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CULTURAL DISTRICTS, PROPERTY RIGHTS AND SUSTAINABLE ECONOMIC GROWTH

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Cultural Districts, Property Rights and Sustainable Economic Growth

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1. Introduction: culture-based goods and endogenous economic growth.

Culture Counts. Culture counts not only because it represents the anthropological image of the material, spiritual and social life of a people, but also because it is a basic resource for sustainable economic growth. Defined in its broadest sense, the notion of culture encompasses a wide range of idiosyncratic meanings: historic, political, legal, technological and artistic. In this paper, the concept of culture is thus used in the sense of cultural capital (Scott, 2000; Throsby, 2000). Culture is a capital asset accumulated by a community whose members refer to it to connote their identity. Moreover, this cultural capital, tangible and intangible, enters the production of material and immaterial culture-based goods through two strategic inputs: human creativity and human intellectual activity. Along with knowledge-based goods (Arthur, 1994), culture-based goods share the privilege of being at the edge of a new wave of economic progress based on glocalism (localized globalism) which has been made possible through information and communication technologies, conditions of increasing returns and new creative economics. Moreover the sectors that make the culture-based goods "... are all engaged in the creation of marketable outputs whose competitive qualities depend on the fact that they function at least in part as personal ornaments, modes of social display, forms of entertainment and distraction, or sources of information and self-awareness, i.e. as artifacts whose symbolic value to the consumer is high relative to their practical purposes." (Scott, 2000, p.3)

In fact, almost 3.5 million jobs in Europe have been created around *art and culture*, and more than 2% of the 1995 European labor force was employed in fields related to the sector (European Commission, 1998; Greffe, 1999). On a smaller scale, *art and culture* can prove even more significant, as epitomized by the film industry in Los Angeles, which accounted for as many as 5.3% of the city's employees in 1997.

Owing to its economic characteristics (strong intellectual and creative component, increasing returns, flexible specialization), its social traits (rich symbolic content, high power of identification) and its positive impact on other economic fields (namely in tourism and the environment), culture is a resource of extreme interest. This is true not only for industrialized Western countries, but, above all for newly developing regions.

Nevertheless, the idiosyncratic and symbolic nature of cultural goods has been neglected for a long time. The virtues of competition, Fordist mass production and the paradigm of consumer sovereignty forced into the background the economic, technological and social advantages of localized industries (Becattini, 1989; Bagnasco, 1977; Pyke, Becattini and Sengenber, 1992; Salais and Storper, 1993), and of *cultural districts* as well.

The first to turn his attention to localized industry was Alfred Marshall. The basic elements of his theory of localized industry are outlined in *Principles of Economics*, book IV, chapter X: *The concentration of specialized industries in particular localities*. Marshall's original idea was profound and rich with potential for development, yet the author's own reflections were confined to an historical argument: for Marshall, industrial districts were a thing of the past. They were understood as nothing more than a specific phase resulting from the effects of the division of labor upon technological innovation, processes, and organizationⁱⁱ. At the end of the century when Marshall was writing, economists were confident that the evolution of transport and the widening of the labor market would render industrial districts increasingly less valuable and competitive: the era of the big firm was already looming ahead. In this perspective, the shift to mass production - whether favored or not by industrial policies of the central government - was one of the factors that ushered in the decline of some old districts such as Sheffield (UK) or Saint'Etienne (France).

Nevertheless, as can be learnt from the recent Italian and international experience, industrial districts have become a good example of sustainable and endogenous growth. In this perspective, the presence of small firms is essential to a district, but the presence of many small firms does not in itself form a district. One of the most meaningful characteristics of a district is the interdependency of its firms: in this type of "industrial atmosphere", frequent contact favors the exchange of specialized inputs; continuous and repeated transactions cause the information to circulate. Within the districts it is easier to find contractors, to verify the quality of goods and services and to sign standardized contracts. The social habitat of the industrial districts is made up of large families and of firms where the entire household, including the wife and children, are employed. Tacit knowledge, mutual trust and the accumulation of social capital are pervasive traits of local society and culture.

Moreover, when most of the economic and human resources are local, the economic process becomes endogenous. Of course, such evolution requires continual adaptation, but the strong advantages in providing technological innovation, sharing information, differentiating products, regulating the market and fostering idiosyncratic cultural links are reliable guarantees of sustainable growth (Piore and Sabel, 1984).

Art markets, the performing arts, museums and cultural heritage, and design-based goods, can all be articulated in *filières* (chains of creation of value) with innovative experiences apparent at every level: aesthetic, legal, productive, distributive, technological and educational. Moreover, such activities take on new economic significance when they assume the form of and are governed in the logic of *industrial districts*; they create a path to economic growth by means of growth of small and medium-sized firms which are intensely integrated within the territory and in the local community. In this sense, Italian industrial districts, such as those producing glass in Murano-Venice or woven goods and apparel in Prato or Biella, constitute an ideal model for the production of cultural goods.

The aim of this paper is to analyze the economic properties and institutions governing the start-up and evolution of cultural districts (from Hollywood to Spoleto; from Chianti-shire in Tuscany and vineyards in Bourgogne to car design in Turin; from the pottery district of Caltagirone in Sicily to the audiovisual district of Babelsberg in Berlin; from the fashion district in Milan to local museum networks in France).

The main sections of the paper present a discussion of four models of cultural districts: the *industrial cultural district* (mainly based on positive externalities, localized culture, traditions in "arts and crafts", and consumers' *cultural lock-in*); the *institutional cultural district* (mainly based on property rights assignment and symbolic values); the *museum cultural district* (mainly based on network externalities and the search for optimal size); and the *metropolitan cultural district* (mainly based on communication technology, performing arts, leisure time industries and ecommerce). In conclusion, the hypothesis of the *convergence* of the cultural districts on the same institutional model will be supported.

2. Culture as an Idiosyncratic Good

In recent years, networks, systems, clusters and districts have become not only descriptive images of special economic contexts, but also an eloquent indication of economic policy, also within the cultural field. Nonetheless, the theoretical background of cultural districts has not been fully explored. In spite of the universal spirit of culture, districts that produce culture-based goods are mainly characterized by the idiosyncratic nature of their constitutive factors (Featherstone, 1996; Scott, 2000). Some theoretical arguments which sustain the view of cultural districts can be summarized according to the shared presence of idiosyncratic, peculiar, localized factors.

?? *Cultural Creativity, Idiosyncrasy and Spatial Economic Processes*

According to standard neoclassical economics, in the long run, all industrial sectors should become asymptotically indifferent to any idiosyncratic spatial element. In other words, the behavior of economic agents converges on the search for minimum costs, and the marketplace inevitably becomes a global arena: this process continues efficiently and regardless of any local peculiarities. Yet the use of standards and the implementation of strategies minimizing costs does not always lead to a general spatial equilibrium, because the process of development could have a specific identity: it may be idiosyncratic itself. Moreover cultural goods are based on *creativity*, and while "moving by foot", between regions or sectors, may have the standard equilibrium property (Tiebout, 1956), the same does not hold true for creative agents. They move about, in search of better opportunities to create, and they find them in localized places where increasing returns are made possible by the diffuse and free circulation of ideas, and where saturation is never attained. From the theoretical point of view, industrial districts offer proof that perfect competition is not always an equalizing spatial process.

?? *Idiosyncrasy and Local Cultural Roots*

The industrial district, rooted in indigenous civilization, serves as an emblematic model for the four types of cultural districts to be discussed later. Cultural districts are defined by the production of idiosyncratic goods based on creativity and intellectual property. The movie industry, the audiovisual sector, the extensive domain of industrial design and the production of arts and crafts, museum services and the eno-gastronomic complex all draw their inspiration from some cultural link with their original local community. There they translate creativity into culture, and culture into valuable economic goods and services. This powerful link with the social environment and its historical evolution is the source of the main competitive advantages. Skillful manpower in the movie industrial system can be found in Los Angeles, not in Washington, and innovation in film making, as well as new technological processes, come out primarily from Hollywood. "Place, culture, and economy are symbiotic one another"ⁱⁱⁱ.

?? *Idiosyncrasy and Tacit Knowledge*

Personal or tacit knowledge (Polanyi, 1958; Polanyi and Prosch, 1975) refers to an information system which is simultaneously free and circumscribed within a geographic and communitarian space as defined by individual personal experience. Technological or cultural information is "in the air": it is transmitted by means of tacit systems of communication, as there is a gap between the technology, art, culture and the hard facts of experience. In other words, "Personal, tacit assessments and evaluations (...) are required at every step in the acquisition of knowledge - even "scientific" knowledge." (Polanyi and Prosch, p.31).

Culture-based goods are idiosyncratic because tacit knowledge is needed for their creation, technical production, distribution and also because personal knowledge relies on past personal idiosyncratic experience. So individual ability, tastes, lifestyles, social institutions

and industrial organizations cannot be learned by mechanical transmission: personal and collective stories count.

3. Industrial Cultural Districts

3.1 *In Theory.*

The *industrial cultural district* follows the formula which led to the international success in the 60's and 70's of the small and medium sized enterprises of the "Third Italy", to use an idiomatic expression. Industrial cultural districts belong to the endogenous growth models based on the presence of small firms (Storper and Harrison, 1991), and of specific forms or social local regulation.

The basic components of this peculiar strategy of district building are based on:

- a local community, which is cohesive in its cultural traditions and in the sediment of accumulations of technical knowledge and *social capital*;
- a low level of product standardization;
- accumulation of savings and the presence of strongly entrepreneurial cooperative local banking;
- a bent towards open international markets;
- public financial support along the entire chain of the creation of value;
- a high rate of birth of new firms as a result of *social capability* and *interactive learning*;
- and finally, the ability to be district minded, to become a local system, and to produce positive externalities in the field of design, technological innovation, managerial organization, the creation of new products, labor market flexibility and commercial distribution.

In economic terms, this means that within an industrial cultural district the costs of *the use of the market* are lower than anywhere else because of the intense creation of positive externalities, tacit knowledge, the high rate of innovation, easy networking and the cost-free diffusion of information.

Moreover, what is peculiar to industrial cultural districts is the "atelier effect" and "creative product differentiation". These can be thought of as two kinds of positive externality. According to the former, a great number of individuals are trained in the local cultural profession, so as to exceed the labor demand of the district and to make space for new entrepreneurial initiatives. According to the latter, industrial cultural districts accelerate the rate of birth of new products and new processes of product differentiation. As a result, buyers are likely to enter Commercial Centers where they can find a vast amount of product. For instance, in the textile and apparel district of Carpi (Italy), 700 firms employ about 18,000 workers. They are therefore able to present about 100,000 models in their pattern-books each season.

From the cultural point of view, the impact of these districts is more restricted than that of the institutional cultural districts to be described below. Yet, as we shall see, it is common practice to accompany the core production in the district with specialized museums, shops, and centers which have a significant impact on cultural habits and on the tourism industry.

3.2 *In Practice: the Los Angeles Motion Picture Complex*

The motion picture industry is a special case of industrial cultural districts internalized in a great metropolis (Garreau, 1992). Hollywood movie production has become one of the best examples of a well-established and flexible network economy, emerging from the crisis of the *studio system* based on the old Fordist production processes (Storper, 1989). Vertical disintegration and product innovation have led to the need for specialized inputs served by a cluster of independent small-sized firms. When a localized film industry reaches large numbers, such as the 6,000 firms in Los Angeles of 19 or fewer employees, many kinds of external benefits are created, as is to be expected.

However, in this economic environment the atelier effect and the creative product differentiation are two special externalities that result directly from the way a movie is produced. Movie production requires the cooperation of a variety of professionals, including designers, painters, writers, photographers, craftsmen, stylists, musicians, multimedia experts, artists, wardrobe designers, tour managers and Shumpeterian entrepreneurs. When all these skills are mobilized for movie production, the sector becomes the forge and the source of a cohort of highly qualified workers. In turn, given that around 60% of the labor force is freelance, an immense workshop results in which every worker is the potential creator of a new firm.

In addition to its ability to train new workers, the motion picture industry creates new tie-in and licensed products: books, videos and paraphernalia, thus opening a large merchandising market. The same is true for the fashion and apparel industries, where, contrary to the French notion of haute couture, films and videos influence popular canons of beauty and fashion (Molotch, 1997, p. 244). Finally, "the localness of entertainment, its dependence on a particular confluence of cultural skills and expressivity, make it a business that cannot go offshore, cannot be imitated abroad, and cannot be branch planted. It is a "transaction rich" network of firms, and the nature of that transaction system has an idiosyncratic localness." (Molotch, 1997, p. 239).

Table n.1 Los Angeles Motion Picture and Video Industry						
Year	Number of Employees	% of Total Employees	Number of Establishments	% of Total Establishments	Number of Establishments 1-19 employees	% of total Motion Picture Establishments
1993	183783	5.2	5634	2.6	N/A.	N/A.
1997	188465	5.3	6573	3.0	5984	91,0

Source: Bureau of the Census, 1998, *County Business Patterns for Los Angeles, CA*.

The motion picture industrial complex in Hollywood could be perceived as a mature industry, yet the rate of birth of firms there is remarkable for such an old district: 188 new establishments appeared each year between 1993 and 1997 (with a yearly growth rate of 16,6%). This confirms the endogenous dynamic of this cultural district as well as its potential for attracting and diffusing entrepreneurship.

3.3 *In Practice: the Caltagirone (Sicily) Pottery District*

The pottery district of Caltagirone represents another example, among many others, of an Industrial Cultural District. Caltagirone has been renowned since ancient times for its pleasing pottery, the elegance of its traditional design and the creativity of its craftsmen. Earth, fire and creativity, the three basic inputs of pottery production, have been furnished for time immemorial by the mines of clay, the woods and the cultural spirit enveloping the town.

This cultural district is small. It holds no more than 150 studios and laboratories, each of which corresponds in dimension to an extended family. Yet the main structural differences with the Los Angeles case concern three aspects: the intensity of the technical division of labor, the technological innovation rate and the range of products.

In Caltagirone, the division of labor is weak and the growth of technological innovation is stagnant. In fact, when the structure of a cultural good is elementary, such as with pottery or glass production, the whole filière is performed within a number of small laboratories under

the direction of a lead craftsmen, whose skills, flexibility and creativity are the fundamental inputs of firms which sell the same limited line of objects.

Consequently, in this kind of industrial cultural district, many small production units share consistent positive externalities and social practices developed within the district, but are strongly competitive with each other. Moreover, each unit tends towards a full integration of the creative, productive and distributive phases of the value added chain. In particular, each studio tends to have a showroom in town or abroad, and a virtual site on the Internet. Finally, given the relative small division of labor, this kind of industrial cultural district does not develop specialized branches or new industrial activities. This in turn makes the industry more vulnerable to unexpected shocks on the demand side.

Nevertheless, two new factors seem to modify this scenario. Firstly, the accumulation of reputation may induce the localization on the site of new industrial activities from abroad. This is the case of industrial tile and pottery production, whose firms are interested in associating the renowned name of Caltagirone to their trademark. Secondly, web offerings – for example the designing of a portal – are usually created cooperatively, thus sharing positive externalities among a wide group of firms.

4. From Industrial Cultural Districts to Institutional Cultural Districts

Using the Cultural District as a policy instrument for local economic development is complicated because of its non-facilitating rigidities. The crucial requirements and necessary conditions for building an industrial cultural district are, in fact, difficult to be found anywhere.

The foundation of a cultural industrial district is conditioned by the local socio-economic context, implying two constraining consequences:

- ?? It is not possible to follow a *rational constructivist approach*. To superimpose the design of an industrial cultural district onto an inadequate socio-economic structure inevitably leads to failure. The new inputs do not match with the old environment, the strategies become confused; the agents do not recognize the signals of the individual economic incentives. The local culture does not match with the new industrial one. Unfortunately, many examples can be given to illustrate this point.
- ?? The industrial cultural district is the result of a long and often socially painful incubation. During that time, the process of settlement is spontaneous, market oriented and subject to “trial and error” feedback. In other words, we are witnessing a process of long duration. There is no one *specific factor* that causes or assists the appearance of entrepreneurial spirit. No one explicit start-up of the district exists. This is the strategic and political limitation to the construction of a cultural district based on the traditional industrial model.

5. Institutional Cultural Districts

The *Institutional Cultural District* is the second formula to be dealt with. Its essential characteristic is its grounding in formal institutions that allocate property rights and

trademarks to a restricted area of production. These rights take on the meaning of *community or collective property rights*. In this sense, they legally protect the cultural capital of a community localized in a given area. Their protection concerns the intellectual and intangible components of the culture embedded in the goods and services produced. This right is normally established through the setting up of a collective trademark that only the local producers can exploit.

The content of the goods produced in these districts is strictly connected to the local civilization and *savoir vivre*. Furthermore, the economic advancement of these products is naturally correlated with the local culture: the more their image and symbolic icon is identified with local customs and cultural behaviors, the more they seduce consumers (cultural lock-in) and the more their production is fostered. In this case, the importance of culture is all-inclusive, mobilizing the aesthetic, technological, anthropological and historical content of the district.

Once more, the Italian experience is meaningful and emblematic. In regions such as Piedmont-Langhe and Tuscany-Chianti the economic growth of well-circumscribed areas shows one decisive start-up factor: the approval of a bill assigning property rights to the products of local tradition in the eno-gastronomic sector. The property rights assignment mainly concerns the right to "denomination of origin" (DOC) and the right to "indication of provenance", which both provide legal protection to a brand or a particular design.

5.1 *Rights vs. Reputation*

The *denomination of origin (DOC)* (in Italian *denominazione di origine controllata*; in French *appellation d'origine contrôlée*) is a distinctive sign, usually the name of a village or locality, assigned to a product whose characteristics are deeply rooted in the local social and cultural environment or territory. The entitlement to use the word "DOC" offers a means of protecting the traditional winemaking practices of a specific well-defined region. DOCG - the denomination of origin controlled and guaranteed, while similar to DOC, is a more stringent sign of quality. The *indication of provenance* (in Italian *indicazione di provenienza*; in French *Indication de provenance*) is a distinctive sign, also usually the name of a village or locality, assigned to a product whose characteristics are deeply rooted within a local technique or to a particular production process performed in an area. This second type of protection is less intense and strict. It is usually used in reference to the field of "unfair competition".

The denomination of origin (DOC) gives rise to an exclusive right, namely to a monopolistic power which is shared among the producers located in one protected area.

In contrast to the two rights just mentioned is the trademark, a feature typical of the market for reputation (Landes and Posner, 1987). While the trademark or the brand name protects a single producer, the *denomination of origin* protects all the producers in a given place. The former is a form of individual protection; the latter is a form of collective and community protection.^{iv}

5.2 *The Institutional Cultural District in Progress.*

The assignment of property rights yields particularly interesting positive consequences:

- as they create a monopolistic privilege, they allow an increase of prices and of yields, which contributes to a substantial accumulation of capital;
- legal protection generates incentives so that producers find their incentives in the investment and valorization of products that have been selected through a long cultural tradition;
- legal protection and economic incentives lead to better control of the productive and distributive process, with a remarkable increase in the quality of the products.

5.3 *The Cultural Chain of Creation of Value and the Growth of an Institutional Cultural District: the Case of the Langhe, Piedmont.*

To outline the main features of the cultural and productive system of the Langhe-Piedmont, and the economic and cultural impact of the allocation of property rights on enological production, industrial aspects shall be analyzed separately from the cultural ones.

The basic economic effect of the assignment of property rights marked the very outset of a massive process of capital accumulation. Table 2 illustrates the extensive redistribution of income that followed the assignment and enforcement of property rights on Barolo wine as of 1992 (DOC Act, February 10, 1992, n.164).^v Comparing the differentials between the GDP deflator and wine prices in the two periods before and after 1992, it can be noted that the price lead of the Barolo DOC over the general national price index was three time greater in the years 1993-98 (125.54% greater) than in the years 1985-92 (41.0%). The same impressive lead holds for Barbaresco and Barbera d'Alba.

Table n.2 Differentials in GDP Deflator and DOC Wines Prices 1986-1998						
Wine DOC	% Growth Rate of GDP Deflator 1985-1992	% Growth Rate of Wine Prices : 1985-1992	Differentials: 1985-1992	% Growth Rate of GDP Deflator 1993-1998	% Growth Rate of Wine Prices : 1993-1998	Differentials: 1993-1998
Barolo*	45.22	86.2	41.0	20.66	146.2	125.54
Barbaresco*	45.22	147.29	102.07	20.66	187.6	166.94
Barbera d'Alba	56.7	72.4	16.4	20.66	103.3	82.64

*1986-92

Source: working-out from P. Borrione, 2000

Table n.3 Wine Production Before and After 1993. Langhe, Piedmont	
Barolo	Mean yearly production (hectolitres)
<i>before 1993</i>	47741
<i>after 1993</i>	44388
Barbaresco	Mean yearly production
<i>before 1993</i>	16159
<i>after 1993</i>	14560
Barbera Alba	Mean yearly production
<i>before 1993</i>	47994
<i>after 1993</i>	45076

Source: working-out from P. Borrione, 2000

Enological production of DOC wines (Table 3) did not show relevant changes before or after the assignment of property rights in 1992. In other words, the redistributive effect favoring local capital accumulation was only based in part on monopolistic shrinking of the current quantity supplied.

As concerns the *industrial complex*, many features are worth noting:

- i) High levels of technological innovation and dense dissemination of it among small-sized enterprises. The old traditional productive processes have been updated, incorporating scientific progress in chemistry and enology. Equipment and machinery for enological production have been developed.
- ii) A larger and qualified labor market may take advantage of professional and managerial training in the field of enology, advertising, marketing, and communication. New training centers have been set up.

- iii) The construction of public infrastructures, such as commercial centers, wine cellars, and common commercial structures for export.
- iv) The development of export practices and the international circulation of local products.

As concerns the *cultural complex*, innovations which have recently come to prominence include:

- i) The valorization of fairs and festivals linked to cultural local products and traditions. Local wines and other products, such as regional cuisine, foods, cheese and truffles, are presented to the general public in their cultural framework; these incorporate the pleasure of the table and the psychology of modern taste and the enrichment of the quality of life through local customs.
- ii) The recovery of the historical patrimony of castles, country manors and houses.
- iii) The use of the landscape as an economic resource.
- iv) The cultural dissemination of eco-museums, cultural centers and wine cellars.
- v) The creation of cultural parks and tourist cultural itineraries through the literary and artistic local tradition.
- vi) The development of the tourist-hotel industry.
- vii) The institution of an international university of taste in order to rediscover regional cooking and ancient crafts.

The rate of birth of the main cultural events organized or established before and after the promulgation of the DOC Act in 1992 shows a significant trend. An average of about one new cultural event was established per year in the 24 municipalities of the Langhe from 1980 to 1992. From 1992 to 2000, the density of the events permanently created increased to four/five units per year. This means that about 50 new permanent public performances have been established within eight years. So in spring, 2001, for example more than 100 shows, spectacles, castles, and public performances are available to the cultural visitors of the area.

Analogous arguments may be made for the institutional cultural districts that are grounded on the economic exploitation of artistic and popular traditions, such as in the fields of music, arts & craft (glasses, perfumes, soaps) the figurative and plastic arts, and designed goods.

6. Museum Cultural Districts and Local Institutions

The most explicit form of cultural district is that constructed around museum networks or within an artistic community. The museum districts are usually localized in the historical urban downtown. Their density in itself creates systemic effects which attract visitors and tourists. The capacity to reach a critical mass is the essential condition for success.

A museum cultural district is the product of a public policy. As in the case of the institutional cultural district, the basic ingredients for a museum cultural district are the presence of a localized culture embedded in the museums' human capital and collections, and an *institutional* start-up represented by a municipal decision to establish a museum district. Its design is the result of accurate city planning oriented towards economic valorization through an innovative network of the historical and artistic patrimony of the town.

The impact of the museum district is multifold. Its realization increases the demand for hotel services. Tourist expenses extend to several crafts and design-based activities and other cultural services. The increase in the amount of visitors attracted if a critical mass is reached, in addition to the advantages of integrated tours and the availability of collateral services, are the ultimate outcome pursued by urban development planners. This goal is not only the

outcome of direct effects on production of cultural goods and services, but is also considered essential for the international image of the town: it is a simple investment in reputation.

Nevertheless, the rationale of museum cultural districts is quite different from the other forms of cultural districts. Italy can be cited as an example: in Italy there are 3,500 museums; of these approximately 3,400 are extremely small, endowed with insufficient resources. They are more a memory of the past than a projection into the present of classic works of art and acquired knowledge. To correct the current dispersion of competencies, the proposal to create museum cultural districts acquires the perspective of public policy.

The challenge for the museum districts is not merely to gather up single cultural units, but to create a new greater and systematic unit, representing much more than the simple sum of the original ones.

6.1 *The Museum District as a Search for Optimal Size*

In the background of the museum districts there is, without a doubt, the drive to search for optimal size. In this sense, each museum should aspire to endogenous growth or to joining other cultural structures in order to reach efficiency in terms of productive capacity, quality of services and level of reputation. Beyond the rationale of the *subsidiarity principle*, which plays a great role in hierarchical or public structures, the creation of positive externalities by means of an adequate size and the attainment of economies of scale and variety is crucial to the qualitative growth of the museum.

The main positive externalities involved are the following:

1. *Network externalities.* The high density of museums in limited spaces offers potential visitors a great number of cultural connections to other museums, disciplines, atmospheres, and historical ages. The cultural connections are goods that, in economic terms, give utility to anyone who uses them, be he or she a visitor, a curator or an art historian.
2. *Consumption externalities.* Taken in a strict sense the consumption externalities refer to the increase of utility that a consumer acquires as a consequence of the increase of connections. One ancillary consequence is the bandwagon effect, that is, the measure in which the demand of a good increases by virtue of the fact that others consume the same good. When the district succeeds in reaching a critical mass, positive tendencies are created that encourage a flow of customers which exceeds the norm.
3. *Externalities of time.* Some museum events, such as temporary exhibitions, are formidable magnets for residents and non residents. People optimize the use of their time by visiting the smaller collection, following a visit paid to the permanent collection.
4. *Economies of scale and scope.* Reaching an adequate dimension allows attainment of economies of scale and variety. The provision of commercial services may be improved. The staff and the collections can be managed with more positive results, as can the realization of a systematic calendar of the events. Many activities in three strategic areas - scientific and cultural, managerial and technical assistance - can be centralized with obvious advantages in terms of facilitating decisions and saving on costs of employment redundancies.

7. Metropolitan Cultural Districts and Local Institutions

Metropolitan cultural districts are breathing new life into communities by using arts and cultural services to attract people, to contrast economic industrial decline, and to design a new image of the city. A metropolitan cultural district is a spatial agglomeration of buildings dedicated to performing arts, museums, and organizations which produce culture and related goods, services and facilities.

Cultural districts are most common in American cities, where there are more than 90 planned or existing cultural development schemes - from Boston (established in 1988) to Charlotte, North Carolina (established in 1993), from Dallas (established in 1983) to Pittsburgh (established in 1982) -, and in Great Britain, where the idea of cultural district has been under consideration in theory and practice since Glasgow's seminal experience in the 80's (Frost Kumpf, 1998; Valentino, Musacchio and Perego, 1999; Zan, 1999; Brooks and Kushner, 2001).

The distinction between *City of Art* and *City of Culture* reveals the meaning of this form of district as opposed to the museum cultural district. A *City of Art* is a place incredibly rich in historical monuments, tradition, palaces, churches and museums, and, like Venice or Florence, is more oriented towards the museum district, and inclined to show itself to both tourists and residents. A *City of Culture*, on the contrary, does not possess an abundance of historic and artistic resources, but is able to generate culture. Culture is produced by artists, composers and creative people, who all need a place to work, a space in which to distribute their works of art and support for marketing and communication. In this sense, the metropolitan cultural district could be the best and most efficient means of producing culture through a visible agglomeration of artistic capital and organizations.

The standard metropolitan cultural district is centered on two preliminary institutional requirements:

- ?? the existence of an area whose property rights structure is not too dispersed - for instance an area free of industrial buildings or free and previously unzoned land;
- ?? an Agency, a Trust or a business community charged with developing the project by facilitating the planning procedures and supporting the management and the marketing of cultural activities. The types of suitable administering bodies may range from private business entrepreneurs, as in the case of Charlotte, Tennessee, to city planners, in the case of the Dallas Art District, and to Trusts that can own and operate theatres and visual art exhibits, such as the Pittsburgh Cultural Trust (Frost Kumpf, 1998; Brooks and Kushner, 2001).

Cultural city planning usually includes

- ?? an initial range of artistic and cultural activities: museums, library, theatres, art galleries, concert halls, studios and art shops;
- ?? a secondary range of activities based on the production of culture: art and crafts workshops, movie studios, recording music studios, local TV stations, commercial television stations;
- ?? a third range of activities which are the necessary complement for attracting visitors and tourists: restaurants, cafeterias, gift shops and the like.

The real choice depends on where the focus of public action is placed. In principle, the metropolitan cultural district can satisfy two distinct demands: the external demand of tourists and foreign buyers or the internal demand of residents for improving the quality of life. In the first case, the district must develop its industrial vocation in the audiovisual sector, in TV and video production, and in the creation and production of design-based goods. In the second case, the district looks after the residents' preferences to provide services of theater, museum, cafeterias, restaurants, and art galleries.

8. In Conclusion, a Convergent Taxonomy for a Policy Dilemma.

A structural diversity

As with all social phenomena, any definition of cultural district remains in some sense imperfect, due to its progressive evolution along with the continuous transformations of the local society and its economic structure. This does not mean that definitions and differences among the cultural districts are only grounded on contemporary conditions; in this paper, these serve mainly as an example. Conceptual differences in the suggested typology are strongly rooted in the way in which institutions and collective rules governing the cultural districts are established. While the Industrial Cultural District shows an historic-evolutionist pattern *à la Nozick*, the other stylized models originate from a policy design, that may be concerned with property rights, cultural public policies, and policies of urban revitalization. Table 4 shows the main distinctive characteristics of the four models of districts.

Character-istics	Industrial Cultural District	Institutional Cultural District	Museum Cultural District	Metropolitan Cultural District
Goods and Services Supplied	<i>Design-based Goods Audiovisuals Movie Pictures Apparel and fashion</i>	<i>Culture of the "Savoir vivre" Wine and Food Shows and Festivals</i>	<i>Networks of Museums</i>	<i>Theaters Cinemas Art galleries Restaurants</i>
The Model	Institutions: Historic-Evolutionist Pattern	Institutions: Property Rights Assignment	Institutions: Public Policy	Institutions: Urban Policy

The four types of cultural district analyzed above are, obviously, complementary and compatible. Taken together they show the potential for new paths of economic development and local growth. The differences between the four types are significant. Cultural districts lie at the intersection of three modern revolutions dominated by the intellectual factor: the revolution of *technological knowledge*, that of the production of *information knowledge*, characterized by the outbreak of the global distributive system (the network-internet where knowledge workers distribute ideas, culture, goods and services) and that of the production of *cultural knowledge*, whose expansion transforms lifestyles and possibilities, modifying the time constraint of the consumer.

A policy design dilemma

A first provisional conclusion of this analysis relies on a *policy design dilemma* concerning the *start-up* of a cultural industrial district. The diffuse entrepreneurial atmosphere that accompanies the evolution of a cultural industrial district does not have an explicit starting point. As stated above, its pattern is historic-evolutionist. Institutional re-engineering is not possible. In terms of public choice, this means that the sequence of the infinite, random, and unforeseeable events leading to the district's critical mass is, in practice, irreproducible. Even our history and fortune are created day by day and we find them embedded in a path-dependent process. The localized social and economic environment cannot be constructed *ex ante*. Because of its complex nature, the re-engineering of the cultural industrial district is a strategy charged with ambiguous results.

What can be done is to influence some of the mechanisms governing the infant cultural district according to rational plans to modify individual economic incentives. This is the case of the institutional cultural districts. To adjust the property rights structure is fundamental to developing efficient behaviors, but it must be supplemented with the idiosyncrasy of the

cultural factor. The search for the two conditions is delicate, but necessary for designing successful public policy.

The museum cultural district and the metropolitan cultural district also rest within the political sphere of local public authorities and municipalities. Their start-up and implementation is subject to the risk of failure, but it may be that risk can be reduced simply by respecting the local cultural endowment.

A general convergence toward setting community property rights

In recent years, a new convergence can be observed. Let us examine how and when the evolution of the four types of cultural districts shows a proclivity to a convergent structure of community property rights by observing the convergence process according to the type of cultural district.

The cultural industrial district develops in such a way as to approach the legal requirements of the cultural institutional district. In fact, the firms of the industrial cultural district are no longer homogeneous. At the outset, many small-sized firms started up, but after years of severe market competition, several districts are demonstrate a high degree of industrial concentration. The leading five firms of the district may account for? 60-70% of total local production (Table 5).

Industrial district	Commodity	Concentration rate %
Biella	textile	7
Prato	textile	10
Olgiatese	textile and apparel	20
Castel Goffredo	hosiery	60
Arzignano	tannery	60
Montebelluna	sport shoes	60
San Mauro Pascoli	shoes	60
Teramo	textile	70
Total districts mean		35

Source: *Censis, Isole24ore, June 2000*

High concentration rates raise serious problems for the remaining small-sized firms, which are unable to compete to the best of their ability on international markets, due to the heavy investments in trade promotion and in setting up distributive networks required. Attempts to preserve the district's industrial atmosphere lead inevitably to the creation of common instruments protecting local creativity. Again, as in the case of the institutional cultural district, community or collective property rights, district trademarks and syndicates for commercial and trade promotion should be established to encourage cooperative behaviors and, at the same time, to protect private interests.

The *Institutional Cultural District* shows such an evolution in phases. The start-up of the district may indeed be linked to the peculiar interactive atmosphere of the localized industrial production. Nonetheless, the local producers are selfish, rational economic agents, jealous of their identity but forced to co-operate to make sure that a community property right is established. However, the main significance of this right is both the protection of the cultural traits of the territory, and the coercive introduction of quality standards necessary in order to improve the average collective quality of the product. After this first phase and depending on the characteristics of the players, a further process of specialization is foreseeable, leading towards a basic destructuring of the community property right. On the

one hand there is a process of specialization driven by big brand producers: property rights specialize towards ever smaller areas and productions sites to be protected (i.e. for the wines there is an evolution from the denomination of origin, usually a region, to a more restricted area like a castle or a parcel of vineyard). On the other hand the process introduces new collective rights in the form of co-operation among small and medium sized producers: some participate in the collective production and distribution of a new brand of assembled wine, i.e. in the case of the Langhe, "Quorum"; others invent a new brand, "L'insieme", signaling each producer as a member of the new consortium or cartel and allowing it to sell the product under its own responsibility.

The *Museum Cultural District* is establishing itself as an example of production of a collective mark able to improve the value of a given place. The *QuartierMuseum* of Wien, the *InselMuseum* of Berlin, the *Museums* of the city of Strasbourg, the museums of the *Savoy Collections* in Turin, are examples of untradable cultural systems that valorize collections, human capital and the ability to attract tourists and school students. Without a community based property right some cultural values would not be able to manifest themselves because they are only evident in a unitary view (Medici's Collections in Florence, Borbon's Collections in Naples, etc.). Moreover, the community could lose the benefits emerging from the work of a single agency able to govern, to manage and to sell the image of a non-coordinated cultural reality.

The *Metropolitan Cultural District* is grounded on goods and services analogous to those produced by the Institutional Cultural District. Rational producers of tangible and intangible culture find incentives in establishing a right that increases the quality of the product. Even if the example is not perfectly suitable, the low average quality of a place producing goods and services based on intangible culture can damage the general image of a local ethnic community. Let us think of the Chinatowns or Little Italy of many American metropolises, or of the theater or the art gallery districts. The community based property right serves not only as a guarantee for quality control over the area, but also protects against forgery and creates appeal, allowing special agencies to co-ordinate cultural events, calendar, communication and marketing.

To sum up, a convergence appears. A convergence linked to the idiosyncratic character of culture and of the culture-based goods. These signify localized and untradable creativity *à la* Storper. The community property rights then serve as a vehicle for monitoring quality standards, communicating a localized cultural image, increasing competitiveness and rising the rate of creativity of the district.

The four cultural district models seem to converge on the institutional case, more suitable for politico-economic strategies. As a powerful factor of sustainable economic growth, both in developed and underdeveloped countries, the policy for institutional cultural districts is very attractive, but further research is needed to better understand how the districts can be transferred to new receptive local experiences and to assess the long-run drawbacks of monopolistic protection.

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ⁱⁱ Marshall himself stressed this point: "In the history of oriental civilization and in the chronicle of medieval Europe" (p.268) is full of examples of industrial districts in many branches of production.

ⁱⁱⁱ Scott (2000), p. 4

^{iv} A third private way to enhance and disclose the reputation and quality of a product is to indicate the number and the value of prizes a product has been awarded. This policy was common among wine producers before the introduction of property rights.

^v The legislation on wine property rights dates back in Italy since 1924, but the DOC Act n. 194, 1992 introduces for the first time a complete and enforceable protection.