Charles Sabel's Prize Lecture: What to Make of the Changes in Industrial Districts?: Three Questions

*2002 Award Winner**

Introduction

Here are terse characterizations or three, closely changes manifestly underway in industrial districts, and the questions they raise. I take it to be almost self-evident, among experts, that something like the changes described are indeed taking place, and that no one knows precisely what to make of them here.

Change no. 1: Focus on Knowledge Intensive Activity

Industrial districts are on the move. Recent studies have found that lead firms in key districts are "delocalizing" production of key components, and outsourcing various steps in the manufacturing process to non-district firms, typically abroad. Many of these same firms are formalizing competition for their business among local subcontractors. Even as they reorganize their supply chains, these firms are concentrating more on knowledge intensive activities such as design and the research and development associated with it. Much of this activity is still located in the firms' home district; but it, too, is increasingly organized through long-distance networks linking designers and researchers at distant sites (often themselves located in widely separated districts) through sophisticated new communications technologies. All these changes go hand in hand with a shift towards less personal or family-based forms of corporate governance. Whereas a decade ago it seemed (mistakenly) that the districts were being invaded by multinational firms or subverted from within by the tentacular, local expansion of their own lead firms, today, more probably for better than for worse, the district as an entity is in some elusive sense in motion.

But what are we to make of the new relations within and among firms locally and at long distance? Do they, for example, reflect (and advance) an increasing modularization of production, so that catalogues of specification can somehow replace more context specific, if not personally intimate forms of collaboration? Do they on the contrary reflect the dramatic decrease in communication and other transaction costs, where opportunism is disciplined by the actors' understanding that they are engaged in, and stand to benefit hugely from continuing with, repeat play? Or (as I myself am inclined to believe) do the new relations reflection deep, "pragmatist" organizational changes that allow firms to use the same continuous flow of information that must be exchanged in order to co-design products that no one can specify ex ante to monitor their partners' probity as well? (For current discussion of these possibilities, see Charles F. Sabel and Jonathan Zeitlin, "Neither Modularity Nor Relational Contracting: Inter-Firm Collaboration in the New Economy. A Critique of Langlois and Lamoreaux, Raff, and Temin", *Enterprise and Society* 5 (3),

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September 2004, with further references.)

Change no. 2: The Re-Organization of Associations

Until roughly the early 1990s districts were thought to be largely self-governing. Or, more exactly, their ability spontaneously to provide themselves the governance apparatus they needed was part—an indispensable part—of what made them districts in the first place. Thus there was in the districts an "obvious" need for standard "real" services: quality assurance, technology scanning, payroll, accounting and other functions required by firms that were too small to serve themselves. It was equally obvious which regional institutions and sectoral associations were "naturally" positioned to provide them, and even which kinds of leftist and center-right political cultures were the "natural" seedbeds of the propitious kind of associationalism. Because the typical district governance institutions were rooted in associations, the associations in political cultures, and the political cultures in forms of sociability, it was easy (though historically inaccurate, and egregiously so) to see the districts as organic growths, inseparable from their place of origin, but requiring no deliberate cultivation precisely because of their natural affinity for it.

But for at least the last decade neither the needs nor the relevant actors have been anything like self-evident. On the contrary: many of the older generation of institutions providing real services have been closed, and disagreements over possible successors have hampered the development of new ones. The associations out of which those institutions grew are in a constant state of re-organization, searching for new tasks for members with increasingly sophisticated and individual needs. The political subcultures that housed the associations are of course in turmoil, most obviously because the parties, the party system, and the ideological divisions on which the party system was founded have been changed almost beyond recognition. As a result, the process for deciding how to choose new infrastructures has become a matter of intense local debate, with different regions and districts choosing different procedures, none of them "natural."

Is this intense debate the expression of a transitional period of adjustment, during which the traditional associations will reconfigure themselves so as to be able to address the new tasks? Or, assuming that the restructuring in the districts in the result of drift towards a world of modules or (transaction) costless repeat play, will the district firms of the new future become self-governing enough to dispense with any like an exoskeleton of district institutions? Or, assuming that the restructuring in the districts grows from a shift in the direction of "pragmatist" firm organization, do firms of this novel kind need an district infrastructure, and how might the services provided, and the manner of their provision, reflect distinctive features of "pragmatist" response to a highly volatile environment and the need to regularly examine the sustainability of current routines?

Change no. 3: The Strengthening of the Relations Between Advanced Country Capital-Goods Suppliers and Emerging Districts

Districts are now a developing country phenomenon (almost) as much a fact of economic life in the rich countries. In some cases the developing world districts are new—the direct offshoot of the restructuring described above—and their capacity for autonomous action is, for the moment, limited. But in more established cases, developing country districts threaten to displace rich-country leaders. Brazilian leather shoes and Chinese ceramic tiles are only two prominent examples. Success in such cases owes a good deal to collaboration with capital goods suppliers from, or related to, developed country districts; and this connection is often regarded as something close to treachery by the machine makers' traditional, home country customers. But treasonous or not, the relations between advanced country capital-goods suppliers and emerging districts will only be strengthened in the coming years—unless, of course, the new districts find or help nurture the development of capital goods suppliers in their own, rapidly growing domestic markets.

How, if at all, are the developing world districts governed? What is the relation of their governance systems, to the extent they have one, to the traditional or emergent governance systems of the rich-country districts? What are the possibilities, if any, for the (mutually transformative) co-governance of related developing and developed-country districts?

Better characterizations of the changes, more trenchant formulation of the open questions, and—above all—answers to the puzzles that change thrusts upon us are all very, very welcome. I look forward to the discussion.