

Studies in Economic History

Tomoko Hashino
Keijiro Otsuka *Editors*

Industrial Districts in History and the Developing World



Springer

Studies in Economic History

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Editors

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Preface

This book attempts to shed new light on the development of industrial districts in the past and at present. The industrial district, which refers to the geographical concentration of enterprises producing similar or closely related commodities in a small area, plays a significant role in the development of manufacturing industries not only historically in Europe and Japan but also at present in emerging East Asian economies and low-income countries in sub-Saharan Africa. The book identifies similarities and dissimilarities in the development patterns of a variety of industrial districts and explores the reasons for them. More specifically, the book examines whether Marshallian agglomeration economies provide sufficient explanations for the development patterns of industrial districts and seeks to discover common key factors that support the sustainable development of industrial districts but which did not receive enough attention in the literature. We are proud to say that this is the first systematic study that addresses the issue of these missing key factors.

In spite of the common issues studied by economic historians and development economists regarding the role of industrial districts, the dialogue between the two groups of researchers has been largely absent or at best weak. Thus, the editors of this volume organized a session entitled “Visiting Industrial Districts in History and the Developing World” at the 17th World Economic History Congress in Kyoto, Japan, in August 2015 by inviting both economic historians and development economists. Many authors of this volume, including Tetshushi Sonobe, Jordi Domenech, Jianqing Ruan, and the two of us, were presenters in this session. Pierre Vernus also participated. Through active discussions and mutual learning in Kyoto, we all agreed to publish a collected volume of case studies on industrial districts in history and the developing world. To enrich this volume, we invited Hubert Schmitz and Bernard Musyck to contribute their study on the postwar development of four industrial districts in Europe. We appreciate their positive response to our request.

The ultimate purpose of this book is to synthesize the results of all the case studies by economic historians interested in Spain, France, and other European countries and Japan and those by development economists interested in China, Vietnam, Bangladesh, Tanzania, and other countries in sub-Saharan Africa. Because, to our knowledge, collaboration between economic historians and development economists

is rare, all the authors in this volume are hoping to prove that this type of collaboration is exceedingly fruitful.

In the course of preparing this volume, we have received useful support and comments from a large number of researchers. In particular, we would like to thank Takeshi Abe, Steve Broadberry, Janet Hunter, Debin Ma, Tetsuji Okazaki, Maarten Prak, Izumi Shirai, and Masayuki Tanimoto. We also benefited from valuable comments given by Osamu Saito, Yukihiro Kiyokawa, Ryoshin Minami, Konosuke Odaka, and Mataji Umemura, who have built the academic tradition at the Institute of Economic Research in Hitotsubashi University, in which economic development is properly regarded as a long-term historical process. We would also like to thank Yasuko Maeshima, Megumi Nishino, and Kumi Ogata for their editorial assistance. Finally, we are grateful for the financial support from the Japan Society for the Promotion of Science (JSPS KAKENHI Grant numbers (C) 25380425 and 25101002).

Kobe, Japan

Tomoko Hashino
Keijiro Otsuka

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He has been working extensively on the Green Revolution, land tenancy, property rights and natural resource management, cluster-based industrial development, and poverty dynamics. His studies are primarily survey-based with comparative perspectives between Asia and sub-Saharan Africa.

He received the Purple Ribbon Medal from the Japanese government in 2010 and was selected as an honorary life member of the International Association of Agricultural Economists in 2012, fellow of the Agricultural and Applied Economics Association (formerly the American Agricultural Economics Association) in 2013, and a distinguished fellow of the African Association of Agricultural Economists in 2013. He is the coauthor or coeditor of 23 books.

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Part I

Introduction

Chapter 1

Beyond Marshallian Agglomeration Economies

Tomoko Hashino and Keijiro Otsuka

Abstract Most, if not all, industrial development in the history of advanced countries and in the developing world is based on the development of industrial districts. A unique feature of this edited volume is to compare the development of industrial districts in the history of Japan, Spain, France, other European countries as well as contemporary developing countries, including China, Bangladesh, and Tanzania. More similarities than dissimilarities are found in the role played by international technology transfer in stimulating innovation, which is an engine of development for industrial districts across a large number of cases. Also commonly found are critical roles played by producer cooperatives and local as well as central governments in internalizing benefits of Marshallian agglomeration economies. After all, this volume demonstrates the importance of collaboration between economic historians and development economists for a deeper understanding of the development process of industrial districts.

Keywords Industrial districts • International technology transfer • Producer cooperatives • Local and central governments • Marshallian agglomeration economies

1.1 Introduction

While economic historians in general are interested in the long-term development process of economies or economic sectors from low-income to higher income stages, development economists are concerned primarily with the development of low-income economies or their economic sectors compared with middle- and high-income economies. Obviously, there is a great deal of overlap between the interests of these two groups of economists. In fact, *The Second Industrial Divide* by Piore and Sabel (1984), which analyzed the postwar development of industrial districts in northern Italy, attracted a lot of attention from both economic historians and development economists.

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At the outset, it is important to emphasize that, more often than not, the development of manufacturing industries is led by industrial district or cluster,¹ which is defined as “a geographical concentration or localization of enterprises producing similar or closely related goods in a small area” (Sonobe and Otsuka 2006, p. 4). Obviously, the Industrial Revolution in seventeenth and eighteenth century U.K. was based on a number of industrial districts in different major cities (Pollard 1981). The Silicon Valley in the U.S. is an outstanding example of a successful industrial district at present. It is also well-known that the development of indigenous manufacturing sectors in prewar Japan since the Meiji Restoration—e.g., the cotton- and silk-weaving industries—was based on industrial districts (Abe 1992, 2003; Abe and Saito 1988; Hashino 2012; Hashino and Kurosawa 2013; Hashino and Saito 2004).² Moreover, industrial development in China and in almost all developing countries in Asia and Africa is also led by the development of industrial districts (Long and Zhang 2011; Sonobe and Otsuka 2006, 2011). Therefore, both economic historians and development economists are strongly interested in the development of industrial districts.

In spite of similarities of interest in industrial districts, there has been little dialogue between economic historians and development economists about the development of industrial districts.³ Is the mechanism behind the development of industrial districts in history qualitatively different from that in a contemporary developing world? If there are similarities, what are they? If there are not many similarities, how different are they and why is it the case? More deeply, what lessons can we learn from historical studies of the long-term development process of industrial districts in order to formulate policies that support the rise of such districts in developing countries? The first and fundamental purpose of this edited volume is to demonstrate that lessons from history are useful to achieve a greater understanding of factors that currently enhance the growth of industrial districts in developing countries.

Alfred Marshall (1920) was the first economist to theoretically characterize the advantages of industrial districts. These are (1) the ease of division and specialization of labor among enterprises producing various parts and components and assemblers, (2) information spillover or imitation, and (3) the development of skilled labor markets. If an enterprise is located in an isolated place without any part-suppliers or assemblers, this enterprise has to incur a large cost in transacting with this group of suppliers or assemblers based in a distant place; it would not know the development of new products, the introduction of new production methods, and the availability of

¹While economic historians usually use the term “industrial districts,” development economists generally use the term “industrial cluster.” In our view, there is no essential difference between the two.

²The development of such indigenous sectors was more important than the development of modern sectors in terms of employment generation during the Meiji era in Japan (Nakamura 1983).

³Zeitlin (2008) points out that, although there has been burgeoning literature on industrial districts or regional clusters by historians and contemporary social scientists, a mutually productive dialogue has not been conducted mainly due to a disciplinary divide.