

# MAPPING LOCAL PRODUCTIVITY ADVANTAGES IN ITALY: INDUSTRIAL DISTRICTS, CITIES OR BOTH

(Di Giacinto, Gomellini, Micucci and Pagnini)

Discussion by  
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“Le trasformazioni dei sistemi produttivi locali”

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## What the paper does

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- The paper compares the magnitude of local productivity advantages associated to two different spatial concentration patterns in Italy, i.e. urban areas (UA) and industrial districts (ID)
- The paper uses a a very large sample of about 29,000 Italian manufacturing firms (> 5 employees, not individual plants) observed over the 1995-2006 period
- The paper finds significant local productivity advantages for both cities and industrial districts. However, cities are increasingly outperforming industrial districts
- The latter casts a shadow on the 'viability' of the ID model for Italy in an era of globalization

## A very nice paper ....

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- Topic is crucial in the debate on the sources of Italian competitiveness
- The paper is well written, micro-founded and with proper econometric techniques (panel, quantile, IVs) consistently applied
- A number of robustness checks are scattered throughout the paper (TFP estimation, firm size, output price dispersion, industry specific and aggregate estimations, labor force composition, etc.): a 'mature' (for submission....) exercise save for....
- .... potential endogeneity of the ID definition vs. UA
- (endogeneity of location in ID & UA vs. a random location is already nicely addressed in the paper ... though only in an Appendix, first mentioned at p. 17 => I would put this immediately upfront, with more details on the power of the instruments)

## .... with one caveat

- .... potential endogeneity of the ID definition vs. UA
  - *“ID are LLMA where medium and small enterprises represent a significant share of employment both in the manufacturing sector as a whole and in the specialization sector” [...] “UA...are usually characterized by the presence of a large service sector”*
- If a larger presence of services generates positive externalities to manufacturing firms, the productivity (residual) estimated for UA will be larger, and the ranking obtained endogenous to the chosen partition (areas with relatively high presence of services vs. areas with less services)
- (technically, the ID exclusion restriction is correlated with the depvar)
- Counterfactual => treatment effect of ID vs. the performance of non ID / UA areas bordering IDs (but not UAs) , using similar instruments as per the (joint) control of endogenous location in ID / UAs
- Moreover, assuming a persistency of the structural characteristics of IDs, selecting them in 1991 via an algorithm where economies of scale and scope are relevant (specialization) does not exclude that the same partition is partially endogenous to results retrieved starting from 1995 => you find the ‘productivity’ effect of IDs fading away over time .... less endogenous IDs ? Same result with IV estimation ?

## Appetite comes with eating....

- Topic is crucial in the debate on the sources of Italian competitiveness
- But the paper raises more questions than the answers it provides
  - *“Differences in the white-blue collars composition of the local labor force appear to explain only a small fraction of the estimated spatial TFP differentials. Production workers (blue collars) turn out to be more productive in ID, while non-production workers (white collars) are more efficiently employed in UA. More productive firms gain stronger benefits from locating in UA.”*
- Things we know about competitiveness and firm heterogeneity ([www.efige.org](http://www.efige.org)) you may want to check:
  - Exposure to foreign competition and changing CA: interaction between initial endowment / CA (unobserved firm level heterogeneity) and the globalization shock => check evolution of PCMs for firms in ID vs. UA; magnification effect (Bernard et al.); second moments in the productivity distribution
  - Attrition bias and (limited) selection effects => is your sample suited for that ?
  - Sorting and participation in GVCs => check foreign ownership / participation to large business groups / family management