In Italy, social capital can bridge disconnected communities and encourage innovation.

by Blog Admin

Economic performance is highly dependent upon underlying social and institutional structures. **Riccardo Crescenzi** *and* **Luisa Gagliardi** *write that Italy has proven a very interesting 'laboratory' to test this link by looking at the impact of different forms of social capital on innovation. Although social structures and behaviours tend to be resilient and difficult to alter, recent research suggests that forms of cooperative behaviour and open networking should be encouraged in order to boost innovation and change.*

The Italian economic divide between the North and South reflects the fundamental long-term differences between structures and dynamics. Strong family ties and 'close' social groups in southern regions are in sharp contrast with more inclusive forms of social organisation and cooperative patterns in central and northern parts of the country. Can these fundamental differences explain, at least partially, the very different propensities of the Italian regions to generate innovation? In an era of globalisation and increasing 'virtual' interconnectedness, do local social structures still play such an important role for economic activities? Is this true also for innovation and knowledge generation? The reshuffling of economic opportunities produced by the eurocrisis and global downturn, and the failure of 'traditional' macro-economic policies to re-launch economic growth, mean the answers to these questions are very important for the identification of new pro-growth policy options and tools.

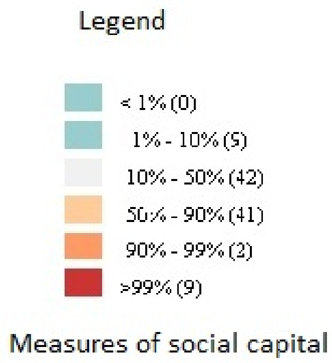
In the pre-crisis period, the 'traditional' "Made in Italy" industrial districts in Tuscany and Marches that specialised in the production of leather goods and shoes had already experienced a downward productivity trend. Conversely, areas with a stronger presence of chemical and oil (Tuscany and Sicily) and iron and steel sectors (Tuscany and Sardinia) or the clusters that specialised in clothing (Veneto and Apulia) and eyewear (Veneto, Emilia-Romagna and Friuli-Venezia Giulia) experienced an above-average level of economic dynamism. Local social structures seem to be – alongside the 'traditional' drivers of economic dynamism such as research and development investments and local human capital – important explanatory factors for the differential capabilities of different areas to upgrade technologically and successfully compete in a highly volatile economic environment.

Our research shows that the propensity towards civic and pro-social behaviour facilitates the circulation of new knowledge among otherwise disconnected groups, fostering innovation and economic growth. As Figures 1 to 3 illustrate, the Italian Provinces with a better endowment of this particular form of social capital are also those with the stronger innovative performance. This type of pro-social and civic behaviour facilitates the development of social connections that function as 'bridges' between otherwise disconnected communities, making it easier to exchange information and interact with mutual benefits in terms of the generation of new ideas, knowledge and innovation ('Bridging Social Capital'). Conversely, innovation (Figure 3) is persistently lower in areas where strong ties within closed groups and intense relations among like-minded individuals are predominant (Bonding Social Capital). In these situations strong ties often mean that knowledge exchanged is familiar or redundant.

Figure 1 - Bridging Social Capital

Figure 2 - Bonding Social Capital

Figure 3 - Innovation



Do the emerging theoretical consensus and strong empirical evidence on the impact of social structures and dynamics on economic performance make any difference for pro-growth and development policies?

Social structures are often resilient and slow to adjust themselves of their own accord, in particular considering the continuously evolving challenges of today's globalised world economy. However, a number of small-scale experiences even in areas dominated by 'bonding' social structures seem to be sending encouraging signals.

Despite being hard to promote through public policies, changes in the local attitude towards outward networking and external cooperation can be stimulated by means of innovation policies aimed at creating the right incentives for a more efficient balance between bonding and bridging social connections. As an example, policies based on the (national and international) mobility of 'knowledgeable individuals' and cooperative research projects can contribute to reinforce the external projection of existing networks among innovative agents. In addition, policies targeting the university system (largely public and heavily 'localistic' in Italy) in order to design recruiting mechanisms for research students and staff which are more open to 'outsiders', would also facilitate the development of 'bridging' social capital. These are difficult targets for policy-makers given the natural hostility of close, like-minded and cohesive groups towards actions aiming to 'open them up'. However, the 'bright' side of social capital seems to be an important condition for a more innovative economy.

This article is based on: Crescenzi R., Gagliardi L. & Percoco M. "Social capital and the innovative performance of Italian provinces", Environment and Planning A [forthcoming 2013]. Working paper version available here.

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Note: This article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.

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