762, Book III, chap. IV): “A true democracy has never existed nor it will ever exist. It is against natural order that a big number of governments and that the small is governed.” Indeed, democracy, as we know it, is a oligarchic government legitimated by universal suffrage.

These positions, nowadays considered as surpassed, can however be useful for a reflection on how the government system can influence an endogenous development and on how it is necessary to create a network that is able to govern safeguarding all the interests involved, coordinating all who have interests in the area.

In other words, allowing, in addition to the political parties, the mayoralities and the category associations, also the citizens to take part and to feel themselves involved in the management and development of the territory in which they live, since social cohesion is the foundation of the development of one territorial context.

For this reason it is necessary to aspire to an improvement of the system of territorial administration so that the European Union experience, with the consequent push to the subsidiarity of the powers, might give a new push to the economy and to the quality of life in the Northeast. This through the research of a balanced reform of the relationships between local government and central State. The challenge, therefore, is focused on an intelligent reform that some call federalism, others devolution. What is certain is that the process that has been started must arrive to a satisfactory completing for all the interested parts.

The conclusion, nevertheless, is that the reformist battle cannot be won once for all; but it is worth paying this price because until when, if it will ever happen, the State is surpassed, the democracy must remain, quoting Dunn (1979, pp. 51-2) “the name of what we cannot have, and that however we cannot help wishing”. The essence of real democracy today in western Europe and in every local context is the competition, attentive to procedures, for political power management.

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7. Biography

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