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**HOW TO BUILD SELF-SUFFICIENT COMMUNITIES
THROUGH PROCESSES OF SOCIAL TRANSFORMATIONS:
THE INNOVATIVE CONTRIBUTIONS OF THE INFORMAL SECTOR AND THE MICRO-LOCAL
APPROACH TO SOCIO ECONOMIC CHANGES ON A NEIGHBORHOOD SCALE**

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TO THE SOCIO ECONOMIC CHANGES AT NEIGHBORHOOD SCALE**

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ABSTRACT

The aim of this research is to analyze the innovative potentialities about the informal economy about resilience oriented strategies. The reasons of the resiliency needs are strictly connected with the changes of the economic structure and the productive strategies determined by the global integration process. Into the advanced countries these changes determined a switch from production of goods to the production of services, changing the labor supply in terms of skills and education, this created a general decrease of income into middle and low classes. The consequence is been the developing of alternative forms of informal and community-based economies. The informal economy in advanced countries has been considered a marginal factor till the big recession, after of that, the scientific literature started to treat the argument under another perspective. Analyzing this phenomenon, it's possible to know what are the necessary changes to adopt into the socioeconomic structure and the importance of socio-economic resilience for future big crisis prevention. The research analyzing the problems at global scale, arriving to the micro-local scale; the neighborhood scale. This dimension is interesting to know the socio-economic factors on which to intervene to trigger a process of local resilience.

RESEARCH STRUCTURE

Main topics:

- The micro-local scale, as a crucial dimension, to achieve sustainable socioeconomic development in urban areas.
- Analyze how the structure of informal economy can be used to foster micro-local economy.
- Innovation must be considered a process, a new synergy among existing conditions and a strategic view considering the problems as an opportunity to change.
- The strategic importance of socio-economic resilience and how to realize resilient local communities

The expected finding of this research concerns:

- The evaluation of strategies to address the local communities to achieve a socioeconomic resilience.

PROBLEM STATEMENT

The main problem concerning micro-local development and informal economies, is the lack of information about the money flows inside this type of economy. The informal sector is based on cash transactions or barter of goods and sharing of services, so it's difficult to extract information from the normal circuits. Nevertheless, the paramount aspect is not the data collection, but clarifies the relationships among the community. The innovative contribution of the informal sector is to describe the socio-economic structure inside a community, this is quite difficult using only economics analysis or only sociologic tools.

Thus to achieve the main goal of this research, the principal obstacles are:

- Understanding of socioeconomic structure of the place (income, culture, ethnicity, crimes, education, etc.)
- Understanding the typologies of informal relationships within the community (i.e. if based on familial relationships, intercultural connections, if there is some trade between different ethnic groups, etc.)
- The analysis about the opportunities provided by the place

METHODOLOGY

To achieve the proposed targets, the widest part of the research is dedicated to the examination of gaps into scientific literature.

Diverse interpretations of resilience and informal economy re proposed.

Explication of the main concept and topics using examples of good practices

Thus the main steps concerning to find:

- The presence and the importance of informal sectors into the community,.
- The opportunities provided by the informal sector
- The opportunities provided by the complementarity and synergies with several tools
- Short, medium and long-term actions to stimulate the regenerative process to achieve a certain socioeconomic resilience.

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INTRODUCTION

The focus of this work is to investigate the innovative strategies which provide socio-economic stability on a small scale, and create local resilience through self-sufficient communities.

The key concept of resilience, in this research, has been tailored at the community level as *'the existence, development, and engagement of community resources by community members to thrive in an environment characterized by change, uncertainty, unpredictability, and surprise'* (Magis 2010 a).

The specific meaning of innovation is currently connected with production, technology, marketing and business solutions. Innovation is probably more than this, as technology plays a dominant role in the development of experimental productive methodologies, communication systems and transportation infrastructures. This is precisely technological progress, not innovation, and in this perspective it could be useful to consider innovation as a complex process concerning the creative imagination of the entrepreneur (Schumpeter 1934).

Innovation in a more conventional sense is referred to the introduction of new products and services or new methodologies (in terms of processes), some radical changes, even if recent studies also propose innovation as an incremental upgrading and improvement of products and services (Storper 1997; Cooke and Morgan 1998). These perspectives present innovation as a creative combination of factors to achieve radical and coherent solutions to consolidated problems. The concept of innovation investigated in this research, in terms of local systems, may be considered as the capacity to provide answers to structural problems combining all the resources available on the territory; new processes and strategies in addition to consolidated procedures and mechanisms.

In this way informality is an important factor in this dissertation because its nature is something out of the ordinary schemes.

Two analytical levels have been considered to explain the necessity to achieve local resilience. On the one hand the reasons of the socio-economic problems arising on a local scale by the global integration

process, on the other hand, the mechanisms generating disparity at the urban level.

These preliminary investigations are propaedeutic to demonstrate the need of local self-sufficiency, both in terms of socio-economic characteristics and environmental factors.

Economically speaking self-sufficiency is an aspect that started to be important after the great recession, which represents not only a big problem to solve, but could be an opportunity to rethink some economic models and their “collateral effects”.

For instance the current debate about gentrification, local market failure and unemployment, suggests they are not simply problems to solve, but they are ‘physiological’ externalities of neo-liberal economic strategies (Hessink 2016; Peck and Tickell 1994; Spence 2011; Stiglitz 2015).

Therefore the discussion about the necessity of local resilience, opens a critical debate on present-day economic development.

To explain the causes of local economic stagnation, our analysis has focused on the effects of global economy. Considering global integration as the process by which markets integrate worldwide (Spence 2011), and the potentialities of this giant market network, current problems suggest that something went wrong during the last decades, and the promise of global well-being was disregarded.

On the one hand the global integration process (commonly called globalization), plays a primary role in resources allocation, in terms of production of goods and services, of financial strategies, and distribution of wealth and jobs. On the other hand the process created large problems in terms of unequal distribution of wealth and job disruption in some parts of the world.

The global integration process is a series of trade, business and industrial activities, linked together by communication services and infrastructures, the main problem in this process being the gap between the rapid changes in markets orientation and the slower adaptation time that local economies need to redefine their production. The concept of resilience, therefore, emerges as a necessary attitude of local economies to react to market changes, or economic stagnation. Resilience is also a necessary characteristic for firms, companies and other economic organizations, to survive and prosper in an increasingly changeable global marketplace (Hamel and Välikangas, 2003; Starr, et

al, 2003; Tompkins, 2007). In this research, according to Magis (2010a), resilience is analyzed and proposed as the basic characteristic of the local community to react to the changes of socio-economic and environmental conditions, such as economic cycles, climate change, cultural innovation, and global market changes.

Local Resilience is directly connected with planning to forecast the future needs and functions of urban areas.

The main achievement of resilience is to create a system, sufficiently ductile to be able to absorb the surplus of job demand and sufficiently adaptable to regenerate itself in compliance with future functions. Handmade products as well as self-produced goods and services, are creating a network of microenterprises connected by the web but operating on a local scale. These microenterprises often composed by less than ten persons are reacting to the global crisis using the innovative systems to fix local problems by stimulating (even if marginally) job creation.

In this historical period, when communication and web tools provide low-cost opportunities, we can observe the creation of a thick network by small subjects, acting in several sectors to offer online goods and services. Opportunities are also offered with low entry costs to start microenterprises on the one hand and the possibility to access low-cost capital by microcredit. About the returns, people who are self-employed earn more than a wage, so that people who enter with small amounts of capital are also doing better than they would in the wage sector (McKenzie and Woodruff, 2006).

Microenterprises, in terms of the typology of specific persons engaged, introduce to the analysis about the socio-economic scale concerning the micro-local, an interesting analytic field linked to the neighborhood dimension.

The micro-local approach is useful to accurately analyze the relationships between communities on a neighborhood scale, being based on the analysis concerning socio-economic environment on a micro scale, in which individuals and households are the principal actors. The Micro-local is not simply a geographic dimension, it is a significant point of accurate observation on the community scale, to which the concept of resilience is particularly adaptable. This concept

was borrowed by the 'ultra-micro approach' proposed by David Boyle (2014). These approaches are based on co-production activities (Boyle et al. 2006), co-operation approach (Boyle 2014), and time banking (Cahn & Rowe, 1992). The micro-local approach, in terms of co-production, adequately provides a place based perspective, linking together diverse factors and aspects about social cohesion and a sense of community, *'it is an idea that recognizes the roots of social collapse in an economics that fails to recognize the value that people bring, their ability to love, care and educate, and which strips neighborhoods of their ability to do that'* (Boyle 2010).

Another consideration about the micro-local approach consists of the linkages with informal sectors, considered as a crucial aspect of the local dimension in this research. Informal economy is an important factor to analyze, it emerged in specific urban systems of advanced countries only in the 90s (Sassen 1997), but it became particularly interesting during the big recession, as a self-managed form of income creation or income saving.

The typology of the informal sector investigated in this work regards experiences on a neighborhood scale, related to food selling, house repair, handmade productions and micro enterprises operating in these fields, hence all the relationships based on goods and services offered, shared or traded, inside a community.

Thus, the mutual contribution of the micro-local approach and informal economy becomes an important phenomenon to investigate, because it provides a good environment to experiment new typologies of jobs and innovative solutions.

Another aspect to analyze and to define is the meaning of 'local' in relation to urban space, the discussion about the meaning of concepts like local, space, and place, lead this work to define urban areas as a territory.

The importance of the meaning of some key words is crucial to focus our attention on the right problems, as for example the concept linked with the meaning of local concerning the relationship between the territory and its parts.

The meaning of "local" is proposed in this studio, as an active element of a territory that includes all the complexity of the entire system.

According to this view, the local scale does not mean a dimensional “reduction”; this is the main obstacle of the disciplines that consider the local scale, divisible and analyzable in a separated way from the entire system, or worse, as an independent element without any relationships with the rest of the system.

Combining the specific meaning of local scale, as an interdependent fragment of a system, with resilience, the characteristic introducing the capacity to react to exogenous or endogenous factors (Tobin 1999; Folke et al. 2002.), the logical deduction is that the resilience of the entire system is strictly dependent on the resiliency of each part.

An analysis of some other key concepts connected with the urban environment, such as place and space, according to the definitions of territory and local, results in the possible combinations of some important concepts, eloquently describing territorial complexity.

In fact ‘territory’ is a comprehensive concept, composed of cultural, environmental, social, economic and physical factors, combined in complex ways, no longer merely the economic object of land or a static terrain, but a vibrant entity, “within its borders, with its specific qualities” (McKinlay and Taylor, 2014).

The relationships that make up the territory are particularly important to recognize and investigate.

The territory is something very different from ‘localization’ space and transportation; a dimension in which cultural distances cannot be measured, and where development potential is hidden in the most unexpected folds of local societies’ (Becattini and Magnaghi, 2016). To change the perspective from space to territory means to change point of view on some aspects of contemporary discussion about local economic development.

A new definition of territory can help to achieve a new comprehension of space and place, thus, small scale and the micro-local dimension, joined to a new perspective of space, as an indissoluble part of a larger territory, create new opportunities to rethink the role of local scale, but also the role of urban planning on a neighborhood scale.

Several experiences demonstrated that small physical interventions can introduce significant changes in neglected neighborhoods. Urban recycling of abandoned firms may create new relational spaces, which

can be useful to knowledge spillover, or to share experiences, skills and resources in general.

Innovation, therefore, is not only a hi-tech matter, indeed it consists of a new vision of space sharing, perhaps the traditional division of neighborhood space, private and public spaces, rigidly divided by visible and invisible barriers, is no longer suitable for the organization of contemporary needs, hence also physical modifications need an innovative approach.

By using innovation as a new vision of social processes, it is possible to transform each neighborhood into a powerful incubator to create new jobs and offer community services. In this perspective a neighborhood must be as self-sufficient as possible, thus generating return of investment in terms of social inclusion and income creation.

The present study has been conducted by analyzing the scientific literature to highlight the gaps and proposing some unusual perspectives on the meaning of resilience, self-sustainment and informal economy.

To do so our research starts (chapter one) by analyzing the economic structure composing the productive networks on a global scale and their influences on a local scale, this was necessary to explain the exogenous factors influencing local economies.

The second step (chapter two) consists in the analysis of urban centers and its implications concerning the global economic structure and the local socio-economic balance. This part is useful to analyze the causes of several issues linked to the structure of urban aggregates, the metropolis phenomenon being important to explain the changes at the regional level and the new subjects making up territorial governance.

The second part (chapters three and four) is devoted to investigate the meaning of territory, the relationships which make up its structure and, at the same time, contribute to modify it. These two central chapters represent the core of the research in which the concept of resilience, informal economy and micro-local are investigated to highlight current tendencies in the contemporary socioeconomic structure of urban aggregates.

The third part (chapter five) analyzes the consequences of the innovative factors investigated in the previous chapters, forecasting the

potentialities of micro interventions on the urban spaces, linked with the relationships on the micro-local scale.

The last part, devoted to the conclusions (chapter six), attempts to redefine some concepts emerged through the analysis and examples proposed in the dissertation, two in particular: the distinction between structured and non-structured informal economy and the potentialities of self-sufficiency approaches to avoid urban displacement. The first aspect could determine an innovative contribution to provide a more specific distinction on the main concept of informal economy. Thus separating activities which are irregular but propaedeutic to formal production (warehouses e.g.) accelerating workforce exploitation processes, and informal activities which create significant opportunities for local economy and community reinforcement.

The limitations of this work are mainly connected with the nature of the objects analysed, informality is in itself difficult to be reduced to quantitative datasets, but could be described and investigated in terms of social relationships and strengthening of local communities.

CHAPTER 1

GLOBAL VS. LOCAL

The present chapter analyzes some basic aspects of the relationship between the global and the local, which is considered important to identify some of the structural reasons for informal sectors' increase.

A preliminary dissertation on the meaning of global economy is useful to investigate how regional economies react to the changes in capitals allocation, an aspect that somehow introduces the reasons for local resilience.

Global economy is an interesting phenomenon to analyze in terms of the possibility to connect several regions to a wide production scheme, but such connections are often based on specific interests which do not comply with local needs.

The use of the Value Chains analysis and the Trade in Tasks theory makes it easier to explain the cause-effect relationship of economic stagnation in some specific regions.

The last part of the chapter is devoted to an analysis of the differences between specialization and diversification in a regional economy and to the risks connected with excessive investments to specialize some particular areas, considering in particular the rapidity with which production is relocated across the world.

In this dichotomy, to balance specialization and diversification, investments are not only a business choice but involve complex consequences on local balance in terms of social impact.

Particular attention has been devoted to the meaning of innovation, analyzed not only in its technological definition but in terms of processes and strategies.

1.1 Global actions at the local level

A discussion about the 'global' and the 'local' is not so simple without specifying what the two terms mean; in this study their meaning is connected with some key concepts such as system, process and transformation.

In the present study the global is not only referred to as the entire world surface with a mere geographical connotation, indeed, it is proposed as a *comprehensive vision* of the complex systems of regions and areas, which undergo the impact of several forces that may be considered as social, economic and cultural inputs, and bring about physical and relational transformations on a local scale.

The three forces above determine transformations through their combined effects such as policies, trade and innovation, which satisfy general or particular interests, private or collective needs etc.

This assumption is necessary to clarify the focus of this work, and of this chapter in particular, the relationships between complex systems' analysis, in this case the economic aspects of their complexity.

The relationship between the global and the local is not simple and linear, thus some partial definitions, derived from literature, are used and analyzed to explain and motivate the opportunities and the threats that the relationship involves.

According to Gibson-Graham (2000), "*the global is a force and the local is its application point; the global is penetrating while the local is penetrated and transformed*".

Thus there exists a hierarchy between the global and the local and it is not immediately clear what its effects are on local economies.

The global and Globalization are not strictly synonymous. The global is a vision and Globalization is the process to realize this vision, in fact globalization is defined as "*the pervasive decline in barriers to the global flow of information, ideas, factors (capital and skilled labor), technology and goods*" (Kaplinsky and Morris 2001).

Globalization is the process through which economic, social and cultural forces act on the relationships between local contexts.

In fact, “*globalization, in terms of trade, is the process by which markets integrate worldwide*” (Spence 2011).

Furthermore, assuming globalization as an integration process, which creates a hierarchy between the global and the local, economically speaking, we can consider the local strongly dependent on global processes.

The global integration process is based on different speeds, capitals, goods and services that have less difficulty to move across the national boundaries than workforce. Highly-skilled and better educated workers have more opportunities to move than low skilled and less educated workers, and this depends on national and international policies that have created a certain “*asymmetry between labor and capital*” (Stiglitz 2015).

This asymmetry has particular effects on local economies, in fact with high capital mobility; firms can easily move their production (or part of it) to other countries, whereas workers do not share such mobility.

As a result, a certain amount of low-skilled workers need new jobs, increasing local job demand, a phenomenon which normally involves more than one firm. Thus, when a divestment process occurs within a cluster, the effect is a progressive loss of income for the local community, and a progressive loss of satellite activities within the cluster, causing the start of a domino effect on the entire local economy. These considerations have raised some doubts on the dual effect of the global process of integration, which on the one hand has helped millions of people escape poverty in economically advanced countries, but on the other has also damaged *vulnerable subgroups' income* within the same advanced countries (Kaplinsky and Morris 2001).

The main question probably is not whether the global integration process is good or bad, but in which way this process is used and developed or “*how producers and countries insert themselves in the global economy*” (Kaplinsky and Morris 2001).

This suggests to look at the globalized integration process as a toolkit, which could be useful or jeopardous (or both) when it creates wealth for some and poverty for others. To take into account this wide process as a useful tool, based on a wide network of interdependent subjects, may be a good description of the potentialities for each person, firm, association or territorial subject, which are interested in creating

connections between operators and customers spread all over the world. Technological progress provides efficient communication networks and transportation systems that guarantee low cost export and movements of commodities, persons, ideas and culture. It's a powerful process to reduce the world's dimensions and shorten cultural distances by encouraging migratory flows.

However, as argued by Stiglitz the only entity without barriers is capital, for people have some difficulty in moving across the continents (Stiglitz 2015)

The other side of the coin is that the global integration process is considered the mechanism to create the idea of a linear, endless development; it works as the propeller of linear development, managed through parameters, index, rates etc. and measurable in terms of quantity, distances and costs. The differences and the hierarchies between the global and the local scale emerge when the global integrative process is analyzed using social and cultural parameters; according to this point of view, *"globalization is synonymous with abstract space, the frictionless movement of money and commodities, the expansiveness and inventiveness of capitalism and the market. But its other, localism, is coded as place, community, defensiveness, bounded identity, in situ labor, non-capitalism, the traditional"* (Gibson-Graham 2002).

This definition leads straight to the meaning of territory and the elements which define it; therefore the strong relationship between economic and social factors on a local scale becomes quite clear.

Income, employment, production are not simple functional aspects of growth and development, they are connected with the social identity of a place and its transformation. Thus, the concept of transformation may have several meanings, positive and negative effects may occur and physical and social factors are involved in this process. One of the crucial influences on a local scale, of the great change introduced by the global integration process is connected with the speed of capitals to be relocated all over the world and the inertia of local production to react to the changes.

Offshoring productive sectors elsewhere, creating some structural changes in the domestic workforce (Spence 2011), the principal

problem representing the productive mechanism is faster than the cultural system, thus skills creation and education are slower than the market requests and it means social disparities and modest income, for long periods.

The first impact of this phenomenon is strongly connected with the weak communities which face low income levels and lack of schooling.

Furthermore, as shown in the following paragraphs, the local economic structures, when defined by an extreme level of specialization, can be heavily compromised by the rapid productive changes.

1.2 Value Chains and Trade in Tasks

When more countries open their markets to the global integration process, firms find more competitors in the global market, thus to survive in profit achievement, firms have to reduce production costs or increase productivity, by developing technology, innovation, investing and in managerial capabilities to coordinate spatially widespread networks of tasks (Jones 2000; Levy 2005; Grossman and Rossi - Hansberg 2006).

According to Helpman and Krugman (1985) the general strategies about offshoring *“is reallocating plants to countries where factor costs are relatively cheap”*. Some countries, thus, attract productive plants from other areas, characterized by either skyrocketing productivity or by economic stagnation. It is important to investigate in which way, some areas suffer and some others are favored in the transformations, due to global integration on a local scale (Schmitz 1995; Kaplinsky 1993; 2000).

To do so, it is crucial to analyze in which way global integration acts in world trade and what are the factors through which this process is connected with local economies. One of these factors (probably the most relevant one) is capital allocation within a particular industrial sector.

The related issue regards what to produce and where or better, in what part of the productive chain it is more profitable to work and what is the best geographic area for production.

Thus profitability, in terms of economic advantages in the productive process, can be assessed by applying some models and analyses elaborated in the recent past.

The following models show how it is possible to analyze global integration in terms of opportunity costs and competitive advantages; the first is Value Chains (VCs) which provides the rational structure of production inside a firm, the second is Global Value Chain (GVCs) analysis, a strategic instrument to analyze value chains within an industrial sector widespread on several geographic areas; Trade in Tasks (TTs) is strictly connected with these models.

These analytic instruments explain the decision process, according to which, firms decide how to balance and allocate investments, but above all, *where* to invest their resources.

Their contribution is also useful to figure out how production is widespread all over the world and why certain areas are more profitable than others.

The general intent is precisely to explain in which way the world trade and productive system influences local economies; if the previous paragraph enunciated the broad concept of global actions at a local level, now the possible mechanism is highlighted. More specifically, the key concept of Value Chain was used to analyze the mineral exporting economies during the 60s and 70s (Girvan, 1987).

During the 90s Value chain was adopted as a significant analytical support to investigate how a firm leads to value creating competitive advantage.

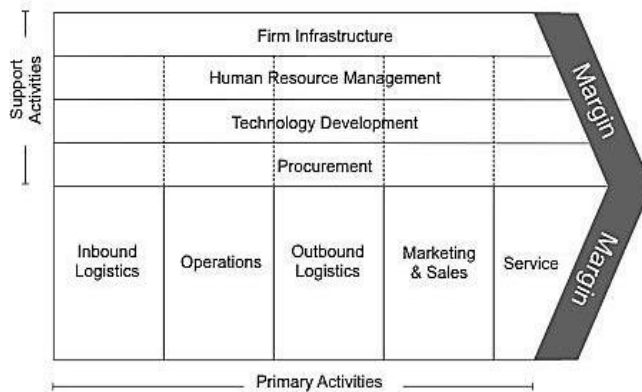
This renewed vision about the full range of activities which are typically required for the production of goods or services was proposed by Michael Porter (1985) in the “competitive advantage of nations” as the rational subdivision of a firm’s activities. Porter maintains that *“the Value Chain disaggregates a firm into its strategically relevant activities in order to understand the behavior of costs and the existing and potential sources of differentiation. Thus the value chain is useful to analyze the firm as a set of discrete but related production functions, this formulation focuses on how these set of activities create value and what determines their cost, giving the firm considerable discretion in determining how to combine and configure the activities”* (Porter 1985).

The value chain shows total value consisting of value activities and margin (Fig. 1.0):

- Value activities consist in the activities, physically and technologically distinct, which a firm performs.
- Margin is the difference between the total value and the overall cost of performing value activities.

A firm gains competitive advantage by performing these strategically important activities more cheaply or better than its competitors (Porter 1985).

Fig. 1.0
General Value Chain



Sources: M. Porter (1985) p. 37

The central point of this rational process of optimization, is to achieve and maintain the firm's competitive advantage with respect to competitors. As argued by Porter (1985), competitive advantage is determined by rational choices within rational strategies focused on the achievement of some advantages and scopes (Fig 1.1).

Fig.1.1
Three generic strategies

| | | COMPETITIVE ADVANTAGE | |
|--------------------------|---------------|------------------------------|--------------------------|
| | | Lower Cost | Diffrentiation |
| COMPETITIVE SCOPE | Broad Target | 1. Cost Leadership | 2. Diffrentiation |
| | Narrow Target | 3A. Cost Focus | 3B. Diffrentiation Focus |

Source: Porter 1985, p. 12

The strategies described in fig 1.1, provides a clear vision of the complexity of strategic choices within a firm. The achievement of some competitive advantage can imply to combine more strategies at the same time, because it is the total amount of single advantages that determines the result.

Value and advantage are strictly connected; in fact in competitive terms, value is the amount of money buyers are willing to pay for what a firm provides them with, hence the price, inclusive of costs, of the total amount of necessary activities to provide goods or services. Thus a competitive advantage exists when the firm is able to provide the same benefits as direct competitors but at a lower cost (cost advantage or cost leadership strategy) or deliver different benefits thus distinguished from those of competing products (differentiation advantage or differentiation strategy). The competitive advantage allows the firm to create superior value for its customers and profits for itself.

Thus following the guidelines of competitive advantage it is possible to decide what to produce, how to produce it and for what market.

Production, in itself, is one of several value added links; moreover, there is a range of activities within each link of the chain (Kaplinsky 2000).

The firm's competitive advantage depends on the added value created in each activity within the value chain, and the strategies to achieve competitiveness are based on cost reduction and differentiation, in which several factors are involved (technology and innovation, R&D, partnerships and joint venture).

The specific focus of the VC is how the value is efficiently generated along the production chain. According to Porter (1985) a firm is profitable if the value it generates exceeds the costs involved in creating the product. This leads to focus our attention on two elements;

- The central role of the advantage of each activity
- The importance of links within the chain.

These are basic to explain the passage from VC to GVC, taking into consideration how competitive advantage generates value, the principles of maximization and resources' optimization are still valid at the industry level too, and more specifically for multinational enterprises

(MNEs). To define more specifically this basic passage is important to underline the possibility to rationalize the production of goods and services in several activities which can be carried out not necessarily in the same place. Following the principles of fragmentation and, considering the advantages due to the great disparity in price factors (existing between different countries and within the same country), considering the time saving due to transport implementation, the relative decrease of logistic costs and the implementations in communication technology, the Ricardian comparative advantage suggests to apply the fragmentation of productive phases, along the productive chain, localizing production in several international locations, where the costs and productivity are advantageous (Jones and Kierzowski, 1990).

These are the economic advantages which support the offshoring theory, and when VC is applied to the entire industry, this is the principle on which the GVC is based. The GVC describes the full range of firms' activities, from the conception of a product/service to its end use which is properly called a value chain. It typically includes activities such as design, production, marketing, distribution and support to the final consumer. These activities can be undertaken by a single company or divided between several firms. They can be concentrated in one specific location or spread over different locations. The term GVCs was coined to adequately reflect a strong trend towards the dispersion of these different activities across the world (Global value chain development report, 2017). Thus GVC describes not only the productive process, but also the functional structure of value chains widespread on a global scale in each productive step.

In terms of added value, GVC analysis is helpful to *"highlight the relative value of those activities that are required to bring a product or service from conception, through the different phases of production"* (Gereffi & all 2005). The main achievement could be considered to gain a competitive advantage (thus value added) on each ring of the chain; this is possible by adopting rational choices on each activity within the productive chain, operating on cost reductions and strategic differentiation. In this sense the concept of value chain is not so different from the commodity chain, but it is more pervasive, in the sense that it tries to capture the determinants of the organization of global industries (Bair 2005).

The main distinctive trait, between the supply chain and GVC analysis, consists in value creation along the chains, the role of some leading companies and their influences to create or delocalize activities into specific areas. The value chain follows specific commodities and services encompassing several industries. This is also why specialization is no longer in industries but in specific functions, or tasks, in the value chain (De Backer& Miroudot 2012; 2014)

The importance of GVC analysis consists in figuring out the relationships between several heterogeneous firms, operating in the same industry (the economic mechanisms have been analyzed by Meltz 2003, Hopenhayn 1992, Krugman 1979); this substantially means that the principle of activities' rationalization through which a firm gains some competitive advantages by performing those particular activities, more cheaply or better than its competitors, is the principal motivation for enterprises to decide to operate either in some particular sectors of an industry or only in some productive phases, some particular "rings" of a GVC. To maintain the acquired competitive advantage, it is important to keep the leading position within the GVC or into key rings. This aspect is paramount to figure out the GVC mechanism, in fact, the GVCs operates through a complex insider 'governance'. This concept, introduced by Humphrey and Schmitz (2001), is fundamental to understand the structure and the relationships inside the GVC. Governance means *"that some firms in the chain set and/or enforce the parameters under which others in the chain operate. A chain without governance would just be a string of market relations."* (Humphrey and Schmitz, 2001).

To set or enforce the operating parameters, could be interpreted as the acquisition and maintenance of competitive advantage on the other subjects operating on the same GVC. According to Humphrey and Schmitz (2000) there are three possible types of governance:

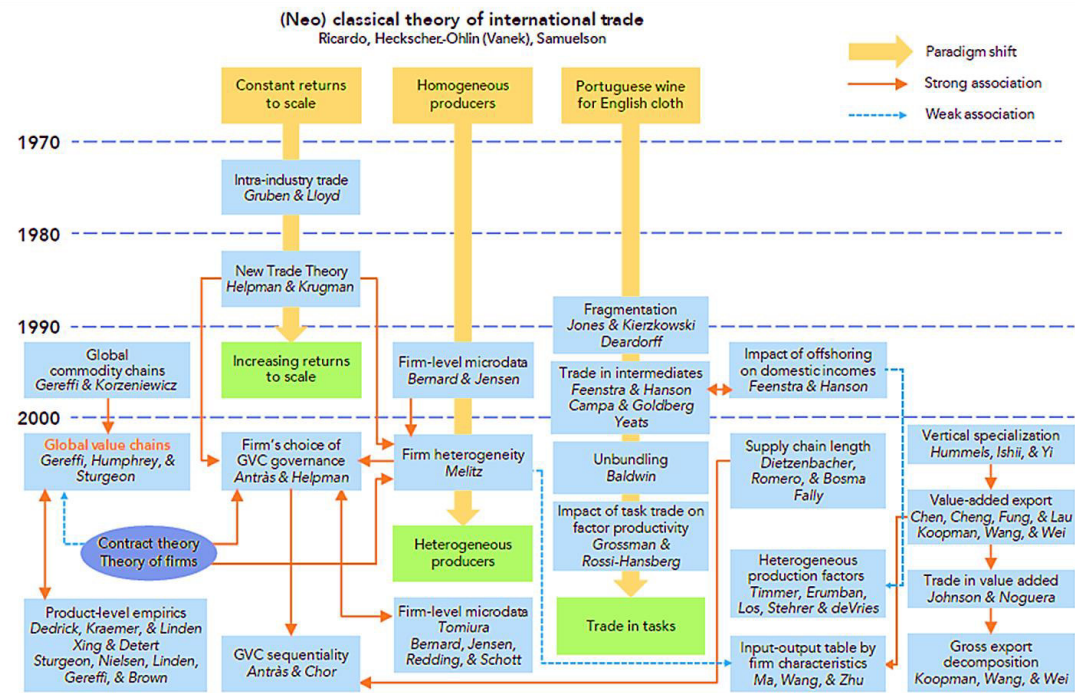
- **Network** implying cooperation between firms of almost equal power which share their competence within the chain;
- **Quasi-hierarchy** involving relationships between legally independent firms in which one is subordinated to the other, with a leader in the chain defining the rules with which the rest of the actors have to comply
- **Hierarchy** when a firm is owned by an external firm.

The possible relationships between these three governance typologies typically generate complex systems of inter-firm and intra-firm relationships (Yoon and Hur 2017), through which the leading corporations gain and adequately maintain competitive advantages reinvesting and reallocating capitals into key sectors or profitable countries. This is part of the explanation to illustrate the motivations of some enterprises (especially MNEs) to operate within specific industry segments and why they delocalize production in several countries with better conditions in terms of costs, productivity, efficiency etc. According to Rossi-Hansberg and Grossman (2006a; 2006b; 2008), the reasons that account for certain choices are strictly connected with the “trade in tasks”, in which they analyzed the offshore theory, giving a robust economic motivation to support the competitive advantages linked with cross- border activities. In fact, they argue that:

“The model begins with a different conceptualization of the production process. Assuming that the production of every good requires the performance of a continuum of tasks by each of the factors of production. By highlighting the tasks needed to generate output, [...] tasks might be performed in different locations and ... the organization of production can be varied continuously. In the model, firms are motivated to offshore tasks by the prospect of factor-cost savings. But they recognize that some tasks can be performed remotely more easily than others. The set of tasks that are traded in each industry is determined endogenously so that the cost of the marginal task is equalized across locations” (Grossman and Rossi-Hansberg 2006).

This key aspect is evident when we consider the continuous evolution of international trade throughout the past century and till now. Figure 1.2 shows the profound changes introduced by the possibility to split-up production and trading tasks all over the world.

FIGURE 1.2 Genealogical map of analytical frameworks for global value chains



Source: Global value chain development report (2017) Satoshi Inomata, Ide-jetro, p. 16
from https://www.wto.org/english/res_e/booksp_e/gvcs_report_2017.pdf. ISBN 978-92-870-4125-8

Tasks are interrelated in terms of production and delocalized in terms of geographic space: often the same chain is widespread on two or three continents. The electronics industry, for instance, with production bases in Asia, Europe and North America, has a high added value, is characterized by hi-tech innovation, and is generally based on the high cost of machinery although production is extremely mobile across the continents (Gereffi and Fernandez-Stark, 2011). Traditional industrial sectors, such as heavy manufactures, shipbuilding and the steel industry, have several market barriers and other disadvantages, such as sunk costs, so that this sector is strictly connected with a specific location. Thus, to achieve costs reduction it is fundamental to reduce such sub-components as costs to re-balance and skilled workforce employment, which means to let on the area only the high-end of the non-tradable sector and to offshore the low-end of the tradable sector (Spence 2011). These considerations are synthesized in the study "Can Marshall's Clusters Survive Globalization?" in which Buciuni and Pisano describe the offshoring process in terms of profitability and in their vision "It's more profitable to offshore those particular tasks with a low value-added and high plant costs, thus manufacturing is represented as a highly mobile "commodity" that can be sourced from anywhere in the world

where factor costs are favorable” (Buciuni and Pisano 2015). The concept of favorable costs is influenced by all the costs regarding labor, taxes and sunk costs; this means that the areas which have provided good conditions have more opportunities to attract offshored tasks.

The implications concerning the conditions needed to be more attractive are low labor costs, durable taxes reductions and several policies which have made a local economy “competitive” with some others. However, the other side of the coin is that lower labor costs mean low salaries, and low taxes are usually connected with less public investment on the territory. This mechanism is highlighted by Michael Spence in the article “the Impact of Globalization on Income and Employment”, in which he analyzes the role of GVC within the offshoring process, and demonstrates it has caused the economic decline of some particular industries or productive sectors in specific areas (Spence 2011).

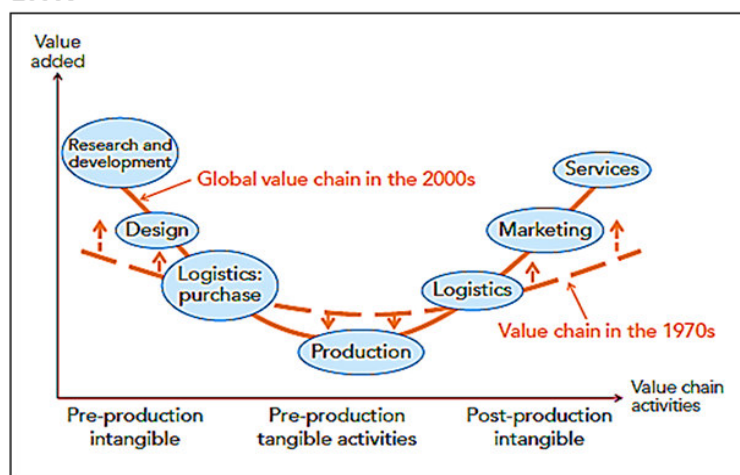
The common strategy of a competitive firm is worked out in a specific GVC that has an important bearing on its comparative advantage, since different activities within the productive chain, may generate different levels of profitability. Big corporations (MNEs in general), will generally choose to operate on a certain number of tasks on a specific GVC, as part of an integrated operation, and in order to reduce costs or guarantee and secure tied-down input supplies or market outlets and, above all, taking advantage of lower costs in their own firms’ trade. This last aspect is not secondary at all, in fact in their interesting study on the “Industrial Proximity and Vertical Integration of Multinational Firms” Yoon and Hur analyze the economic behavior of MNEs about inter-firm trade, and conclude that “the stronger the industrial proximity between a final good producing firm and its input supplying affiliate is, the more likely the cross-border vertical integration is to be observed than the domestic vertical integration” (Yoon and Hur 2017).

This is a crucial point, the empirical demonstration of the influences of global integration at the local level and its consequences on local employment. When the trade is top-heavy on the cross-border affiliated firms, if compared with the domestic affiliates’, it may mean a progressive disempowerment of domestic productivity, even if on a local scale, and it might have long-term consequences.

These are the processes (and the consequences) involved when a big corporation has become more competitive in a specific sector. The

global integration process is a complex matter, but it can be synthesized in the tendency, for a certain number of firms (especially MNEs) to achieve a dominant position within a GVC, which take on a Hierarchic form of governance (Humphrey and Schmitz 2002, 2008), influencing the entire sector, in terms of decisions about market prices and products volume, becoming *de facto* a price-taker. Complexity is also a matter of the evolution occurring during the time the corporation needs to achieve the target. Some studies (Baldwin, Forslid, and Ito 2015; Ye, Meng, and Wei 2015) show the changes of value chain in some key tasks of global production, from 1970s to 2000s the competitive advantage about production decrease in favor of more remunerative activities such as management, design, logistics etc. (Fig. 1.3). This implies that the new orientation drags with it also the skills of labors, a shift from manufacture to business services or research and development, and involves growing income and employment disparities, across the advanced economy, “with highly educated workers enjoying more opportunities and workers with less education facing declining employment prospects and stagnant incomes” (Spence 2011).

Fig. 1.3
The smile curve of the global value chain, 1970s and 2000s



Source: Global value chain development report (2017) Nadim Ahmad and Annalisa Primi p. 70 from https://www.wto.org/english/res_e/booksp_e/gvcs_report_2017.pdf. ISBN 978-92-870-4125-8

All these considerations represent the structure, in terms of trade, production and management, of the global integration process.

This analysis is central to the main discussion about local resilience, in fact the ‘market’ aggressiveness’ and the economic stagnation are in good part caused by the continuous research to obtain and maintain the

competitive advantages by some important companies. Offshoring processes, delocalizing some key productions, create the negative conditions which boost the collapse of industrial districts or clusters (Grabher 1993; Silberman 2016). The changes introduced by this complex process within the productive structure, affect local economy not only in terms of job opportunities, but also in the possibility for low income subjects to achieve the skills required by the contemporary market orientation. It also means that the local economy is directly exposed to the global market, because of its narrow specialization in one sector. This particular aspect is dealt with in the next paragraph.

1.3 Traded and local clusters

As the previous section shows, the general trend in advanced economies consists in the relocation in emerging economies of the lower-added-value components of manufacturing activities (Spence 2011). The tendency to reduce costs, offshoring tasks with low added value, creates a domino effect on domestic production in advanced economies, involving local economies. The resulting strong impact on employment brings about stagnation in low value added sectors that employ low skilled workers. If we consider that most SME, within manufacturing clusters, are more or less directly connected with big corporations which work on the final productive phases (e.g. assembly and quality controls), a progressive relocation of some productive tasks induces repercussions on the entire SME local network in terms of productivity. The high specialization level inside a manufacturing cluster (and district if we consider the Italian situation), often composed by a "cloud" of several interconnected firms, makes it difficult to reconvert the entire production, and leads to "job disruption", a consequent income decrease and a general decline of demand (from luxury goods and step by step to common usage goods), the starting point of a chain reaction that creates localized depression. Agglomeration economies can be described as the economic forces attracting firms to cluster in some areas *'to share the suppliers of intermediate inputs, share a labor pool, get better skills matches between workers and firms, and share knowledge'* (O'Sullivan 2012).

The agglomeration model provides an interesting explanation of the insider mechanisms in the urban areas to redefine their productive assets through sharing of labor, knowledge and services (Malmberg et. al 1996; Glasier 2010).

Urban areas are able to overcome economic problems both through innovations in the insider activities and through the organization of activities with other cities (production, services, or knowledge sharing), or through the construction of urban networks (Camagni 2014). In fact, the most successful clusters can generate new ones by shifting their core competence into new markets and products or building-up the capacities of related sectors (suppliers or service makers), which builds a wide expert labor pool that both drives the cluster and attracts new members from outside. This creates, at the same time, innovative networks between the enterprises within cluster, and links outside the urban area, focused on new market and industrial sectors (Galeser et al. 1992; Delgado et. al 2010, Malmberg et. al 1996).

These results underscore the true nature of agglomeration economies by distinguishing between specific urban characteristics, that affect increasing returns on the one hand, and the clusters attitude to include and involve new elements on the other, showing that the increasing returns in the form of pecuniary externality exploited by firms in their market interactions represent only part of the explanation (Camagni 2014). The solutions suggested by the agglomeration model, do not work anymore when the entire sector supporting the urban economy is on the decline. As previously shown the competitive advantages “push away” production to other areas or shift the local economy to more remunerative sectors (higher value-added) requiring highly educated workers. Normally this trend is mitigated by the mechanisms of labor pooling, one of the principal mechanisms that reinstate laborers from one firm to another of the same industry. Labor pooling is strongly connected with agglomeration economies in which firms using workers with similar skills will find it advantageous to locate in places where there is a large number of workers with the same skills (Overman and Puga 2010).

The key notion of sharing a labor pool is that the boom-bust process occurs at cluster level, not at the industry level (O’Sullivan 2012), and

thus generally in the same area. When the entire sector is off-shored and the remaining sectors are characterized by different requirements in terms of skills, to reallocate labor within the same productive area becomes problematic. To face this endemic problem two factors are probably needed: diversification and interchangeability.

Diversification could be defined as a move into new markets, generally involving a strategic redeployment of existing capabilities and assets in new directions (Chapman et. al 2004). The highest levels of profitability were exhibited by enterprises adopting the strategy of diversifying primarily in areas that drew on some common core skill or resource, the lowest ones were those of vertically integrated businesses and firms diversified into unrelated businesses (Rumlet 1982). This opens an interesting point about the capacity to relocate and absorb workforce from surrounding areas to be employed in new businesses and markets, the acquired skills and capacity playing a crucial role in the process.

In fact, operating in related businesses makes it possible to recruit the existing workforce without expensive investments in training sessions. Interchangeability means that diverse (even if related) productive sectors require the same specialization level and skills, thus workers in an industry are likely to have industry- specific skills which can be interchanged into another production sector with the same level of ability and specialization (Rosenthal and Strange 2001). It means that several sectors with the same characteristics, in terms of specialization, are needed within the same area to ensure a certain flexibility to reallocate workforce from an enterprise to another and from an industry to another (Overman and Puga 2010; Helsley and Strange 1990).

To create a robust and resilient productive structure, the local economy needs to be flexible and dynamic as it faces the complex choice between diversification and specialization. A dilemma within a local economy, to which several studies have tried to find coherent answers, one of which is the cluster theory. This short introduction can be useful to explain the different roles played by traded clusters (TC) and local clusters (LC), which affect the local economy in different ways, depending on their different capacity to attract workers and investments, but also on their exposure to the global integration process.

The following paragraphs will try to explain the different contributions of clusters within socio economic changes on a local scale.

Michael Porter defines a cluster as a “*system of interconnected firms and institutions whose whole is more than the sum of its parts*” (Porter 2000). Therefore there exist some complex relationships which determine and identify a cluster as a “*geographic concentration of interconnected companies*” (Porter 2000), but this also identifies a cluster as something unique, with particular relationships also based on knowledge circulation. Clusters resemble one another only in terms of basic rules and relationships within and with the local economic ecosystem, but each cluster is different from the others because of the face-to-face contacts in the ex-change and creation of new knowledge (Malmberg 1996). The first difference here analyzed is between Traded and Local Clusters. TCs are defined as groups of related industries that serve markets beyond the local region; according to the trade in tasks model and GVCs, they are free to choose their location, unless the location of natural resources dictates where they must be.

Examples of traded clusters include bio-pharm in Boston, information technology in Silicon Valley and semiconductors in Taiwan. According to Porter, TCs may be considered the “engines” of regional economies and without a strong TC it is difficult for a region to reach high levels of overall economic performance.

Unlike TCs, LCs are composed by industries that serve the local market. They are prevalent in every region despite the competitive advantages of a particular location. Thus, a region’s employment in a LC is normally proportional to its population.

Furthermore, LCs represent the greatest source of employment for the region. Generally speaking, LCs are not directly exposed to inter regional or global competition because of the strong connection to the regional economy in which they are located.

Examples of LCs include health services, local entertainment, catering, sporting events, movie theaters, local commercial goods and services such as household goods and furniture.

Another difference between clusters consists in the fact that LCs provide most of the employment and employment growth in regional economies but they are characterized by middle level salaries and wages and a low

innovation level. Innovation has not a single meaning or interpretation, in the case of clusters innovation is boosted within the cluster in terms of skills, knowledge and technology (Porter 2000).

Broadly, even if connected with production, Innovation is quite acknowledged as a key to economic development, since it potentially improves productivity and leads to competitive gains (Abrunhosa & E Sa 2008). Product innovations can be obtained using knowledge advancement or new technologies, or combinations of existing knowledge or technologies (creativity); in these terms *“innovation is the commercial or industrial application of something new-a new product, process or method of production; a new market or sources of supply; a new form of commercial business or financial organization”* (Schumpeter 1983).

The European Commission (CEC, 1995), defines innovation as:

- The renewal and enlargement of the range of products and services and the associated markets
- The establishment of new methods of production, supply and distribution
- The introduction of changes in management, work organization, and the working conditions and skills of the work force

In brief, innovation does not exclusively result from R&D or knowledge advancement, it is the result of a complex combination of factors such individuals, organization and the institutional setting; it's a multidimensional process (Suroso & 2015).

TCs are characterized by higher wages and much higher levels of innovation in particular the innovation is one of the distinctive tracts of TCs, characterized by high patents' production and relevant R&D investments (Porter 1998; Furman et al. 2002; Delgado et al. 2014).

LC's satisfy the request of necessary services for TCs in a region and both are needed to maintain a satisfactory wellbeing in the regional economy.

Analyzing the clusters with the trade in tasks theory and the studies about GVCs, it is possible to figure out how TCs and LCs are connected and what are the factors that determine cluster stagnation (lock-in).

For example the case of automotive cluster in Detroit, offers a good view to figure out the structure composed by LCs and TCs.

*The largest LCs in Metro Detroit¹, in 2013 are:

- health services 243000 jobs
- hospitality establishments 154000 jobs
- commercial services 133000 jobs
- Local real estate, construction and development 85000 jobs.

*The strongest TCs in Metro Detroit in 2013 are:

- business services 179000 jobs
- automotive 88100 jobs
- metalworking technology 33600 jobs
- marketing, design and publications 25800 jobs
- upstream metal manufacturing 9500 jobs
- Plastics 5000 jobs.

The local economy strongly depends on its principal traded cluster and is less diversified in its traded sectors; which puts not only Metro Detroit but the whole region at risk concerning a negative shock to the automotive sector.

If Detroit's economy remains exceedingly reliant on the automotive and related traded clusters, the next global crisis could generate the same problems created by the great recession.

Employment in all Metro Detroit traded sectors has fallen by 187,346 since 1998 (Silberman 2016).

This trend is general and even if employment rate in the automotive traded sector has increased since the end of the recession, it has been substantially low since 1998. The problem is that though the TCs represent the lower workforce, they provide the higher wage level, in short TCs in general are not only "engines" of the regional economies, they are the backbone of income creation, and when they face failure, all the region average income rate decreases.

At the moment the question whether there exist some other models to boost local economies without dangerous risks, and diverse methods to generate income without the need of "powerful engines" for the local economy, could be a hypothesis that might provide remarkable results. This means that if more resilience is needed within a local economy, the

¹ Metro Detroit is a major metropolitan area in Southeast Michigan, consisting of the city of Detroit and its surrounding area ranks as the 11th most populous in the United States, with a population of 3,734,090 as of the 2010 census and an area of 1,337.16 square miles (3,463.2 km²). Source: United States Census Bureau

* Silberman, J. (2016).

issue is to find out on which elements resilient strategies must be grounded to face a cyclical crisis.

In the traditional economic paradigm, Detroit represents the case of a strong hierarchic dependence between a principal sector and its related economic structure.

Clusters and industrial districts have some similarities and several differences, but their failure derives from the same mechanism.

They have different traditions and the economic environment is based on different socio-economic relationships, but in front of a global integration process, clusters and districts alike face similar problems linked to their rigid specialization.

According to Grabher (1993)

“the initial strengths of the industrial districts of the past - their industrial atmosphere highly developed and specialized infrastructure, the close inter-firm linkages, and strong political support by regional institutions - turned into heavy obstacles to innovation. Regional development became ‘locked in’ by the very socioeconomic conditions that once made these regions ‘stand out against the rest’. In other words, they fell into the trap of ‘rigid specialization’”.

Assuming this perspective as an integrative paradigm for cluster analysis, it is possible to correlate territorial aspects to economic strategies, not only in terms of competitive advantages to produce something in more convenient locations, but in terms of “social advantages”.

It means to create stable and resilient local economies balancing some paramount aspects of regional economic structure, specialization, diversification and innovation.

1.3.1 Specialization and diversification, the role of innovation on the local scale

The previous paragraph has tried to show the conditions of local economies highly exposed to a traded economy, with particular reference to the lock-in phenomenon, often caused by an excessive local specialization and lack of innovation and/or diversification, typical of mono-structural areas, dominated by steel, coal-mining and the shipbuilding industry or the clusters specialized, for instance, in consumer goods, textile and furniture (Schamp, 2000).

The concept of diversification has been analyzed in the previous paragraph, as the move into different (related or not) markets, business or productive sectors.

Specialization will now be briefly analyzed to illustrate how it is possible to mediate between them, to find coherent solutions to the request of resilience on a local scale, even if the entire discussion is focused on traditional productive models and market strategies.

Specialization is the dominant factor in competition and it is one of the basic characteristics of traded clusters, whereas diversification is a characteristic on an urban, regional or country scale (Porter 1985; Delgado et. al 2010)

More specifically the concept of specialization implies a strong focus on a single group of activities, linked with a narrow area of production (goods or services) and a less intense focus on others. In the international trade context, specialization typically indicates a strong focus on some key sectors but a less intense one on others (Feldman & Audretsch 1999; Laursen 2015).

A country's competitiveness is mainly driven by diversification of productive systems, while firms' competitiveness is mainly a matter of specialization (Di Clemente et al. 2014), hence some regional economies, strongly based on rigidly specialized firms, are too focused on products exposed to global market competition.

If, as previously maintained, investments on productivity are allocated in terms of competitive advantages, when in a certain area it is no longer convenient to produce, enterprises (especially MNEs) reallocate their production in other areas, following the rational convenience showed in

trade in tasks models and in GVCs scheme. For these reasons it is essential, (almost vital), to realize a robust economic structure at the local level, as differentiation and innovation are the most important antidotes that enable several local economies to *survive* the global integration process, without reducing the wellbeing of workers or selling-off territorial potentialities. Innovation could be conceived in terms of process not only in terms of new technology usage; Innovation as a combination of several strategic instruments, such environmental planning, new productive models and social analysis, joined together to turn problems into opportunities.

The meaning of innovation is currently connected with production, technology, marketing and business solutions; innovation is probably more than this. Technology plays a crucial role in the development of experimental productive methodologies, improving the communication systems and developing transportation infrastructures.

This is technological progress, not properly innovation.

In Schumpeter's view, innovation was a process concerning the creative imagination of the entrepreneur (Schumpeter 1934).

Imagined as a process, whose engine is the need to evolve the current knowledge situation, innovation doesn't have a unique application field, and new perspectives and solutions can be developed concerning general and particular problems.

Innovation therefore could be considered as a creative combination of factors to achieve radical and coherent solutions to consolidated problems. The concept of innovation investigated in this study may be considered as the opportunity for evolutions in terms of local socioeconomic structure.

The strategies concerning social innovation are often linked with the use of social capital in a consolidated institutional structure, but the outcomes in the previous decade were not so encouraging. The micro-local approach and informal economy are interesting elements that blend together local economy, spatial usage, social relationships and environmental sustainability. This is a good starting point to test innovative strategies. A micro-local approach is proposed by some authors (Nowak 1997, Boyle and Simms 2009, Boyle 2014), but so far it has not had a univocal definition because it is relatively new. Therefore, instead of defining a specific spatial context, it is more convenient to

define the elements on which it is based. According to Boyle, a micro-local approach is somehow similar to a dynamic relationship between micro-entrepreneurial initiatives and local communities on a neighborhood scale (Boyle 2010). In practice it is an analysis on the structure of socio-economic relationships on a micro scale, which in an urban context can be considered a neighborhood, or better, a part of it. All of these factors operate for the creation of a network within an urban structure, to investigate new job opportunities in the "interstitial" spaces between traditional economic sectors. Moreover, a community network plays an important role on social inclusion processes, by diminishing the sense of insecurity and increasing trust in different groups within the same community. Current scientific literature shows the efficiency of this type of networks, based on local resources, in terms of underutilized spaces, widespread knowledge (especially within working class neighborhoods) and a *sense of community*; this concept is, however, quite ambiguous and inflated; for this reason in the following chapters some "corrections" and explanations are provided to clarify the meaning of 'sense of community' in this research. If a Micro-local approach provides the basic elements in terms of physical space, human capital and knowledge, the informal economy is the dynamic element providing innovative opportunities to create micro-enterprises. Currently, the informal sector is undergoing an important reconsideration, this renewed interest being due not only to its strategic function inside emerging economies, but also to its relevant contribution to income saving, especially during the global crisis.

This particular sector has become interesting for economists and planners for two reasons;

"first, despite predictions of its eventual demise, the informal economy has not only grown in many countries but also emerged in new guises and unexpected places. Second, despite continuing debates about its defining features, supporting informal enterprises and improving informal jobs are increasingly recognized as key pathways to promoting growth and reducing poverty" (Chen, 2007).

The informal sector has provided good results, in terms of jobs creation, in Asia, Latin America and Africa. In advanced countries, the informal

economy is normally experienced by a massive use of web applications for non-monetary services, such time banking and labor sharing. There are also informal, income oriented activities, such as yard sales, street food and second hand clothes selling, the most common form of informal economy on a neighborhood scale (Bliesner 2013).

They normally provide low-cost services of appreciable quality or food and in the great recession period, income saving became something like a *mantra* for middle and low income people. Other examples of informal economy in advanced countries, concern house sharing or sub-rental, especially in cases when a family has a mortgage they rent a room or part of the house to afford monthly payments without excessive income consumption.

The innovative process here proposed, consists in the synergic action of these factors:

- The Micro-local approach provides the structure with physical space and community organization.
- The Informal sector provides the strong relationship between the community subjects, based on mutual interests and self-organization.

Innovative strategies might probably join together the need of specialization for firms and diversification for the environment.

Specialization within a close loop economy is part of a strong process, but it can also be a smart way to use the global integration process, linking global needs with local problems, maybe an innovative way to transform problems into opportunities.

In terms of spatial planning, specialization and diversification assume some other complex meanings; it can mean that a space must be flexible to allow several functions in a forecasting view of future usages, planning the actual uses with one's eyes to the future. In this perspective economic resilience and spatial ductility have become important aspects.

Urban recycling, in this sense, provides interesting solutions to functionality renewal of existing spaces.

Some urban areas are characterized by specialized buildings (e.g. old industrial plants) or they are simply neglected without a specific function,

in practice they are underutilized capitals. In several cases to refurbish these areas is not so expensive (unless they are brown-fields or dangerous implants) and with many small interventions it is possible to start a renewal process.

CHAPTER 2

URBAN STRUCTURAL CHANGES WITHIN THE GLOBALIZATION PROCESS

This chapter will start with the meaning of Forma Metropolitana, a concept developed by Alberto Magnaghi, in which he merges two concepts, the post-Fordist city (Jessop 1994, Peck and Tickell 1994) and the *Deterritorialization* process (Deleuze & Guattari 1983, Choay 2008).

The first section will analyze the importance of using the definition of Forma Metropolitana, and in what way this process leads to contemporary urban development bringing about social inequality on a suburban scale.

The second section will conclude the discussion on the reasons for urban disequilibrium, opening the analysis on the meaning of territory, expounded in the following chapter.

2.1 'La Forma Metropoli':

The Global integration process on the local scale

This section does not contain a list of the various kinds of urban aggregates, such as Big city, megacity, world-city or global-city; the focus is here on the mechanism through which the global integration process has modified the “urban environment”, and on the way the forma metropoli is actually transforming urban relationships, changing paradigms and creating non-lieux, urban systems in which humans are a simple resource of the system, not an end in themselves. According to Magnaghi the “forma metropoli” (for which “the metropolis form” can be a rough if acceptable translation) can be defined as the main product of linear development, *“a specific form of the relationship between human settlement, environment and history, which stands out clearly for its constitutive rules, by the historical city and by the modern city, regardless of the urban dimension.”*(Magnaghi 2017). The definition introduces a crucial element; the urban dimension, in fact, the Forma Metropoli can be interpreted as a relational process within the urban structure, which introduces deep changes in the configuration of urban systems through some forces. To identify such forces, means to figure out the mechanism of change. The analysis proposed by Magnaghi, gets to the conclusion that the urban crisis, defined by problems like gentrification, inequality, polarization, gated communities, ghettos, social segregation etc. are not unexpected externalities due to weird combinations; they are the effects of Forma Metropoli itself, they are “the rule, immanent to the structure and character of the [urban] body itself” (Magnaghi 2017). Before describing the characteristic elements of the Forma Metropoli a brief discussion about the meaning of Metropoli is mandatory to set-up the borders of the present analysis. The Metropoli (and its generative phenomenon, metroplisation) is not related to the traditional concept of city (Magnaghi 2017, Camagni 2014, Hall and Pain 2006). The metroplisation process provides the reconfiguration of the urban areas to favor and boost-up the interaction between global and local relationships. The global integration process’ requirements, are met by urban transformations, from big city to Metropoli. This shift

does not correspond to a simple dimensional growth, and implies several structural transformations, as technology was developed and the socio-economic structure was modified during the 90s (Camagni 2017, Castells 2010).

The main factors which define the metropolization process can be summarized as:

- Allocation of new and specialized economic functions and of the population as a factor of growth and conquest of spaces in the Metropolitan Region (Friedman 2002; Hall and Pain 2006).
- Command and control function on global networks of material and immaterial flows at the most considerable degree of connectivity between urban nodes (Keeling 1995).
- Technological innovation and economic renewal focused on activities with an intense level of knowledge in specialized sectors of industry and services (Castells 2010; Spence 2011).
- Processes of segregation on the one hand and socio-spatial fragmentation deriving from the emergent social polarization and the replacement of the old urban purposes with more efficient economic functions and in direct line with the neoliberal economic process (Sassen 2001).
- Metropolisation in the perspective of vertical economic integration, between global and local networks, invariably tends to define highly specialized areas, on which to concentrate specialized labor force.
- The contribution of smaller centers is increasingly crucial both in terms of economic performance and economic stability of the urban system (Friedman 2002; Espon 2006).

Economic factors are determinant elements in the entire metropolization process, there is a direct relationship between economic changes and urban transformations; in this sense the Forma Metropoli, is the reflection of the global integration process on a local scale, in short, it shows the relationships which define the “localization” of global effects. The Forma Metropoli can therefore be defined, in terms of its peculiarities (or forces which determine change), as “*an urban structure entirely generated by the laws of economic growth*” (Magnaghi 1989), which is defined by some specific elements:

Structural characteristics; how the process develops in the urban system

- Strongly dissipative and entropic character
- Without boundaries or limits to growth
- Unbalanced and strongly hierarchized
- Homologating the territory it occupies
- Ecologically catastrophic

Cultural negation; the elements on which the process is acting

- Devaluing the individual qualities of the places
- Lacking in aesthetic quality
- Reductive in the models of living

According to these characteristics, the *forma metropoli* can be considered as the denial of the concept of “city”, a form of destructive urbanization of the city, doing away with the peculiar nature of places, canceling their differences, identities, and complexities, covering the territory with economic functions and “*non-lieux*”, therefore spaces without identity, relationships, history; ‘*spaces which are not themselves anthropological places and which do not integrate the earlier places*’ (Augé 1996).

Such remarks suggest that the characteristics of *Forma Metropoli* can be traced back to the synthesis of two concepts, the *post-Fordist city* (Hall 1997) and the *deterritorialization* process (Deleuze & Guattari 1983), more specifically, the deterritorialization induced by the post-Fordist accumulation process.

Post-Fordism is the productive paradigm in neo-liberalism and this in turn can be defined “*as a political project concerned with the liberalization (or constitution) of competitive market forces, the abandonment of demand-side intervention in favor of supply-side policy measures and the rejection of both social partnership and welfarism.*” (Peck and Tickell 1994).

It is quite clear that the rise of neo-liberalism (between the 1970s and 1980s) occurred simultaneously with the apparently terminal collapse of the Keynesian welfare system, due to the end of the age of Fordism.

Thus the Post-Fordist paradigm (operating in continuity with the logic of neo-liberalism but after the productive strategies of Fordism), is based on the twin principles of *flexibility* and *supply-side* innovation (Jessop 1992), the main forces which have shaped the contemporary historical phase.

The modifications introduced in the socio-economic structure can be summarized as follow²:

The wage relation:

- great skill polarization of labor market (Spence 2011),
- Introduction of flexibility in internal and external labor markets
- Decentralized pay bargaining and new forms of the social wage.

The enterprise system:

- Shift towards flatter, leaner and more flexible forms of corporate organization, involving increased contracting out of functions.
- Growing intra-corporate competition (especially in MNEs, Yoon and Hur 2017)
- Endless innovation (especially in technology) and search for economies of scope.
- Costs reduction is the actual main goal instead of price-based competition Jones and Kierzkowski (2018).

The money form:

- Private and globalized bank credit domination.
- More flexible forms of credit and innovation financial services and financial products (financial engineering).
- Subordination of state credit to imperatives of international money and credit markets.

The consumption sphere:

- Emphasis on differentiation and niche marketing.
- Combination of global sourcing with customized production for elite markets.

The state form:

- Displacement of Keynesian welfare statism with Schumpeterian workfare statism, involving the promotion of competition and supply-side innovation (at all levels of the production system and between social institutions).
- use of social policy instruments to encourage flexibility, 'hollowing out' of the nation-state as powers are displaced upwards (to global and pan-regional bodies) and downwards (to local and regional states, which also begin to integrate with one another in ways that by-pass the nation-state).

² when not otherwise indicated the source of this list is taken from Jessop (1992)

These changes, had particular influence at the national level, in fact, *'the nation-state's capacities to project power even within its own national borders are becoming ever more limited due to a complex triple displacement of powers upward, downward, and, to some extent, outward'* (Jessop 1993).

The consequences for the social aspects within urban systems are a complete overturning of the paradigm; from citizens to users, customers; consumers (Cohen 2004) and the forma metropoli is the evidence of this transformation mechanism.

The last point of the list also describes the gradual surrender of Keynesian national welfare with the consequent structural change concerning the socio-economic equilibrium within the productive relationships due to power displacement.

Regions have acquired more importance, both in terms of strategic decisions and in terms of relationships with the other regions on a global scale.

One of the fundamental state tensions in the Fordist era *"was the uneasy interface between national forms of regulation and the globalizing dynamic of accumulation"* (Peck and Tickell 1994), this role has now disappeared due to the interventions of national governments. The EU is a good example of this trend, in that the European decisional level coexists with some local regions in which several productive activities are concentrated.

These areas operate with a certain autonomy from their State government since their economic and financial interests are traded within a macro-region which connects several areas belonging to diverse states.

Areas like "blue banana" are a clear example of the present-day situation, as they represent a concentration of information technology and manufacturing, in which the sub-regional areas enjoy a different status from other areas not involved in this kind of conurbation.

This means, basically, that the main issues about production, trade, finance, and workforce, are often directly discussed, by the EU and the other subjects involved (regional governments, corporations, financial institutions etc.), and underwritten by the states.

This process is accurately synthesized by Swyngedouw in an important study conducted in 1992, at the beginning of the transition which determined the 'hollowing-out' of state regulatory power.

[...] The relative dominance of the nation-state as a scale level has changed to give way to new configurations in which both the local/regional and the trans-nation/global scale have risen to prominence. Global corporations, global financial movements, and global politics play deciding roles in the structuring of daily life, while simultaneously more attention is paid to local and regional responses and restructuring processes. There is a double movement of globalization on the one hand and devolution, decentralization or localization on the other; 'glocalization'.

This concept also suggests that the local/global interplay of contemporary capitalist restructuring processes should be thought of as a single, combined process with two inherently related, albeit contradictory movements and as a process which involves a de facto re-composition of the articulation of the geographical scales of economic and social life' (Swyngedouw 1992).

The growing importance of regional governance in balancing the tension between the economic forces acting within the global integration process, the role of cities, and urban systems in general, is changing too. Thus in the post-Fordist vision, Cities compete in a global economy, constantly seeking to replace their old functions to be able to compete within a transition phase, from an old manufacturing concept to an innovative plan of competitive production. The new functions need the creation, the exchange and the usage of information and communication, thus new forms of agglomeration created within the urban structures, are based on services rather than on manufacturing (Sassen 1991). Cities are de-concentrating and spread, to become complex regional systems of urban areas, interconnected by flows of people, goods, services, and information.

The process itself of shedding old productive activities is business while the market redefines new ones. In this sense, the Forma metropolis, as a post-Fordist urban system, is a process rather than a place,

incorporating the transition from the production of goods to the production of services (especially in advanced economies).

An analysis of the characteristics of this relatively new shape of the urban system, brings some peculiarities to the foreground and, according to Hall (1997), the post-Fordist city is an urban system:

- Globalized; connected to other cities in global networks.
- *Tertiarized* and even *quaternarized*; dependent almost entirely on its economic existence on advanced services.
- '*Informationalized*'; using information as a raw material.
- *Polycentric*; dispersing residences and decentralizing employment to multiple centers or 'edge cities'.

By analyzing these characteristics it is possible to draw-up a typical scheme of the contemporary urban system. Since the global integration process is built up around the neo-liberalism logic and accomplished by the post-Fordist productive strategies (which include flexibility, supply-side innovation, costs reduction approach and specialization), competition plays a central role in the process.

This means that the urban systems are connected within the global network, but in constant competition between them, so, to be attractive for investors, they must offer competitive services, and each urban area must be as highly specialized and convenient as possible, as well as attractive for some kind of production.

As world production changes, the whole trade map is redrawn, creating substantial differences between the urban structures of advanced economies and developing economies. Offshoring low added-value tasks in some specific countries, some giant manufacturing clusters were created, and these, in turn, stimulated the urban densification around them.

There are urban organisms in which one hundred million persons live, structured around some industrial sectors with low-skills requirements; these "cities" are mostly located in Asia, widespread all over the country in a complex system of districts and new towns; some other industrial cities, smaller than the Chinese or Indian ones, are located in Latin America or Eastern Europe.

This trend follows the global integration process and in the past three decades a great change occurred, with structural consequences on each country and, in particular, on each urban system (Henderson and Castells 1987, Jessop 1992, 1993, 1994, Peck and Tickell 1994, Hall 1997). The offshoring flows originate in North America and the western EU economic systems, in which several productive sectors, mostly manufactures, have been delocalized to other areas. The shift of productive activities from manufacturing to highly specialized services, such as accounting, legal, public relations, programming, telecommunications, and other similar services (Hall 1997; Sassen 1991, 2005), induced a transformation of work supply. As a consequence low-skilled workers become particularly vulnerable to the productive transformation, because product innovation, rising skill requirements, and corporate downsizing have reduced wages and job opportunities.

The consequent general contraction of low skill activities, results in the growth of income disparities across western economies, with high-skilled workers enjoying more opportunities and good incomes, while low-skilled workers experience employment decline and stagnant incomes.

At the urban level, the shift to technological services and the possibilities provided by telecommunication have created opportunities for polycentrism.

Thus economic conveniences, lower rents, lower commuting costs, are outweighed by 'any residual advantages of a central location for many activities' (Hall 1997).

Polycentrism concerns metropolitan areas regardless of dimensions or population density and far from deriving from economic advantage only, it became necessary when the metropolitan areas and their regional economy, became an autonomous global subject, able to trade with other regions, located in other continents, without governmental intermediation support.

The polycentric trend highlighted by Hall, may be considered as a decentralization of some specific uses and services from the urban core to the periphery. The delocalization of business service sectors is currently a general trend in all major metropolitan areas (Gordon and

Richardson 1996), but the concept of polycentric urban system has some other important implications.

In the EU “policentricity” was proposed as a strategic instrument to create robust regional and sub-regional economic systems.

In the ESPON (2006) program it is assessed that “the economic potential of all regions of the EU can only be utilized through the further development of a more polycentric European settlement structure” (Pichler-Milanović 2004), which means to boost a decentered management, and shift from central governments to regional governance, *de facto*, to decision process decentralization.

The effects are big investments in the “periphery”, or the reinforcement of connections between urban areas (commercial contracts, partnerships but also transport infrastructures and local policies), to provide the creation of robust economic networks.

Big conurbations are sometimes widespread in various countries, in the EU or in states such as the US, and must be considered complex economic systems or ‘megaregions’ (Florida, Gulden and Mellander 2008).

These megaregions must be analyzed with more updated instruments than the ones used for XX cent. urban models because the forces which are modeling the new urban systems are different from those of the golden age of Fordism (la belle époque); nowadays “*the global moulds the local, and electronic flows shape the economy through relations between units that are far away from each other in terms of space*” (Borja et al., 2003).

Thus, Policentricity is compatible (even not directly generated) with the mechanism of Metropolisation and the economic system that supports it. Taking into account the main concept of competitive advantage (chapter one) the polycentricity and decentralization is compatible with the main achievements of cost reduction and resources optimization, in fact, concentrating similar functions and activities in some areas, is more convenient than have the same functions, 'scattered' throughout the region. For this reason the corporations' headquarters are grouped in the same areas in which are grouped specific activities, such as financial and legal services (Sassen 2001).

On the ground of a similar logic principle, for some other activities the competitive advantage is to be located in peripheral areas with a low land value, to guarantee general money saving in terms of buildings or general sunk costs. The result is a complex regional network composed by large and small spots, interconnected between them and at the same time with others regional networks all over the world. The Metropolisation process can somehow be defined the territorialized effect of the global integration process or the territorial reconfiguration of the urban areas under the vertical integration boost.

Magnaghi highlighted this process with a clear reference to deterritorialization (Deleuze & Guattari 1983, Tomlinson 1999, Choay 2008), and assumed that the forma metropoli acts autonomously on the urban territory, by introducing auto-referential laws and rules.

The deterritorialization process was analyzed for the first time by Felix Guattari and Gilles Deleuze, and synthesized in the schizophrenic behavior of individuals in contemporary capitalistic culture (Deleuze & Guattari 1983), the phenomenon of the violent eradication of all meaning, after which, nothing has the same value, simply because the capacity to recognize values has been erased. Somehow, the global integration process is a force which eliminates sense, a sort of pejorative meaning of the Nietzschean "Umwertung" (Nietzsche 1895), from the 'transvaluation' of all values, to the 'transvaluation' of the sense of each value.

Leaving philosophical implications aside, deterritorialization is a real and complex process which is under our eyes and part of everyday life. The cultural changes and the economic transitions introduced by global transformations have produced effects on an urban scale, such as social exclusion, inequality, unemployment, gentrification etc. which are not isolated phenomena but the effects of the global transition.

The economy runs faster than the social process, (Žižek 2014, 2017), capital is more mobile than workers (Stiglitz 2016), flexibility is the first requirement to face the contemporary age (Aim and Malberg 1994, Jessop 1994, Peck and Tickell 1994); in practice there is no time for social adaptation to changes, so this is probably the worst meaning of deterritorialization, a fast change without gradualness, a sudden transition without any adaptation chances.

Guattari and Deleuze have argued that the deterritorialization process is immediately followed by a reterritorialization, e.g. the new rules imposed after deterritorialization has been achieved: the system's reorganization. Adaptation to fast change is the new rule which defines the new system, but the timing imposed by neoliberalism's acceleration is often not compatible with the social process. This is the main characteristic of Forma Metropoli, a mechanism that de-territorializes the gradual process of urban changes, typical of the past, and forces the urban systems to accelerate towards a unique goal, but with diverse speeds inside each system.

The different education levels, used as leverage to divide society, is evidence of differentiated speeds, the cultural divide and the different opportunities for technological access are further important evidence of the different degree of involvement in global culture.

Hence, deterritorialization is not a most privileged group experience, marginalized persons (broadly speaking all subjects unable to face the process, not only poor people) find themselves dragged into a turbulent transition, so that the experience of deterritorialization is "*a deeply ambiguous one, mixing empowerment with vulnerability, opportunity with risk, in complex combinations*" (Tomlinson 1999)

Yet deterritorialization, according to the neoliberal logic, also means a detachment from the concept of territory, acting on a territorial' simulacrum, an artificial space (Choay 2008). A sudden abandonment of the meaning of territory, too human for the flexibility needed to live in the contemporary era, turns the place into a constraint, a limitation on capital fluidity. According to Magnaghi's description of the forma metropoli, the concept of "liberation from territory constraint" (Magnaghi 2017) means the detachment from the comprehension of complexity, and the blind acceptance of rational economic value.

The *forma metropolis* has produced deterritorialization' effects on the urban system, through four actions (Magnaghi 2017):

- The Liberation from the constraints of place and size of the city
- The domain of economic functions (production, circulation, reproduction, and consumption) on the organization of space
- The territory of metropolitan growth as a commodity
- The Dissolution of public space

This means that the "human scale" is irrelevant to measure urban development, and that social dynamics have become only problems to manage with quantitative interventions, and problems are not solved but managed, through continuous public interventions.

Space has become a totally de-territorialized commodity, deprived of its peculiarities, mere business matter.

This vision opens, *de facto*, to the present day urban crisis, because of the lack of opportunities to escape from the lack of jobs, low wages, income-consumption and the endless increase of the cost of living.

The economic environment provided by present-day urban systems, doesn't allow the creation of a community structure on which to experiment new less impacting economic strategies.

Various regenerative processes and urban renewal plans belong to the neo-liberalistic vision and the 'externalities' such as gentrification, the creation of gated communities', and ghettos, are simply the other face of the medal, not accidental computation errors. Normally these strategies propose the renewal of spaces, not the regeneration of places.

According to the four forces listed above, public spaces are often involved in the deterritorialization process, with the displacement of the small place-based commercial businesses, and the coming of franchising. This is evidence of the creation of non-lieux, the eradication of the identity of the place, which is the identity the communities are built on.

The reterritorialization process is the habit to live in a non-lieux, be comfortable without identity, without a history of one's own, be now and here.

Therefore the cure is the same poison which creates the problem. The problem is that "the metropolitan hypertrophy" is not pathology, a disease, a carcinogenic degeneration in the healthy body of the modern city, an excess to contain, but the immanent rule to the structure and to the character of the body itself. It follows that the cure can only be located in the field of change of the genetic rules of the settlement (Magnaghi 2017).

For these reasons, concerning the need of a deep change in the structure of urban systems, some paradigms need rethinking with the introduction of the elements needed to achieve some structural

modification, in terms of resilience as a basic characteristic to provide self-sustainment.

The last consideration about the Forma Metropoli and Metropolisation process, concerning the informality; the informal economy can be analyzed as a product of the Metropolisation process.

As shown in this chapter, the global integration process needs an “operator” to integrate the territory, this operator is the Forma Metropoli. Thus, according to Magnaghi (2017) Metropolisation can be considered the territorial integration process guided by global research for competitive advantages.

The global integration process is the product of the current economic system, based on the linear growth (Magnaghi 2017) guaranteed by consumptions, this implies the central role of income, to sustain the consumption system.

The main theories about economic development do not forecast the informal economy as a structural and inevitable phenomenon, in highly developed countries, in the case of generalized lack of income.

According to Sassen (1994), the main economic theories usually take into account criminal activities and the underestimate of income as factors out of the state direct control. The informal economy is something new and is often explained using illegality as principal criterion. Currently, the main theories of economic development haven't adequately explained informality in advanced capitalist societies, mainly concentrated in urban areas.

Sassen (1997) also suggested the inseparability of formal and informal economy in an advanced economy, by pointing out which informal sector is an integral part of the formal economy. That means that urban areas admit informal economies as a structural fact in their insider transactions or within services (Roberts 1994; Williams and Windebank; 2000a; 2000b; 2001; 2004).

The informal economy, being co-generated within the Metropolisation process, could represent an alternative and resilient oriented economic system, on which to develop new strategies of local economy. This topic will be dealt with in depth in chapters four and five.

2.2 Urban problems and poverty

The main mechanisms concerning the causes of contemporary socio-economic problems on an urban scale were listed and analyzed in chapter one.

There are several examples of urban systems in the EU and in the US, posing important critical issues, such as neglected neighborhoods, brownfields, abandoned industrial areas, slums, or low-income neighborhoods with high criminality levels, ghettoization, social exclusion, households displacement, gentrification etc. etc.

All of these problems are the outcome of specific processes that affect some particular areas more than others.

The previous paragraph introduced the general processes through which the urban systems change their characteristics; this paragraph will attempt to explain what the effects of these transformations are.

Furthermore, this part of the research highlights some contradictions which occur when urban problems are defined taking into account only the economic aspect, and the “cure” is proposed in terms of financial instruments to sustain the lack of income.

Some forms of intervention are based on local competition to attract investments, and the interests of markets and of finance, the problem being that *“as the financial system has internationalized, as production and trade have globalized and as transnational corporations have progressively extended their reach, localities have been left with precious little bargaining power. The consequences of these developments are more likely to be politically and socially regressive than progressive”* (Peck and Tickell 1994). This bargaining power is only the capacity to be attractive, ensuring competitive conditions with other localities, but often these competitive solutions are lower conditions in terms of labor costs, as maintained in chapter one.

The hard search for local solutions to economic issues, without considering all the implications in the local systems, is a clear reflection of continuing global political-economic reconfiguration.

In fact, in the struggle for attracting capitals of the competitive process, by negotiating away living standards, regulations and controls, not all localities can prove winners. Losers must face heavy consequences, such as households displacement, further loss of investments which in

turn create a negative spiral of economic stagnation. This situation is extremely useful for winners who attract workers with low expectations, inclined to accept all kinds of conditions.

Thus *'Neo-liberalism is the politics of the crisis, a kind of 'jungle law' which tends to break out - along with financial instability, accelerated labor exploitation and the self-destructive dynamic of the unfettered market - when economic growth slows and when social compromises collapse'* (Peck and Tickell 1994).

Micro-criminality, social exclusion, social segregation, gentrification are different aspects of the same problem: the lack of income.

Often "solutions" are based on complicated strategies that need continuous subsidies, and when funds end all the project collapses.

Probably these are not solutions simply because the problem is not well defined; interventions are often aimed at the symptoms and not at the roots of the problem.

Some general considerations about the main problems, connected with socio-economic inequalities such as low income and, in general, lack of opportunities for income creation, are focused on:

- The redefinition of the productive market that excluded some categories of workers (Spence 2011)
- The economic stagnation that strikes, first, the less well-off classes (Stiglitz, 2015)
- The fixes which remain inside the strategies that created the problems are not real solutions, and at last, they move the problems to another place.
- The introduction of some economic dynamics that create a fast rise in income inequalities, the weak social group which has no chance to find quick adaptations (slow income creation), is often forced to find another area with more favorable characteristics in terms of low life cost.
- The difficulty, in some areas, is to create income in a legal way

One of the most important indicators concerning urban changes is gentrification, which condenses several aspects of renewal failure or regeneration programs, especially social exclusion and urban displacement, although gentrification is essentially concerned with the change of economic activities in a neighborhood.

Devoid of any ideological perspective, the gentrification process highlights the failure of some approaches to fix urban problems about poverty concentration and social disadvantage.

Gentrification is not the supreme evil, it is 'only' an economic process of social exclusion due to the combination of several factors, which act together and cause, as an epiphenomenon, the rising of houses value, rents and taxes.

The real core of the problem is that the rise in costs is not balanced by the rise in income for all the people living in the area.

Job creation and job disruption are central issues in the gentrification process, in fact, many of the analyses on gentrification haven't paid due attention 'to the displacement of work and to the changing nature of work in a gentrified neighborhood' (Curran, 2004).

As previously argued, the shift from manufacturing to services, heavily influences the local economy, with several neighborhoods losing their productive identity, while preserving their spatial and esthetic characteristics, low prices and costs, in terms of real estate.

As the analysis is further carried out, it becomes quite clear that the education divide does not allow a general rise in income, and the displacement (if not the failure) of small manufacturing activities, has induced local economic stagnation unbalanced by new activities which need different skills from those of traditional manufacturing production.

Gentrification is often due to a residential factor, when some categories of people, such as professionals, artists, students etc. taking advantage of low rents or low values of apartments, start to "colonize" some neighborhoods pushing up the general values and costs in the area.

This phenomenon attracts several commercial activities such as bars, cafeterias, restaurants, gyms, specialized shops and several activities tailored to the new residents.

The marginal job-creation introduced by the new activities is not sufficient to rebalance the general rise of prices; the consequence is the displacement of all the groups which cannot afford the new economic conditions.

The central role of income is quite obvious, but several studies about gentrification are focused only on housing problems, although the issue is more complex as it involves the creation of some new socio-economic processes which concern the whole residential population.

To achieve such creation the first step is to acknowledge that each neighborhood is a complex system with several connections with the rest of the urban structure, so to regenerate a part of a system it is essential to figure out how the system works.

To understand the urban complexity it is probably necessary to rethink the urban system as a territory.

CHAPTER 3

LOCAL RESILIENCE AS A NEW PROPOSAL FOR SELF-SUSTAINABILITY

To define territorial resilience, in terms of local potentialities, this chapter will follow a logic path, from the meaning of territory to the definition of local resilience.

To do so, our analysis will start with a review of the scientific literature on the meaning of territory, to develop an original definition integrating the scientific gap, to balance the excessive simplification of some present-day approaches. The use of a structuralist language could appear quite anachronistic, but it probably represents one of the most complete and rational approaches to analyze the complexity of some topics. After providing a definition of territory, the chapter leads to the meaning of resilience, highlighting the gaps detaching the meaning of territory from territorial resilience. Being a system, the territory has certain peculiarities like self-similarity, scale symmetry (Gleick 1987), the main characteristic the systems being that each part has the same characteristics as the whole system. Thus such terms as “local” or “place” take on the meaning of active element in a territory including all the complexity of the entire system. According to this view, “local scale” doesn’t mean a dimensional “reduction”; this is the principal obstacle of the disciplines that consider the local scale divisible and analyzable in a separated way from the entire system, or worse, as an independent object without relationships with the rest of the system. Applying the definition of territory to an urban context, it becomes easier re-define urban spaces as a significant component of the urban territory: the places. The second part of the chapter analyzes resilience, synthesizable as the adaptation process through which a territory reacts, coherently with its peculiarities, under the stimulus of several forces. Combining the meaning of local scale, as an interdependent part of a system, with resilience, the logical deduction is that the resilience of the entire system is strictly dependent on the resiliency of each part.

The central role of resilience is highlighted by analyzing the evidence of the urban problems that occur using some less strategic strategies, narrowly focused on subsidies or investments attraction, whose effect is to create an unbalance in a complex system.

3.1 What is territory

This paragraph analyzes the concept of territory in opposition to the forma metropoli, assumed as the negation of the territory.

The present dissertation starts with a definition which highlights the main aspect of a territory; its relational complexity.

According to Secchi (2010) "*the territory is a complex system, a place of relations between ecological aspects, morphological aspects and socio-economic aspects*".

Therefore, there are several interpretations of the significance of territory, as many as the disciplines that investigate it.

The main problem to find the right interpretation of the territory concerns the existence of several definitions of the elements which characterize the territory, too often simplified in the concept of space, a meaning it has been proposed with by several branches of study.

Space and territory are not synonymous and it could be interesting to analyze the consequences of this overlapping significance. In some disciplines, space acquires meanings connected with quantitative evaluations, as they rarely consider the existence of something different from metrical dimensions or economic fluxes.

- **For urban economy**, space is a dimension strictly connected with distances, indexes, prices and transportation costs, taken into account as a coherent process of inputs and outputs.
- **For urban planning**, the meaning of territory is mistakenly made to overlap with the concept of urban space, that is a spatial dimension in which rational transformations operate in terms of value and utility, new buildings, new roads, new railways new green zones, etc., hence a sequence of problems and solutions to manage with rational tools.

The following disciplines taken into consideration, are substantially those which consider the territory as the resultant of some forces, a constantly transformed dynamic process.

- **For environmental disciplines**, the territory is a dynamic system made of interconnected biological elements acting on a physical surface. This is the definition of natural territory.
- **For social sciences**, the territory is based on cultural characteristics in endless evolution, divided by permanent traits and innovative behaviors, between the history of the place and the histories of the subjects who live in it. This is the definition of humans' relational tissue.

Territory, for some planners, is the result of permanent characteristics (historic buildings or geographic elements) and new requests to satisfy within a defined area.

This is a pragmatic way to define the territory as a sum of parameters, useful for quantitative analysis and forecasting processes about future quantitative changes but still far from a complete definition of territory. In fact, urban changes are not merely economic, or simply connected with development and growth.

Social and cultural aspects, as suggested by Secchi (2010), are strictly connected with the definition of territory; in fact, a territory is both rooted on a physical surface (the natural factor) and on other relational aspects acting on this surface (the anthropic factor).

The relationship between the natural and the anthropic factors is the first element of the system's complexity, involving a mutual influence between them. Human activities are influenced by the physical conditions and vice versa; up to the extreme consequences of environmental disasters.

Considering these aspects, each territory is unique because it is the effect of peculiar characteristics involved in specific human modification processes (Raffestin 2012).

This implies that a different combination of the factors will produce a different effect; this characteristic identifies a system, especially an open system (Bertalanffy 1983).

One further implication is that in a complex system, each change creates some perturbations but the characteristic properties of the system lead the process to a steady state, which is not an equilibrium, but a dynamic state of the system (Bertalanffy 1983, Gleick 1987).

The natural ecosystem follows these laws and it represents *the basic unit of the functioning of nature, the simplest system among those that include all the environmental components necessary to ensure the carrying out of the processes* (De Marchi 1992).

The territory is something similar but more complex, *'it is a specific area of the earth's surface whose characteristics include all normally stable or cyclical elements of the biosphere [...] and of the results of past and present human activities, insofar as these elements exert an influence on the present use and future by man'*. (Brinkman et al. 1973).

Thus human activity is determinant because it is the main transformation factor, but unlike the natural system, the human dynamic factor, modifies space to improve something more complex than the simple living conditions.

The increasing complexity of the urban environment, stimulated by technological culture and by the momentum of vertical growth, has generated a deterritorialization process, creating an ambient in which, unlike the natural process, the dynamic components of the system (humans) do not modify space to improve the conditions of life, but modify space to improve the conditions of economic growth, often worsening living conditions. According to Becattini, the economic factors became the engine of territorial transformation processes, but when production became the leading target, the territory was transformed into a productive factor; losing its integrity.

'The overdetermination of the economy of the financial system in the process of globalization has produced a total "chalking" of the territory and of virtuous and coevolutive relations between human settlement and the environment. Construction of a second artificial nature in a post-urban territory: deterritorialization, de-contextualization, degradation. Catastrophic outcome of this journey on the quality of life, on social relations, on progress' (Becattini and Magnaghi 2016).

In this anthropization process, the limited visions of some disciplines played a dramatic role in the deterritorialization' mechanism, dividing the territory into "coherent areas" (zoning), imposing several activities on the same place, creating functions that are based on a "mono-dimensional vision" of the development. The territory, thus, lost its unity, being

disassembled into homogeneous elements, such as distances, land value, index of productivity, the density of population etc.

According to this vision, urban history continuously shows the consequences of the territory usage without considering its real peculiarities, such as neglected spaces, pollution, and social exclusion. The detachment from territorial complexity, therefore, the illusion to be free from territorial constraints, the simplification of evolution into the simple paradigm of linear growth, is the main outcome of the forma metropoli, the process leading to 'urban *hypertrophy*' (Magnaghi 2017).

A change of paradigm is needed, to re-think the territory as a complex and delicate system, a symbiosis between material needs and cultural identities, between living conditions and the possibility of a future.

Each territory has unique combinations of characteristics, diversity is a value, not a weakness and urban systems need to re-discover their uniqueness.

A new comprehensive definition is indispensable to describe all the forces which define the territory as a complex system.

The principal elements of a territory are physical space (in terms of natural or artificial environment), the biosphere (animals, plants), the homosphere with all the human needs (materials and immaterial) and characteristics (in terms of ethnic, cultural and economic aspects or age, gender and social peculiarities).

Each of these elements is a system in itself, so the territory can be defined as a dynamic relationship between systems, in which each element is simultaneously part of the system and part of the relationship; a relationship characterized by dominant dynamics, which amplify or annihilate the mutual effects between the elements of the systems.

This is a technical definition of the general character of the territory underlining its systemic nature, but, to define the urban dynamics, it is better to clarify some aspects involving the socio-economic environment.

Urban areas are strongly influenced by economic factors playing a dominant role in the metropolisation process, as shown in the previous chapter; furthermore, the economic aspects are cultural characteristics in themselves, hence, the urban context can be considered a particular configuration of the human environment. The urban context is

characterized by the prevalence of anthropic factors on the natural factors, in fact, urban areas are largely made of an artificial environment, in which persons live, organized in families, associations, corporations, religious organizations, political parties, cultural groups, etc. The artificial environment of urban areas, therefore, is the container for complex human relationships between anthropic factors and natural elements, and in this case the urban environment can be considered a territory.

Given the systemic nature of the urban territory it is possible to deduce that:

- The relationships which organize the components of an urban system, produce irreversible effects on physical spaces and reversible effects on social ones.
- Each part of the system is constantly involved in the changes.
- In each element the same factors and rules which characterize the system are to be observed.

Applying these considerations to the physical component of the urban system (the built environment) we can infer that:

- Each part of the urban aggregate, being an integral part of the urban system, is a place in which dominance relationships are counted among the factors that make up the system (the political orientation, the cultural level, the economics interests, the class, and so on).
- The space (considered as a physical and quantitative dimension) is the main element on which the imbalances are counted among the factors of the urban system, being the element on which to invest and allocate value.
- Every spatial problem is to be considered as an intimate and genuine product of the urban system as immanent in the very structure of the system.

Thus the definition of territory used at the beginning of the present paragraph, can be translated and expanded, considering the urban territory as the product of a system of dynamic relations, between the artificial environment and human needs, constantly evolving but never in equilibrium, in which historical, cultural, ethnic and social factors are constantly changing, depending on their role compared to the dominant economic dynamics. This definition describes sufficiently, the contemporary urban territory, especially in advanced economies.

3.2 Resilience

This paragraph focuses its analysis on the main concept of resilience at the territory level. The meaning of resilience, on an urban scale, was analyzed in different fields, and has often been used to describe the capacity to react to natural catastrophes of *'societies which are structurally organized to minimize the effects of disasters, and at the same time, have the ability to recover quickly by restoring the socio-economic vitality of the community'* (Tobin 1999).

The concept of resilience may be significant for some possible connections between the ecological models and social sciences (Ludwig et al., 1997; Perrings 2006). The focus of this adjourned resilience thinking was precisely to develop a more formal framework that stresses the interactive dynamics between social and ecological systems, drawing on theories built-up on the *co-evolutionary* nature of human and biophysical systems (Norgaard 1994). The co-evolution hypothesis suggests some other deductions about the co-existence with ever more frequent climate disasters. Facing the crucial 'day after' of catastrophic events, computing the damages and the number of victims, often lead analysts to rethink the processes and the models that make up the human environment.

This involves rethinking the cause-effect relationship between human behavior and the natural ecosystem and the mutual changes introduced by these new approaches: the socio-ecological system (Blaikie et al. 1994; Ribot 2010).

This underscores the complex relations between the systems; in fact, conceiving of the human-nature relation in these terms, resilience can be considered as the capacity of socio-ecological systems to absorb disturbance without a phase transition (Gunderson 2000). This orientation shows a substantial advancement in the knowledge of the extension and considerable flexibility of the resilience concept. In fact, the potential application of ecological concepts to society and social dynamics does not sound so weird, problematically assuming that social and ecological system dynamics are substantially similar.

Some academic studies attempting to clarify the specific meaning of resilience and associated notions, such as adaptive capacity and transformability, have stemmed from the plausible hypothesis of

similarity between ecology and sociology (Brand and Jax 2007; Folke et al. 2010).

Recently, resilience has taken on the significance of managing and mitigating the social and environmental effects due to rapid economic growth.

The similarities between natural and human systems and the co-evolutionary hypothesis could therefore be extended from natural catastrophes to the social catastrophes induced by an economic crisis. In fact, the recent global crisis and the following recession have weakened the basic assumptions on which certain economic policies were based or strictly linked with a linear vision of the social changes (Becattini 2016). The answers from the public policies side, consisted in a deep rethinking of the role of socio-economic resilience, and the concept assumed several meanings. However, after an initial phase when scholars put the blame on themselves, academic argumentations were gradually 'recaptured' by some conservative interpretations of resilience, which merely pretend to find the solution in the same system that generated the problems, and are reluctant to accept the critical limits of neoliberal orthodoxy (Raco and Street 2011).

In these neo-liberal visions, state institutions, communities and individuals must be reactive in a context where there is little alternative, thus be adaptive to a given system, the existing 'external' global economic system as it is.

Even if communities are characterized by '*change and uncertainty*' (Chaskin et al. 2001), in a certain sense resilience should be something similar to a collective mindset about unpredictable events. The difference between the unpredictability of nature and that of the market are not the same, but for some studies there is a certain similarity between nature and the market, as they consider market rules and economic laws at the same level of natural laws.

In such a perspective economic growth is the ordinary and necessary "steady-state" and crises are simply anomalous events that require extraordinary interventions; yet, when the economy is stable and growth involves all parts of society, balanced in their diverse sectors, resilience is strengthened (Minsky, 2008). If instability is perceived as simply derived from anomalous, temporary, and exogenous 'shocks',

then the emphasis of resilience will be on the acceptance of unpredictable phenomena, on the adaptation to uncertainty and *'the re-establishment of dominant modes of accumulation and production'* (Žižek 2009)

Rarely, has the financial crisis been conceptualized as a structural feature of capitalism (Marx, 2010) or a natural consequence of neo-liberal programs (Žižek 2018). Other studies face resilience from another perspective, starting from ecology and environmental systems, some authors linking together resilience with a robust local autonomy, in terms of self-sufficiency.

According to Folke, (Folke et al. 2002), resilience as the characteristic of social-ecological systems, is related to:

- the magnitude of shock a system can absorb and still remain within the same state
- The degree to which the system is capable of self-organization
- The degree to which the system can build and increase the capacity for learning and adaptation

In this sense, a resilient system is defined by its capacity to resist negative factors or influences, for example, market failures, economic crises, or aggressive markets which induce fast changes on local economies as shown in chapter one.

In terms of social adaptability, the meaning of resilience is close to the capacity to create opportunities for innovation and for development by reacting to disturbances, even if they do not destroy the system (Folke, 2006). Resilience includes also the collective capacity to learn from negative experiences (Elmqvist, 2014); to analyze the disruptive event and adopting strategic and transformative approaches that lead to long-term cumulative evolution of the system (Matyas and Pelling, 2015).

In the case of urbanized areas, social science argues that resilience is *'the ability of communities to withstand disturbances so to maintain their social infrastructures'* (Adger 2000). Maintaining social infrastructures (such as schools, universities, hospitals, and community housing), includes somehow control on phenomena or factors, which is quite difficult in advanced urban systems; the complexity of urban systems does not allow communities to control factors such as the status of land

ownership or the productions influencing the local economy (Gibbon et al. 2002).

Social infrastructure efficiency is strictly linked to the general economic conditions of the area, and at the same time plays a central role in local resilience. Thus communities cannot control the key sectors of the local economy, yet these sectors influence the social infrastructure, on which local communities depend. The literature about this issue has conflicting opinions **about the role played by communities**, some studies arguing that community resilience is not about controlling all the conditions and factors that affect communities, but about individuals' and the community's capacity to respond to change (Gibbon et al. 2002, Healy et al. 2003, Ahmed et al. 2004;). This vision is still too close to the vision about adaptability and ductility, but it highlights the changeable nature of social systems. Another view is more confident of the active participation of communities in the decisions on social infrastructure and services: *community resilience, is the existence, development, and engagement of community resources by community members to thrive in an environment characterized by change, uncertainty, unpredictability, and surprise* (Magis 2010 a).

A community as an active subject, as part of the change, this perspective partly overturned the vision of the community as a passive subject which needs to be ready to react to unpredictable events, as a ship in a storm. *The community resilience dimensions are community resources, development of community resources, and engagement of community resources, active agents, collective action, strategic action, equity, and impact* (Magis 2010 b).

Another step to define the active role of local communities, concerns the concepts of **co-production and co-operation**, in terms of services and control of some economic factors, even if their principal aim is not to realize resilience.

Co-production answering to the dilemma about social and public services, whether the market or centralized bureaucracy is better, the co-production perspective is *neither markets nor centralized bureaucracies are effective models for delivering public services based on relationships* (Boyle 2010).

The key work to develop the idea of co-production, and to root it in the local issues, is to explain the importance of families and communities at neighborhood level, being effective support systems, and how they are and can be rebuilt (Cahn 2000).

Co-production suggests how the social services can work and illustrates their effects on local communities; Boyle suggests some examples (Boyle 2010):

- Provide mutual support systems that can tackle problems before they become acute, and encourage behavior that will prevent them happening in the first place, or advise people who find themselves in difficulties.
- Build social networks that will prevent crime, support enterprise and education, keep people healthy and make things happen locally.
- Provide supportive relationships that can help people or families in crisis survive when they come to the inevitable end of all-round professional support.

In these factors, it is possible to recognize some elements of resilience such as:

- Forecasting
- Prevention
- Mutualistic networks

These factors are in accord with the concept of resilience, even if they are not explicitly referred to it. Reinforcing the communities as active subjects in decisional processes is one of the pillars of resilience.

As for co-operation, the central role of a community concerning economic initiatives can be considered a community-based economic process and build-up on the place characteristics and it also represents a strategic answer to some market externalities.

Co-operation is based on the evidence that not all the places are attractive for the conventional economic strategies, not all the places attract shopping malls and luxury resorts, or not all localities become the Silicon Valley, but these are not real problems, the resources are already present in the territory, the elements of economic revival exist on a small scale (Boyle 2014).

Co-operation operates to optimize, maximize and share local opportunities and resources.

Co-operation key concepts, as analyzed by Boyle, are (Boyle 2014):

- Lack of investments on local markets, no institutions which sustain local productivity.
- Several assets in communities – knowledge, skills resources, land and buildings- to support local economic development.
- Money flow exists in all local economies, but with fewer enterprises and supply chains it tends to flow straight out again.
- There is a sense of place if the “economic glue” is present in local sharing and trading.
- It can produce jobs, but it also addresses environmental and social issues both locally and beyond.

This is a practical and operative strategy for places which have been 'bypassed' by the global economy and probably the only possible tendency to allocate capitals where unnecessary for local communities.

Co-production and co-operation represent two interesting aspects of local resilience, within small scale strategies, which are potentially the only kind of strategies really helpful to realize sustainable local economic development as proposed in this research.

The last key concept opens to an interesting consideration, the linkage between local communities, and the scale connections between the urban system and parts of it.

Since resilience is a multi-scalar concept, so changes on one scale affect (in varying degrees) the others, it does not appear realistic to assess the resilience of a community without considering '*the upper and lower scales in the hierarchy*' (Sharifi 2016).

This means that each community is influenced by the others thus resiliency capacities do not depend only on the isolated community but is something belonging to the entire system.

The main implication is that resilience is something delicate, in fact, the system resilience depends on the resiliency of each part.

The gap existing in the scientific literature depends on its limited vision of resilience issues, in fact, by analyzing the literature with a comprehensive outlook, it emerges that:

- There are no clear linkages between resilience and self-sufficiency.
- No clear analysis about resilience and the community participation in the decisional process concerning territorial resources, especially when they are managed by non local subjects.
- Mutualism and co-operation are not strictly considered as the social side of resilience, so resilience is generally treated as lacking material needs or services.

The concept of resilience is analyzed and proposed in our research as the basic characteristic local communities need to react to structural changes in socioeconomic and environmental conditions within the urban system.

Local communities need to be as autonomous and passive as possible, from the external influences; which means to gain a certain independence from the global integration process. Local economy needs to be ductile, flexible and adaptable, able to absorb the surplus of job demand, in short have the capacity to optimize and reallocate local resources. To enhance the potentialities of the territory, the main steps could be:

- Rethinking the meaning of development, according to the complexity of the territory, to achieve general purposes.
- Preserving as many aspects as possible, in terms of social, cultural, physical, spatial and economic characteristics and opportunities.
- Redefining human needs in compliance with a human dimension, means to give dignity to social activities, to promote participation in the whole community, starting from the redefinition of places.
- Redefining the neighborhood approach, to make economic forces work for people rather than against them.
- Co-operation and mutualism rather than conflictive competition.

In this complex process there are two crucial factors to investigate analyze, the role of innovation and the informal sector (informal economy or informality).

The meaning of innovation has been treated into chapter one and deepened into chapter two, both in terms of production and strategic vision inside the local economic issues. In the following chapters the analysis is focused on the innovative contributions of informal economy into the creation of resilient communities.

CHAPTER 4

NEIGHBORHOOD ECONOMY

This chapter proposes an analysis of the micro-local economic approach and attempts to put new emphasis on the moot argument of informal economy. After discussing the issues of the local territory and local resilience in the previous chapter, our study now proceeds to the examination of the micro-local, which identifies the smallest space unit, which it is still possible to recognize as territory. The micro-local approach derives, as shown in the previous chapter, from the studies of David Boyle which crossed over the concept of co-operation and co-production as strategic visions of the neighborhood in terms of services and economic renaissance. In this research, our endeavor is to define the socio-economic 'brick' which composes the urban structure. This step is paramount, as previously shown, since the neighborhood is the minimum dimension which creates an autonomous sub-territory, thus the neighborhood's 'subcomponent', in terms of cultural, social and economic relationships is the micro-local scale. The micro-local approach is also a helpful tool to analyze the relationships between the communities on a neighborhood scale, being based on the analysis of the socio-economic environment on a micro scale, in which individuals and households are the principal actors. The micro-local is not simply a geographic dimension, and it is a significant point of observation of a specific dimension, to which the concept of resilience is perfectly adaptable. Strictly connected with the micro-local economic approach, is the informal economy (also defined as informal sector, informality, informal job etc.), both in terms of no cash service sharing and in terms of non traceable payment for goods and services. The first aspect concerning informality is to define the boundaries of its meaning for this research, and its definition within the urban territory, after the gaps in literature are identified to analyze the potentialities of informality on a micro-local scale.

4.1 The Micro-local approach.

As shown in the previous paragraph, the urban system is investigated as an anthropic territory, in which human and artificial factors are prevalent on natural ones.

Being a system, the urban territory is composed by sub-systems, thus each zone should not be considered an isolated place but an interdependent element of the urban system, with specific characteristics (such as cultural, ethnic, economic, social, etc.) but always connected with the other parts of the structure.

As previously shown, contemporary metropolitan systems are influenced by the global integration process, thus each level of the urban system presents the same exposure, for better or for worse, to global influences, such as, market orientation, cultural trends, information, and price changes.

In similar ways, all the opportunities offered by worldwide networks are accessible to each part of the urban tissue.

Having said that, this paragraph will analyze the micro-local approach, which is not a new theory, but the result of observations from some studies on the neighborhood dimension. According to the literature (Cahan & Rowe 1992; Ostrom 1996; Wilson and Musick 1998; Lin 1999; Cahan 2000; Williams & Windebank, 2000a, 2000b, 2001, 2004; Folke et al 2002; Berkes 2013; Boyle 2010, 2014;) and the argumentations dealt with in the previous chapters, the micro-local approach has to do with:

- The meaning of local within the urban system.
- The social structure on a neighborhood scale, hence the social capital and the potentialities concerning local communities.
- The economic system in its local significance, and the opportunities provided by micro enterprises, both in a formal and an informal sense.

The concept of micro-local, is more relevant than a simple scale factor, in fact, the specific meaning of scale doesn't represent a dimensional problem. Following this strand by the analysis shown in the first two chapters, the importance of the contributions of the metropolitan areas within the global integration process should be quite clear. The significance of scale, especially in the metropolitan systems has taken

on a particular importance over the past decades, in fact, it is the urban scale the level at which global economic processes operate to transform and reproduce value (Magnaghi 2017; Camagni 2014; Becattini 2015).

Therefore, **the local scale** imagined in this empirical research, represents the definition of a structural dimension sufficiently large to properly include the key functions of the urban structure, and adequately small to be observable in its entire complexity.

This dimension has been called micro-local, as it is the smallest space unit that can however be recognized as a territory, within the urban aggregate, preserving the same characteristics defining the whole urban system.

This approach concerns the possibility to isolate some processes at neighborhood level and analyze the factors acting on that part of the territory, in terms of the influence of exogenous economic strategies, social relationships, residents' engagement, knowledge sharing, joined to the unexpressed potentialities enclosed within communities.

Some of these factors (knowledge sharing and economic strategies) have been investigated in the first chapters, in their global and regional meaning, now they are going to be investigated on the smallest scale in which they still generate their (positive or negative) impacts on the social structure.

The urban environment stimulating some interactions between people, in a positive perspective, the simultaneous presence of diverse persons in the same zone, coming into contact with their neighbors in a series of relations, *there will be an accumulation of social capital, which may immediately satisfy his social needs and which may bear a social potentiality sufficient to the substantial improvement of living conditions in the whole community* (Hanifan 1916).

This expresses the potential within the urban environment, but the process is not an automatic mechanism, within the genuine propensity to collaborate, there are many others obstacles, at individual level, to start some strong inter-personal relationships, these connections lay out the bases for developing trust, mutual cooperation and collective actions within communities, guaranteeing the endurance and well-functioning of local communities on a neighborhood scale (Jane Jacobs 1961).

The **social structure within** the neighborhood dimension is difficult to be accurately described. In this study the neighborhood is proposed as part of a main system with specific characteristics, thus each neighborhood has, at the same time, unique peculiarities (cultural, ethnic, environmental or esthetic) but it participates in the general urban environment sharing similar attributes.

A first deduction consists in the fact that the social structure on a micro-local scale is determined by the contribution resulting from exogenous and endogenous factors, in a co-evolutive process.

The exogenous factors can be grouped into:

Economic factors

Structural situations or market re-orientation influencing the local economy

- Regional economic situation (general productivity, local GDP etc.)
- Presence of robust local clusters on which to create inter-firm networks
- Investments (speculative or not) influencing land value
- Life-costs influencing income consumption

Policies factors

Programs and public strategies influencing the local socio-economic situation

- Strong market oriented policies, generating displacement and gentrification
- Weak public policies unable to regenerate the socio-economic tissue
- Services quality (transportation, healthcare, education etc.)

Cultural factors

Tendencies, political situation and problems perception influencing public opinion

- Dominant cultural dynamics creating social exclusion and discrimination
- Political influences on the perception of social problems

The endogenous factors can be grouped into:

Economic factors:

Structural situations about general economic indicators and the productive tissue on a neighborhood scale

- The average income level
- The main income sources (legal or illegal, formal or informal, subsidies etc.)
- The average land value

Social factors:

The general social situation and the presence of organizations or associations

- The average education level
- The average criminal level
- Social aggregation and the sense of community
- The presence of associations or community organizations

All these factors operating in different ways and with a different timing, generate important changes both on an urban scale and on a neighborhood scale, because of the systematic nature of urban aggregation.

Within this logic, the social components play a central role in the definition of the future scenarios of a community especially in terms of the ability to organize, and address, the social capital to achieve socio-economic resilience (Wilson and Musick 1998; Berkes 2013)

Thus the main interventions should be to reinforce the social interactions with robust programs of social engagement more than by activating subsidy programs (Camagni 2003; Helliwell and Putnam 2004)

In terms of local **economic system**, as previously shown in chapter one, the advanced communication tools and the low-cost technology access, provide the opportunities, for network creation formed by small subjects, acting in several sectors to offer online goods and services. This is the basic point to create micro businesses often composed by one person who puts some service on web or 'word of mouth'. The opportunities also consist in low entry costs to start microenterprises (McKenzie and Woodruff 2006), and the opportunity to get access to low-cost capital, such as microcredit (O'Rourke 2006). Microenterprises

were firstly largely studied for their contributions to local economic development in the 'third world' or in developing countries (Kappel Ishengoma 2006, Woorduff et al. 2007). Conversely, before the great recession, the microenterprises development was considered difficult in advanced countries, because earnings were generally below the average wages (Schreiner 2001), or they were imagined as inserted in welfare and social-works (Raheim 1996).

During the financial crisis and consequent recession, microenterprises started to be observed with more attention in advanced countries, and the study of the opportunities provided by microenterprises (Grimm et al. 2011, de Mel et al. 2008, 2009), stimulated the analysis of the economic dimension concerning the micro-local economic approach, as a phenomenon dependent on the neighborhood scale, being often focused on personal relationships. The economic issues at local level are more complex as shown in the previous part of this study; in fact the local economy is affected by several factors, some of which can't be controlled by local communities. Thus, to pay particular attention to the local economy, doesn't mean to be stuck-up with the market laws, or be narrowly market oriented, it means forecasting the economic future of a neighborhood, and '*looking closely at exactly where the money flows to, and where it leaves the local economy*' (Boyle 2014).

Linking together these premises and deductions the previous conjecture is now less difficult to be sustained. The contact point between social and economic aspects is now quite clear to be on the local scale, but the dimension in which the socio-economic dynamics are better observable is the micro-local scale. Socially specking, the micro-local approach derives from an extension of the '*ultra-micro approach*' proposed by David Boyle (2014) and, as shown in the paragraph about local resilience; this approach is based on co-production activities (Boyle et al. 2006) and co-operation approach in the UK (Boyle 2014), as well as the studies on time banking in the US (Cahn & Rowe, 1992). The micro-local approach, in terms of co-production, is a place based approach which bonds together diverse factors and important aspects of social cohesion and sense of community, '*it is an idea that recognizes the roots of social collapse in an economics that fails to recognize the value that people bring, their ability to love, care and educate, and which strips neighborhoods of their ability to do that*' (Boyle 2010).

The main goals which define the micro-local approach can be summarized as:

- Social relations improving
- Community engagement
- Knowledge sharing
- Economic self-sufficiency

This approach, in short, attempts to find a connection between the community's needs, local resources, as the knowledge (in a broad sense) stoked into local abilities. The use of the place based approach and social-networks (they also could be named neighborhood's network), might connect all the existing experiences and skills to satisfy the neighborhood needs and optimize local resources.

The micro-local approach is based on some considerations on hidden potentialities such as:

- The micro-enterprise, and the rise of local co-operatives, provide the necessary economic levers
- The levers to kick-start disadvantaged local economies into action are mostly extremely local
- The elements of economic revival are available, also in neglected areas

Microenterprises and local co-operatives might provide the necessary economic levers. Such activities provide knowledge transfer between diverse sectors and may be considered part of an innovative process on an urban scale. The micro-local as previously assumed, is not only a spatial dimension, it is a significant point of observation on a neighborhood scale, to which the concept of resilience is perfectly adaptable. An analysis of the scientific literature, about the social capital and community resilience (Lin 1999; Landry 2002; Hamel 2003; Folke 2002; Brand 2007; Perrings 2006; Magis 2010a; Berkes 2013; Elmquist 2014; etc.) shows that the emerging gap consists in the lack of an overall vision, which includes the potential of informal economy.

The descriptions provided by Boyle and Cahn, consider the social environment as a skills tank, and no-paid employment concerning social-work and community engagement is turned into mutual help.

The focus point is that co-production is proposed as *'the process whereby voluntary organizations or public services involve their ultimate beneficiaries as partners in the delivery of services, with the intention of improving their lives and also 'lengthening and strengthening' the basic services, so they can reach out to the community in a broader way'* (Boyle et al. 2006). It appears therefore that the informal sector with the potentialities emerged after the great recession also in advanced economies, has not been taken into consideration beyond volunteering. A more comprehensive vision can link together all these factors and approaches, connecting microenterprises and the informal economy with the tools provided by the time bank and co-production, using microcredit to sustain the kick-start of microenterprises, that could be an innovative comprehensive strategy to achieve local resilience. The following paragraphs are meant to analyze the innovative contribution provided by the informal economy.

4.2 What is informal economy?

Growing interest is moving the focus of research focuses on the informal economy in developing countries, as this field is considered a mine of information on economic survival strategies, based on certain types of social organization and with interesting linkages with several sectors of formal economy.

It is also interesting to investigate the growing phenomena of the informal economies in developed countries, especially in the UE and in the US, since it plays a central role by influencing local economies in urban areas, with particular attention to low income neighborhood.

The informal economy is not necessarily a negative phenomenon, it is driven by *"need, not greed"* (Katungi et al. 2006); this paragraph attempts to give a new perspective to the complex relations within the informal economy. The informal economy could be defined as all the activities not observable or not controlled by law, but this assessment is too generic because it includes criminal and illegal economic activities (such business linked with drug, weapons and prostitution).

The concept of informal economy, analyzed in this work, is focused in part on the economic activities (trade and production) which are carried

out outside the formal regulatory framework (Sassen 1997), and in part on the social structure on which the informal economy is based.

The analysis on the informal economy is also related to the nature of the phenomenon and the factors which stimulate it; scientific literature agrees that economic recession is one of the leading causes of the rise of the informal sector, hence as the consequence of economic stagnation, unemployment growth and depreciation of capital stimulate participation in informal activities (Gerxhani 2004).

The evidence from the main literature on the informal sectors is that some of the principal reasons to participate in the informal economy are:

- To evade taxes (survive to fiscal pressure)
- To avoid losing government benefits
- To circumvent regulations and licensing requirements
- A reaction by both firms and individual workers to labor unions (especially in the US)
- The impact of international competition (aggressive and impairing competition)

Thus the motives for participation into informal activities are economic and non-economic.

Economic reasons

- Unemployment
- The Inflexible formal labor market, which means less time for social relationships
- The declining real price of capital, hence a general economic decline
- The high cost of formal production
- Taxes and cost of bureaucracy

Non-economic reasons

- Greater flexibility; this means less stress for workers
- An increase in leisure time, because of less competition in informal production
- A more satisfying job because workers often are self-engaged in their favorite jobs, hence the complete use of professional qualifications

An very important element, motivating the informal sector engagement is the role of the state, especially when the government loses the trust of the population and people no longer feel that government supports them (Gershuny, 1979).

The interesting aspect concerning informal economy, within advanced capitalist societies, is referred to the relationships with the formal sector; in fact, the informal sector is not an independent phenomenon from the formal economic circuits.

Several studies on the informal economy are focused on the connections and the reciprocal influences between formal and informal sectors (Gerxhani 2004).

In the past decades this relationship was described with different effects, according to Lubell (1991), the relationship can take on an anti-cyclical form, and when the formal sector faces a decreasing phase the informal sector increases its activities.

Other studies defined the relationship between formal and informal as not perfectly related and considered them as two parallel phenomena (Greenfield 1993).

The nature of the relationship could be mutual, pro-cyclic or inverse; it depends on the national context, the economic structure and the typologies of public and economic policies.

Another factor is connected to *institutions*, which can be formal or informal; the bureaucratic complexity, restrictive economic regulations, the role of labor unions are formal institutions; culture, traditions, and social behavior are informal institutions (Feige 1990).

So there are many factors which define the informal phenomena, and this demonstrates the complex relationships between economic and social structures, and also that the formal and informal dynamics are somewhat interdependent.

Saskia Sassen suggested the inseparability of formal and informal economy in an advanced economy, and maintained that the informal sector is an integral part of the formal economy (Sassen 1997).

This means that the informal sector is a structural part of the formal economy, a view that redefines several hypotheses on the role of the informal economy on the socio-economic dynamics of developed countries.

Comparing formal and informal economy by using some categories it is possible to list the characteristics of informal economy (Renooy 1990) as follows:

Capital and costs

- There is a low entrance threshold (starting costs) to the informal sector
- There is a lower capital intensity
- The price of goods and services in this economy is lower than in the formal one
- It is not the organization but the form of payment which differs compared to the formal economy (cash)

Organization and production

- There is a combination of various (informal) activities because sometimes one activity alone does not produce sufficient income
- The informal sector relies predominantly on social/family networks, where subcontracting is its connection with the formal economy
- There is no complete information
- This sector is highly fragmentary
- There is a lower level of productivity

Labor structure and characteristics

- There is often a higher degree of flexibility than in the formal labor market
- Formal regulations and rules are absent (no social Security, no insurance no retirement)

Activities

- These activities take place both within and outside formal contexts and they strongly interact with each-other

From these elements emerge the basic economic structure on which the informal sector is based and the influence on its organization; some social aspects connected to job characteristics, flexibility and the absence of conventional rules and benefit also emerge.

These elements are important to define the social impact of informal economy, since this research is meant to be focused on the innovative contributions of the informal sector, in terms of a new vision of informality as a phenomenon co-generated by the socio-economic dynamics.

The innovative contribution of a new vision on the informal sectors could be useful to investigate the achievement of socio-economic resilience on a local scale.

This gap is more present in the type of informal sector which could be here defined *structured informal economy* or the informal sector totally integrated into formal production, composed by informal enterprises, and informal workers engaged in formal sectors.

This original definition is useful to explain some socio-economic dynamics within local economies. According to the analysis developed in chapter one on competitive advantages and offshoring, the structured informal economy could be imagined as a costless activity within a value chain, which is located in the same district (or manufacturing cluster) providing a competitive advantage to a specific sector like the sweatshops, producing manufacturing sub-components, or regular farms which employ informal workers for example.

This is the case of some important manufacturing districts in some Italian regions such Veneto (Bialasiewicz 2006), Tuscany and Emilia Romagna (Rebellotti et al.), gaining competitive advantages using irregular workers or eluding taxes through unrecorded payment.

This typology of informal sector does not provide innovative contributions to the local economy but only generate profit or, at last, extend the life of uncompetitive firms. Social inclusion does not exist with the employment of irregular workers, often immigrants as in the agricultural area of Gioia Tauro in Southern Italy (MEDU 2018).

Thus the structured informal sector could be defined as a set of activities which are outside the regulations but operate in regular production.

The social aspect is not particularly highlighted in literature, it is often examined in terms of income creation because of job opportunities or the facility to enter the circuit through the 'friend of a friend' (Gerxhani 2004, Breman 1980).

International Labor Office (2017) argued the significant role of mutual support of membership-based networks and alliances of informal workers.

VanderBerg (2014) underlines which paid favors are exchanged, within groups, friends, relatives and colleagues, for mutual benefit, in a form of wealth sharing and building social cohesion and social capital.

The concept of social capital is analyzed in studies which analyse the informal economy in terms of entrepreneurial behavior or social impact (Renoy 1990; Raheim 1996), thus informal economy and social capital show several contact points on which to operate to boost community resilience, not only in an economic sense but also in terms of social aggregation.

In some cases mutual trust could at once be a strong and a weak point, as it is something similar to an inertial system in society (Lomnitz and Sheinbaum 2004).

Social capital involves some drawbacks especially in social systems in which the population was divided between corrupt institutions to manage to survive by adapting to the situation (Portes and Landolt 2000).

Potentialities and pitfalls of social environment have been analyzed, investigated and discussed (Coleman 1990; Putnam 1995; Siisiäinen 2000), the results are divergent from expectations, although they converge on analyses of some particular aspects;

- How social groups develop, and to a certain extent maintain, a social capital as a collective asset.
- How a collective asset boosts the life chances for group members.

These mechanisms and processes are essential for a comprehensive and relational theory about the structure and dynamics, to which social capital could make essential contributions (Lin 1999).

The focus of this part of the research is to show the social structure on which the informal economy is based.

The key factor consists in overturning the perspective on the informal economy, that is in using informal economy as an indicator on the organizational complexity of social structures within disadvantaged urban areas.

The innovative contribution of informal economy is to figure out how organized is a specific neighborhood, because it is on organization that potential resilience of the area is based.

From this brief discussion on the informal sector emerge some interesting elements that highlight the principal social factors characterizing the informal economy:

- The Variables linked to the ethnic group or to the territory lose value in a general social-network based on trust
- The transaction economies that characterize informal economy are "Incorporated" in social relations
- Distinction between informal economy and criminal economy is a social trust-based value
- The paradigm of the organized market is questioned in its competitive form

All these considerations are helpful to introduce the second type of informal sector:

Non-structured informal economy. This typology of informal economy is not structured in formal sectors, because it isn't a shadow productive component of some value chain. It is on non-structured informal economy that this work focuses the hypothesis of an innovative factor to boost local resilience, as it represents all the informal activities strictly connected, and also dependent, on the community demand (Tab.1)

| | |
|---------------------------------|--------------------------|
| <u>Services</u> | <u>Commodities</u> |
| Learning services | Food sellers |
| • Private lessons | • Street food |
| Care services | • Homemade food |
| • Babysitting | Fruits and vegetables |
| • Elders assistance | • Bio-agriculture |
| • Domestic care | • Hydroponic |
| Repair services | Clothing |
| • Home repairing | Furnishings (yard sales) |
| • Domestic appliances repairing | <u>Credit</u> |
| • Computer repairing | Group landing |
| • Car repairs | Collective offertory |
| Grooming | |
| • Personal grooming | |
| • Pet grooming | |

Tab.1

The interesting aspect of the non-structured informal economy is the net of social relationships that create several advantages and optimize the social capital (Wilson and Musick 1998). A crucial doubt is about the

efficiency and the durability of these strategies, that is whether they are really resilient in terms of socio-economic dynamics.

Several drawbacks emerged in literature about the social capital, but in some analysis the results were measured in terms of economic return (Lin 1999) or in terms of innovative contribution on production (Landry et al. 2002; Maskell 2000), or as a barrier for technological innovation (Tamaschke 2003). The focus of the problem is that social capital is not simply a productive factor, or only workforce, indeed, the central role of social capital within the community resilience is the capacity for self-organization and the informal economy represents an indicator of such capacity.

An analysis of the socio-economic structure within a community is a crucial step to define the general deficiencies and how the existing resources (physical, social, economic) could be sufficient to solve the main problems and satisfy the general needs. On the one hand there are the opportunities provided by the social networks on which the informal economy is based, especially the non-structured informal sectors, on the other hand there is the lack of social security and the retirement system.

This second problem already exists, retirement benefits are often too low to live in a decent way, this situation obliges people to find alternative strategies to survive; it represents a sort of tautology, considering the informal sector as the origin of problems.

The informal economy could generally be defined as a self-organized way to create the necessary income to afford living costs.

Literature offers several examples and experiences to explain the informal economy and the social environment in advanced economies (Palmer 2008; Sassen 2008; Karakowski 2005; La Porta and Shleifer 2014); the problem is when people become accustomed to the total absence of institutions and welfare.

Lack of trust, in general or in institutions, creates rigid systems based on informality, hence the '*exclusion of outsiders, excess claims on group members, restrictions on individual freedoms, and downward leveling norms*' (Portes and Landolt 2000), and processes creating ghettos or even extremely closed situations.

Situations like these are more complex to analyze but they are not negative in an absolute sense, but are extreme cases, such as favelas and slums.

On the contrary, a robust social trust-based structure, with a certain interaction, or presence, of some institution, is the starting point for interesting strategies which could provide income saving, in addition to job opportunities.

The access to low-cost or free services is something like indirect income, a mechanism that leads to money-saving to get often too expensive basic services.

Hence, in short:

Microenterprises, provide job opportunities, in terms of:

- services
- commodities

Co-production, provides:

- income saving by mutualistic relationships (see chpt.3)

Microcredit and the ethic banks provide:

- credit access for small and low interests mortgages (helpful for microenterprises)
- social financing by money saving

They create the back bone for all kinds of initiatives on a neighborhood scale, the connective tissue of a robust socio-economic structure.

The integration of these strategic tools is possible with a strong community engagement and the capacity to match together the positive aspects of informal economy that are represented by the great social connections due to mutual need.

Another step is to drag-out the structured informal economy both from market constraints, and from the shadow, to generate a virtuous system of territorialized, strongly place-based microenterprises.

The crucial step is to re-think the territory as an opportunity and a resource to be smartly preserved, by allowing it to produce and redistribute wealth in an equitable and sustainable manner.

CHAPTER 5

RETHINKING CONTEMPORARY MODELS

This chapter focuses on some experiences related to the informal economy, micro initiatives and self-managed projects, which autonomously generate employment, spread knowledge, and optimize territorial resources.

The general proposal is to succeed in moving from the spontaneity of some phenomena, to strategic processes in urban planning, proposing flexible tools to promote and develop micro initiatives on the neighborhood scale, with low initial costs and a strong social impact.

The innovative contribution of the experiences based on informal economy show a different perspective about the real meaning of innovation. Innovation has too often become synonymous with technology; even if it plays a leading role, innovation means something more than hi-tech, indeed it is connected with the creative capacities to find new and durable solutions to old and often unsolved problems.

Informal economy is something strange and unusual, a process with self-generating capacities, both flexible and ductile. There isn't anything innovative in making money by evading taxes, the interesting aspect is the strategy used, not the results, even more so if the money is spent to buy useless status symbols, such telephones or branded clothes.

In the previous part of our modest contribution, we used scientific literature to highlight some indirect aspects of the meaning of innovation, in fact several studies have been focused on a single aspect of complex phenomena. Fortunately several other studies have noticed this problem, underlining the risks connected with hyper specialization, especially on territorial systems.

Innovation in this sense means a deeper comprehension of complexity, and an acceptance of the obsolescence of some economic strategies.

5.1 Micro initiatives.

In the previous section, some experiences and approaches have been introduced, with particular attention to the concept of informality analyzed both from an economical standpoint and in its social implications. In this chapter we will analyse the ways to combine them together.

The examples proposed concern three areas of interest: social capital, economic and financial resources and the production of goods and services.

The interesting aspect to analyze is how the synergy of these three elements can be realized given their often underutilized potential.

The following pages will study in depth the relationships between:

Social capital

- Co-production
- Social engagement

Production

- Informal microenterprises
- Formal microenterprises

Credit and funding

- Informal credit
- Microcredit

Microcredit and microenterprises, have been examined in their economic relationships, with less regard to the social effects (Anderson Locker and Nugent 2002; Rosenberg 2010). Microcredit and microenterprises are interesting phenomena although viewed with excessive optimism.

Microenterprises have been deeply analyzed in chapter four, and It has been highlighted that microenterprises need small capital to start, but albeit little, they always need money. Besides money innovation and social capital must play a central role to create resilient effects.

Hence, before facing any consideration about them it is important to analyze the pros and cons on these topics. Microcredit has been analyzed in western societies during the financial crisis; it provides small loans to start micro activities to reduce poverty. Problems arise not concerning the tool in itself but concerning its function totally detached

from the territory. In fact, several studies have shown that many borrowers in Eastern Europe are served by credit institutions owned by great financial groups headquartered in south Asia (Hermes and Lensin 2007).

This is a real business managed by operators without other interests than the return. In fact, the extension of microcredit to low or null income people in Asia (India and China), is relatively low (Weiss and Montgomery 2004).

Almost the totality of microcredit institutions is pro profit and market oriented or is incorporated in financial groups, thus they can't assume risks with no income people, for these reasons the procedures to obtain a loan, are often tailored to exclude them (Hulme and Mosley 1996, Schurmann & Johnston 2009).

Examples of exclusion are: (Mosley 2001)

- The requirement to save money before loan achieving.
- The minimum loan amount needs to be accepted.
- The firm must be already registered before granting the loan.

Providing microcredit is costly because of the high transaction and information costs, thus the first step for microcredit providers is reducing risks costs. This means providing riskless loans, which involves cutting-off the requests from null-income people, exactly the neediest category. Recent research shows the dependence on donors' subsidies to bear the prohibitive costs otherwise not financially sustainable (Cull et al 2007). Even if the aim of supporters is to realize a social, or intrinsic, return (Brau and Woller 2005), this means a big help for poor people on the one hand, and the need of donors on the other.

Hence, the battle against poverty is still stuck to philanthropy.

This is a central point: is microcredit a strategic tool to reduce poverty or a method to gain profits by providing loans? As shown microcredit suffers from some structural problems;

- It isn't financially sustainable
- It need donors
- It is often exclusive
- It is often non place-based

Another problem concerns the creation of social links to reinforce social capital. Literature focuses its attention on the advantages of group

loans, on the mutual monitoring and reinforcement, derived by the common target not to lose the loan.

There are some critical points concerning this collective tool;

- The total amount of a loan is often less than the real needs of the group (Khawari 2004)
- The group loan is rigid and often doesn't meet the real needs of the borrowers affecting the group project with risks about loan solvency and the management of the enterprises (Hermes and Lensin 2007).

There are some other solutions about microcredit in the informal sector, such as social loans, collective credit, and crowd funding, common pool resource informal loan clubs. All these tools are part of the *Informal microcredit* which could be defined as an agreement lead without recurring to the legal contracts to exchange cash in the present or the future. Literature is not so wide on informal finance in general and on informal microcredit studies agree with the difficulties to measure this phenomenon. Studies are generally focused on the characteristics of informal microcredit tools, and on their advantages in money saving and in daily life management (Schreiner 2000). Another interesting topic analyzed by several studies concerns the contribution of informal credit on formal microcredit, (Burkett 1988; Christen 1989; Ardener and Burman 1995; Graham 1992; Caskey 1994). Generally speaking informal credit strategies can be analyzed through some peculiar aspects:

Advantages (Schreiner 2000)

- Reduced or null transaction costs
- Loans, money savings and implicit insurance
- Sensitive to women constraints
- Trust based
- Sequences of repeated transactions.
- Socially enforced and/or self-enforced contracts

Disadvantages (Christensen, 1993)

- No deposit insurance
- No large loans
- No long loans
- No recourse to legal systems to enforce contracts.

A common type of informal financial arrangement found is the Rotating Credit and Savings Association (ROSCA) was analyzed by Ardener (1964). A ROSCA consists in a group of community members which meet regularly to pool their savings. The pool is then rented out to one group member, who pays it back; next the loan is lent out to another group member and so on, until each group member repays the pool of savings, without interests or costs.

There are several examples of ROSCA and they are originally diversified by ethnicity

- Tanda -
 - It is popular among Mexican communities, generally used to manage ordinary or extraordinary purchases.
 - It is interest-free
 - It is based on a weekly contribution for a fixed number of weeks (generally depending by the expenditure)
 - The order to withdraw is decided by the group leader or with a fixed order.

- Hui -
 - It is typical in Chinese communities, between single families or communities.
 - It is used to manage ordinary purchases but also considerable sums of money.
 - It is not interest-free; the person who is ready to pay the highest interest will receive the pot, with the interest amount being evenly disbursed among the other group members.
 - The group leader is usually held responsible for frauds or defaults within the group, the group leader must ensure the losses with their own money.
 - Hui can be used to start small enterprises.

The reasons for preferring tools like ROSCA are often connected with trust in the community or groups, and on the cost-free loan. In the case of Hui there is an advantage in lending money receiving interests.

Thus these two typologies of 'informal loan clubs' are the largest used in informal credit saving. There are also other forms of credit or mutual

help not strictly related with the money but more related with income saving, such as service exchanging, in this way people enjoy a service without money transactions.

It is actually nothing new, it is the evolution of good neighborly relations and exchanges of favors, but used like part of a broader social strategy, not only within low income communities, it can be a useful tool to reinforce the sense of community. Starting from the concepts of mutual support, participation, social engagement and sense of community, strategies and tools like time banks and co-production were worked out.

Time banks;

They are systems which measure and reward the effort people make in their neighborhoods, supporting other people and allowing them to enjoy informal support when they need it.

In different ways, they use time as money to reward the persons helping out their communities. The time used then acts as a medium of exchange, whereby they can get help from the system (Boyle 2014).

Time banks have been associated with co-production (chapter four) which is a really performing strategy linking together professionals and persons to achieve best services in term of healthcare, education and social services in general (Boyle 2010, 2014).

- People can earn credits from the members of the circle/community; the credits then circulate around other members as payment for each kind of activities (gardening, babysitting, repairing, assistance etc.)
- People can earn credits from the sponsoring organization (charity or public service organization).
- They can then spend the credits earned on designated rewards in goods or other services (cinemas, gym clubs, training programs, healthcare or even food)

The purpose is to rebuild and strengthen the reciprocal and mutual relationships between people or also to strengthen the local economy.

The great contribution of time bank considers time as a unit of account by measuring informal support in terms of time rather than in terms of money.

This gives several opportunities to people to continue to maintain their dignity even when they lose their jobs.

When the job market collapses, production is offshored, income decreases, social capital is the only real and touchable capital.

Many strategies can be devised, combining those just analyzed, diverse payment forms and different strategies of income saving, there are some interesting proposals based on practices, not analyzed in literature. Some of them were derived from small communities of social squatting in Europe

- The informal microcredit could be helpful in formal microcredit access, providing the necessary collaterals in case of insolvency, with informal loan clubs, a sort of suretyship. It is a microcredit collective support used in Barcelona and in Athens to get small loans to start micro activities to support house squatting.
- Mixing together the principles of time bank with the need of a loan, transforming loan repayment in working hours, better if they are social works (in fact it's preferable if this exchange happens at community level not between individuals).
- The social whip-round to purchase collective goods
- Collective benefit for:
 - Equipment and materials to rebuild or fix an abandoned place
 - Legal support

This experience can be considered as the basic form of community self-help to achieve a result.

The use of web resources provides a communication support to manage the collective loans or all the other initiatives, showing the progress of a project, ensuring transparency about money usage.

Several social initiatives received the kick start with these forms of funding tools.

5.2 Good practices

There are experiences that used informal activities, both in terms of financing and in terms of production of goods and services. In this paragraph some of them are analyzed.

- Solidary Purchasing Groups - SPG- (in Italian GAS Gruppi di Acquisto Solidale³)
- Crafts Labs
- Social cooperation places

Solidary Purchasing Groups (SPG) are inserted into the larger phenomenon of Social and Solidarity Economies (Hart et al. 2010), their advent in Italy started around the mid 1990's and have consolidated during the 2000's (Graziano and Forno 2012).

To define the SPG is not so simple. They are urban grassroots organizations, in some cases they have been developed within political spaces (such as squatters, or social labs). In other cases they derived from particularly sensitive citizens, which organized themselves for collective purchases of fresh food and *'other items of everyday use, but increasingly also of textiles and "alternative" services such as renewable energy, sustainable tourism, or even dental insurance'* (Grasseni 2013). SPG based on food, are organized for periodical purchase of fresh food, in general vegetables and fruit, some SPG do it weekly some others twice a month.

Each SPG is an autonomous group often connected with many others by the web platform Retegas.org. Each group is somewhat characterized by some distinctive traits but the main interest in a SPG is to connect producers with consumers in a process of conscious consumption.

The solidarity consists in meeting profitably the needs of producers and buyers; buyers are sure of the high quality of food, and producers can sell their products at a fair price. Price formation is one of the most interesting aspects of SPG, the fair price, in fact, is the core of the entire project, buyers take into account difficulties and costs for local farmers,

³ The author of this work is involved into the GAS 'Felce e Mirtillo' of Reggio Calabria since 2007, thus many part of the text on SPG is based on findings and observations made in the first person, accentuated the national findings, derived from the cited studies and from the web site www.retegas.org

often connected with informal agriculture which is typical of central and southern Italy.

The 'pillars' of the SPG are:

- Buy organic
- Buy local
- Build solidarity and community

In terms of impact on the local socio-economic system, this involves some changes in the approach to the rural areas;

- Support small farming enterprises (also micro farming enterprises), facing difficulties to produce in the great distribution system, ensuring them to buy a consistent quota of the entire production.
- Spread the culture of genuine and healthy food, in fact the purchase is trust based, producers ensure a biological or bio-dynamic production, and the traceability of each product or part of it.

The positive implications of these projects are strictly connected with the access to high quality food at a fair price for both producers and buyers in urban areas, meeting these requests involves some positive effects:

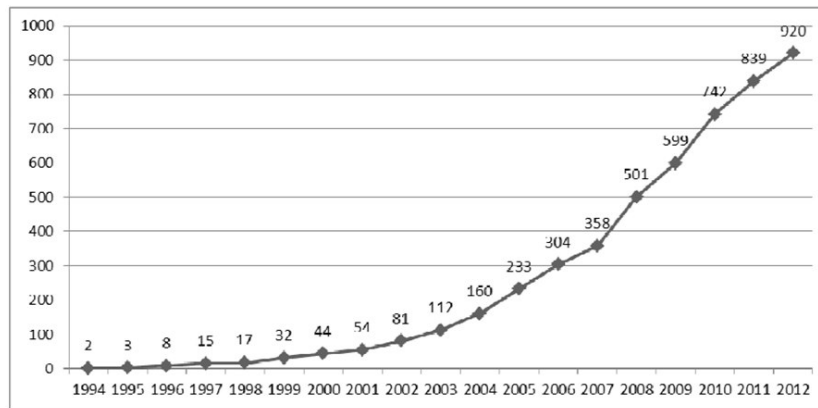
- Reinforcement of small territorialized activities
- Enhancement also of small plots of land
- Positive contribution to fight the abandonment of lands
- Positive local stimulus in job creation

SPG not only increases households opportunities for affordable and healthy food (also in time of crisis), but it re-embeds the purchasing process in a relational fabric.

SPGs have a socio-political impact on context-specific regional economies, increasing social engagement and active citizenship as "schools of democracy" (Grasseni 2013).

The last two decades have shown a big growth of SPGs in Italy, this is strictly connected with an increase of economic rural activity (Fig1).

Fig.1: SPG registered with retegas.org per year

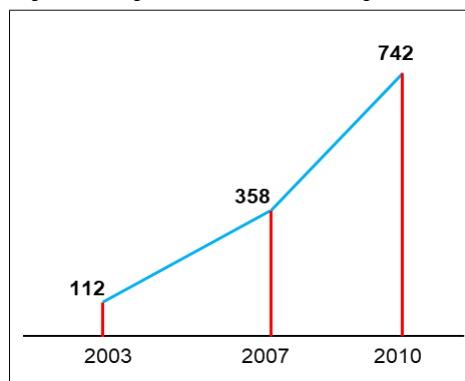


Source: www.economiasolidale.net

The rise in number of SPGs in Italy during the past two decades is indicative of some particular factors;

- Increased interest in territorial issues
- More sensibility for small activities
- Increased awareness of the value of informal economy
- Growth of demand for affordable fresh food during crises (Fig.2)

Fig.2 SPG registered before and during the crisis



Data elaborated from: www.economiasolidale.net

The effect of SPGs' growth can be measured also in terms of amount of money spent in the circuits.

Rome is an important example of the level of expenditure for fresh food. Fig.3 summarizes the amount of households which purchase fresh food in Rome SPGs and the total expenditure for 2010.

These data are encouraging concerning the earning of small farming enterprises, especially in 2010, a particularly hard period for the Italian economy.

Fig.3 Annual purchase of 11 SPG in Rome in 2010

| SPG | Households number | Purchase in € |
|------------|-------------------|---------------|
| SPG-31 | 38 | 42117 |
| SPG-41 | 80 | 39342 |
| SPG-51 | 13 | 19900 |
| SPG-63 | 75 | 55500 |
| SPG-101 | 60 | 29400 |
| SPG-112 | 100 | 51200 |
| SPG-121 | 19 | 24853 |
| SPG-131 | 20 | 53300 |
| SPG-181 | 20 | 20800 |
| tot | 425 | 336412 |

source: www.agriregionieuropa.univpm.it

SPGs are not simply purchase groups, in fact there are some projects of territorial support, in which an SPG improves the production of biologic food.

Hence, using both formal and informal microfinance tools, they support farmers to improve their production in term of qualities and in terms of quantity, or they help people (in particular young people) who want to start a farming enterprise.

Especially in southern Italy could SPGs play a central role in the creation of job opportunities to contrast emigration and land abandonment? Some steps are necessary to increase the potentialities provided by SPGs;

- Improving general knowledge on microcredit
- Improving territorial connections between SPGs to engage more persons and start a virtuous circle
- Implementing the use of cooperative tools to help the weakest producers
- Implementing the use of time bank to stimulate less expensive projects

A small example of the engagement capacity of the SPG can be useful to highlight the potentialities of these collective projects.

The SPG 'Felce e Mirtillo' was formed in 2004 in Gallico Marina, a neighborhood of Reggio Calabria, one of the three largest cities in Calabria, southern Italy.

The group is one of the most important activities of the CSOA Angelina Cartella, (the literal translation of CSOA mean Self-managed Occupied Social Center).

The group is still active and these observations started in 2007; at the beginning the activities concerned only collective purchases, but in 2007 it was decided to extend participation to the social and cultural purposes of the SPG, so the first Fiera della Decrescita (degrowth local fair) was organized. It is a street market organized every last Sunday of the month; at the beginning all the agricultural producers, connected with the SPG were involved. After the first five editions other producers were attracted to the initiative, and not only food producers, there are also artisans and a bookseller, specialized in second hand and old books. Both the SPG and the street market are informal, but there is a rigid ethic discipline, in fact to sell something in the circuit of Felce and Mirtillo to follow some rules is mandatory. The SPG adopts a *product card*, both in collective purchases and in the street market, on which there are data pointing out the following information:

- No chemical treatments on animals and plants have occurred
- Products are completely traceable
- processing costs to have a transparent price
- no workers exploitation guarantee

The SPG is the guarantor between the producers and the buyers, the group organizers visit the farms and the other laboratories, to check the observance of the ethical code. The organization of the activities is managed with meetings between the members of the purchase circuit and with three annual meetings with the producers. Information and communication is managed using a user-friendly approach, not only web resources are used, because of the digital divide and a precise face to face strategy based policy, so the main tools used are:

- telephone
- mailing list
- handwritten posters during the meeting
- flyers and coupons
- Facebook

The main intention is to communicate with persons of different age, gender culture and ethnicity.

Collective purchases occur twice a week, there is only one producer for fresh food and 16 households involved, the total amount of the cash flow is shown in fig.4.

Fig.4 purchase data for fresh food of the SPG Felce e Mirtillo 2014-2018 (single producer)

| Year | unit cost €/kg | average box weight Kg | Households number | number of purchases per month | monthly earning € | annual earning € |
|------|----------------|-----------------------|-------------------|-------------------------------|-------------------|------------------|
| 2018 | 1.2 | 11 | 16 | 2 | 422.4 | 5068.8 |
| 2017 | 1.2 | 11 | 14 | 2 | 369.6 | 4435.2 |
| 2016 | 1.2 | 11 | 12 | 2 | 316.8 | 3801.6 |
| 2015 | 1.2 | 11 | 16 | 2 | 422.4 | 5068.8 |
| 2014 | 1.2 | 11 | 13 | 2 | 343.2 | 4118.4 |

source: direct observation

The earning from SPG is part of the producer' total earning; in fact, the street market provides the opportunity to sell more quantities than in the SPG circuit at a little higher prices. The monthly producers' earnings derived from the street market, was calculated between a minimum value of 450€ and a maximum value of 600€.

The charts in figure 5 and 6 show the monthly earnings derived from the street market and the total annual earning as the sum of PSG and street market.

Fig.5 estimated earning in monthly street market

| Year | monthly earning € | annual earning € |
|------|-------------------|------------------|
| 2018 | 525 | 6300 |
| 2017 | 580 | 6960 |
| 2016 | 475 | 5700 |

source: author estimation

Fig.6 Average annual earning for fresh food producer

| Year | annual earning by SPG € | annual earning by street market € | tot € |
|------|-------------------------|-----------------------------------|-------|
| 2018 | 5069 | 6300 | 11369 |
| 2017 | 4435 | 6960 | 11395 |
| 2016 | 3802 | 5700 | 9502 |

source: author estimation

The street market and the SPG are not the only sales channels for the producer, in fact there is another street market and the producer has his own sales circuit, which together with that of the SPG, guarantees support for two families, 11 people in total. The second street market was organized for the first time in 2016; it is managed by the cultural association 'Magnolia', not properly a SPG but also sensitive to local development and territorial preservation. This is a collaborative experience with the larger Felece e Mirtillo street market; in fact most of the sellers and producers in the Magnolia street market are the same, and this means another earning opportunity for them. The cooperation

within the SPG circuit is not limited to food selling. Several projects were developed around this group:

- Laboratories to learn techniques to soap self-production
- Laboratories to learn the basic techniques to grow vegetables
- Information about ethical consumption
- Lessons about traditional cuisine of other countries
- multiethnic events

There are also micro initiatives for job support. In fact the meetings and the street markets provide the opportunity to communicate personal needs in terms of job demand and job supply, many producers are cyclically in need for labor, or some members need someone for maintenance and repairing jobs. The circuit of SPG is also a smart platform for time sharing or job support, the important aspect is the assurance provided by the organization in terms of right and fair treatment between applicants and bidders. Thus informality doesn't necessary mean illegal or unbalanced treatment of persons; it can be a smart and innovative tool for community reinforcement.

The last operation to highlight is the collective benefit experimented in the reconstruction of the building where the CSOA conducts its initiatives destroyed by fire in 2012. A collective benefit which engaged the Italian network of SPGs, Social Centers and the community in which the social center has been operating since 2002, collected almost 19,800.00 euro (Fig.7), to rebuild the structure after the disaster.

Fig. 7 Revenue 2012-21013

| | |
|-----------------------|--------------------|
| Subscriptions | € 7.916,30 |
| bank account payment | € 8.828,00 |
| Initiatives | € 1.843,43 |
| Balance merchandising | € 1.212,07 |
| Total | € 19.799,80 |

Source: csoacartella.org

The reconstruction of the Social Center allowed the continuation of the social and cultural activities such as:

- Italian courses for immigrants
- Social garden for the elderly
- Low cost social dinners
- Events for socialization

The expenditure to rebuild the Social Center has been monthly reported and sent with the pictures of work progress by e-mail to the persons who contributed to the collective benefit. All these small initiatives involving 35-40 persons including activists or sensitive citizens, and almost 16 persons benefited from these activities directly or indirectly.

Thus a simple SPG can be subdivided into several activities to support local activities and try to solve some local problem.

The quantitative growth of projects like this could be helpful for many more families or individuals to rearrange themselves within a community structure which follows and supports them, '*small plus small plus small equals big*' (Boyle 2014).

Craft labs, may be considered two aspects of the same approach to the artisanal production of disparate kinds of manufactures including hi-tech products. Borrowing the Fab-Labs terminology, Craft labs and collective workshops can be considered as DIY, Do-It-Yourself, and DIWO, Do-It-With-Others, approaches (Gadjanski 2015).

In other terms craft labs are entrepreneurial activities and collective workshops related with concepts like co-working, sharing and cooperation.

An interesting answer to the need of resilient activities within micro-local spaces could be deduced from the growing phenomena of Fab labs and Makers network. They are interesting experiences, generally connected with hi-tech, innovation, communication and web communities, with good potentialities to engage local skills and generate resilient strategies (Herrera et al. 2018; Roberts & Townsend 2015).

An analysis of Fab-Labs and Makers network (or Makers Movement), with a focus on the factors that are most in tune with this research, it's possible to suggest some proposal, borrowed from successful strategies.

The Fab-Labs have been analyzed from different viewpoints, like innovative small firms (Bijaoui 2017), in terms of co-working spaces (Vittoria and Napolitano 2017) or as an important part of know-how sharing system, albeit on a local scale, connected with larger networks (Manzo & Ramella 2015; WorldBank 2014). Another important Fab-Labs characteristic is the participation and democratization developed in the sharing processes defining the nature of Fab-Labs (Gershenfeld, 2008).

According to the World Bank (2014) analysis, the stimulus that Fab-Labs generate at local level, shows the interactive nature of these activities.

- Supporting education through knowledge sharing
- Local industry development and entrepreneurship

In terms of engagement with institutions Fab-Labs provide :

- Commercialization and application of products and researches
- contributions to network creation to boost smart cities and waste management

In a production perspective, Fab-Labs can be considered something like a micro firm operating within the global network; in fact they generate revenues mainly from local resource-related products and services. Part of these is sold by the web; such activities are generated both in the informal and formal economy. These small and micro productions can often be part of some market niches with high value added within particular GVCs (Bijaoui 2017).

According to the analysis proposed in chapter one, the opportunities of micro enterprises, due to low entry costs covered by microcredit and low-cost capital programs, make fab-labs interesting in terms of job creation (Waldman-Brown et al. 2013). The micro-local approach can involve the innovative contribution of Fab-labs involving this tool in a wider local strategy.

The Fab-Lab may be considered a strategic resource on a neighborhood scale to reinforce social cohesion, as “social laboratories” in which to apply the potentialities of co-operation and time bank. The Fab-Labs may combine the innovation provided by hi-tech and communication tools, with artisanal know-how, developing the community identity around collective income creation.

Some experiences in Peru, Kenya, Uganda, and Ghana have demonstrated the possibility to connect the global network and grassroots artisans (Waldman-Brown et al. 2013; Herrera et al. 2018).

The original idea of the Fab-Lab is connected with the MIT experience which inspired the concept of know-how sharing, so that Fab-Labs were characterized by a strong technological imprinting.

The Fab Charter⁴ defines the nature and the scopes of the Fab-Labs, in the first three points the role of innovation and technology is quite clear;

- What is a fab lab?
Fab labs are a global network of local labs, enabling invention by providing access to tools for digital fabrication
- What's in a fab lab?
Fab labs share an evolving inventory of core capabilities to make (almost) anything, allowing people and projects to be shared
- What does the fab lab network provide?
Operational, educational, technical, financial, and logistical assistance beyond what's available within one lab

There are also some critical points about Fab-Labs, such as the tendency to create an official and unofficial circuit, in fact in the world of Fab-Labs there are informal and formal Fab-Labs, it depends on the affiliation to the official MIT, in several cases Fab-Labs are not officially part of the International Fab Lab Network; the cost of affiliation has been repeatedly mentioned as a barrier (5 thousand US dollars), the criticism also underpinned issues about technological autonomy, in terms of brands used inside the main network (Hielscher et al. 2015).

These limitations don't compromise the idea of several micro initiatives linked to a worldwide network to share knowledge, experiences or simply sell products in a parallel circuit. The other experience from which to deduct some good practice is the Makers Network. Its importance is due to the potentialities expressed by its engagement within a horizontal selling network (Waldman-Brown et al. 2013). Within the network artisanal crafts, household gadgets, and customized tools for other Makers are generally sold. Makers are generally part-time workers, or households workshops and crowd funding, microcredit and on-line marketplaces are the main channels to fund these activities often set on small scale production (Deloitte and Maker Media, 2014). So, both the small-scale production and the spread of these activities are not small at all, the total number of worlds' crowd funding transactions, estimated in 2013, was close to Five billion US dollars (Drake 2013). This means an opportunity for micro firms to product and sell all over the world, with small investments, and in this sense there is no distinction between formal or informal activities. From the point of

⁴ Fab Charter available at <http://fab.cba.mit.edu/about/charter/>

view of the present research, the main critical factors about Fab-Labs and Makers, is connected with the typologies of products; in fact, innovation and hi-tech are their main focus, but high technological value doesn't often mean high added value. The artisanal production catching a market niche can be more remunerative (Renard 199), with similar or less starting costs than a hi-tech lab. This doesn't involve being against fab-labs or similar activities, it simply involves being sensitive to the operating context, to the territory and the places, being smart and maximizing local potentialities. Thus, there are potentialities and critical issues concerning the growing phenomena of Fab-Labs and Makers Network, but by territorializing the general idea and by giving an identity to the initiatives, the results could probably be something really innovative. On account of all this the tools provided by Craft labs and collective workshops may be considered something innovative in terms of socioeconomic resilience operating within the character of the territory (Becattini 2016) creating the right synergy of social needs, economic mechanism and territorial preservation, exactly the goal of the social-environmental systems preservation (Folke 2006).

Thus the idea of craft labs is connected with several socio-economic and territorial factors as:

- The high added value of products because characterized by unique specificities provided by territorial characteristics
- The positive connections between the territory and selling opportunities provided by global networks.
- The use of local skills and knowledge

Craft labs, as micro enterprises, play an important role in local economy to create robust productive networks through community engagement (Becattini and Rullani 1993). More specifically, in local networks the community participating in the productive process, renewing knowledge and skills thanks to the sharing of processes often having an informal nature. Becattini and Rullani (1993), concerning the Italian *distretti*, hold the view that these sharing processes have played a key role in the competitiveness of local systems; active participation in the life of the local community ensured the sustainable development of knowledge, skills and specialization on which the competitive advantage of the *distretto's* companies was founded. Extrapolating the basic factors about the *distretti*, the competitive advantages could be redefined in

terms of cooperative advantages or cooperation between individuals (Becattini 2016).

Thus processes in which the entire community is constructively engaged to achieve the common socio-economic wellbeing.

The Fab-Lab and Maker Network have been investigated to highlight both the strength and weakness of experiences narrowly focused on technology, but also the great opportunities provided by networks.

The challenge is now to connect the potentialities of micro-firms with the powerful strategy of networks and knowledge sharing. Some economic data are useful to describe the potentialities of such micro firms as the craft labs.

ISTAT report (2017) shows the Italian situation in terms of firms dimension; micro-enterprises represent 95.4% of active companies and 46.8% of total employees.

Fig.8 shows the particularity of Italy, the economic structure composed by Small and Micro-firms. Micro-enterprises with no more than one employee are just under 2.5 million, realizing about 1/3 of the added value that comes from micro-enterprises.

**Fig. 8 Manufacture Exports
Number of Enterprises fewer than 10 employees**

| Micro enterprises | Intra-EU | Extra-EU | world |
|-----------------------|-------------|-------------|-------------|
| GEO/TIME | 2016 | 2016 | 2016 |
| Italy | 34,143 | 26,783 | 45,172 |
| Germany | 28,843 | 11,239 | 31,447 |
| Poland | 16,742 | 4,288 | 20,836 |
| Spain | 14,307 | 9,500 | 18,338 |
| United Kingdom | 9,232 | 7,173 | 12,440 |
| Netherlands | 8,364 | 1,966 | 8,807 |
| Belgium | 6,610 | 2,243 | 7,059 |
| Portugal | 6,369 | 2,162 | 7,358 |
| France | 5,014 | 7,303 | 9,601 |
| Hungary | 4,514 | 725 | 4,755 |

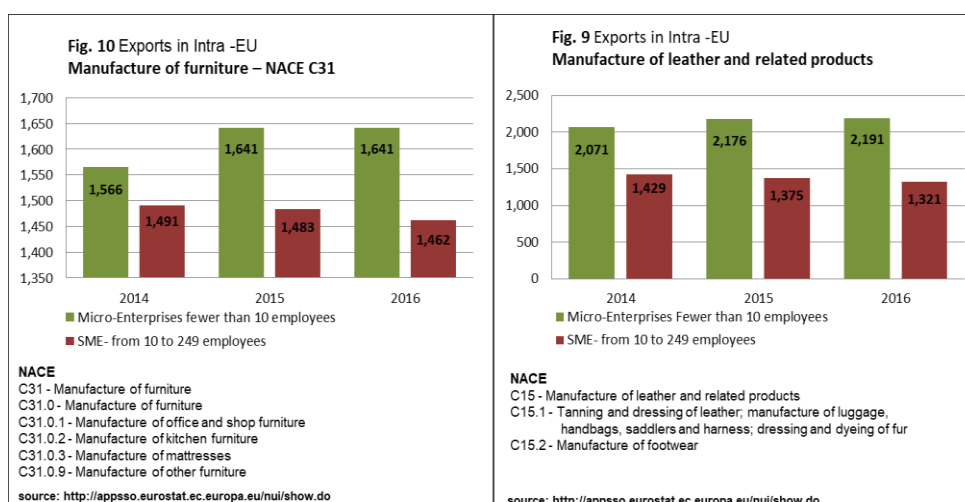
source: <http://appsso.eurostat.ec.europa.eu>

Some data, regarding enterprises' sizes and class, suggest that micro-firms are more flexible and reactive to changes, and present a certain resiliency due to their simple structure.

As discussed in chapter one, micro-firms face fewer problems such as the start costs and termination costs (Mckenzie 2006).

They are often managed at familiar level and this implies an informal nature of several relationships within the activity (Renhooy 1990; Palmer 2008).

Thus in terms of competitive advantages, some productive sectors present more advantages for micro firms than for SMEs; the charts in fig. 9 and 10 show the different trend between micro firms and SMEs, the sectors in which, small series production and high quality, are distinctive enterprise values and the size of enterprise is determinant for general costs.



The enterprise with no more than one person is generally related to artisanal production and professional repairing, which are well widespread sectors all over the national territory.

This is an encouraging point showing a robust economic structure built on the micro-enterprise and, with the right profitable perspectives for micro-local strategies.

In Italy the phenomenon of micro-enterprises describes a particular entrepreneurial situation operating as linkage between territory and social environment (Becattini 2016).

In fact, dimension is not a secondary aspect, small enterprises mean closer to the territory and more dependent on social relationships and local dynamics than big ones (Magnaghi 2017).

All these aspects describe a profitable scenario in which some bottom-up strategies are organized linking together production with social improvement.

Thus:

- The flexible structure of craft labs.
- The opportunities provided by of innovative networks.
- The democratization of technology
- the do-it-yourself culture
- The potentialities of low cost technologies
- The open-source and the sharing systems
- The connections between the productive sector and the socio-economic environment.
- The central role of territorial characteristics as productive and developing factors.
- The informal economy

All of these factors offer strategic opportunities to build a resilient socio-economic structure on a micro local scale. The micro activities (micro-firms such craft labs) represent the productive element of a more complex mechanism, an overall vision linking together several factors and tools, boosting the potentialities of informality. After we have stressed in this paragraph the importance of some elements concerning informal approaches to sectors like funding, employment, sharing, cooperation, etc., the necessary step forward is now to connect all these informal practices. As previously discussed innovation is firstly a process; a creative combination of factors to achieve radical and coherent solutions to consolidated problems, thus the innovative process, in this case, is the creation of synergy of several informal activities. Some examples of synergy:

- Informal Micro-funding can represent a community based finance tool providing funds when credit access faces difficulties helping the micro enterprises to start. The social return of these collective investments can be imagined in form of services or goods made by micro-enterprises returned to the collectivity to achieve general interests.
- Time could be used and shared to achieve common goals; each debt to the community, for instance, could be converted in work-hours, to provide services and assistance, in this case the time bank converts the debt into time dedicated to the community. This means the possibility to repay small debts without using money; it is a good strategy to eliminate some money dependency in low income neighborhood. It is, furthermore, an opportunity to develop community cohesion.

These initiatives need to be supported by workshops, assemblies, meetings and other kind of social activities to organize and manage the community activities. Thus, creating resilience is strictly connected to

the creation of specific places stimulating dialogue between the community members; the **social spaces**, in these places may be condensed the specificities of the micro-local approach.

The concept of social spaces means alternative ways of living and rethink the city and the role of common goods; physical spaces converted into social places.

The innovation also consists in original visions, new functions generating new places, thus are considered innovative, all those activities enhancing resources already available, encouraging their re-use in the perspective of common interests (Cottino and Zeppetella 2009).

Social spaces may be formal initiatives, managed through associations, neighborhood's committees or foundations, etc. and placed in private or public buildings, rented or given under free concession. More interesting, to this research, are those spaces organized in informal ways, generally occupied, such as abandoned public buildings and disused factories.

The literature about social centers is not particularly rich or adjoined, it is in many cases based on documentation consultable on web sites. The following studies specifically analyzing the phenomenon of social centers, offering an interesting point of view on these informal places:

- Piazza (2013; 2016)
the first study, describes the decisional processes and the meaning of self-manage into the social centers. The second study concerns the social centers in Catania (Sicily) and the relationships within a complex social situation of the periphery of a great southern city. This study highlighted the role of informal places into the maintenance of social relationships into the post-industrial peripheries.
- Filhol (2016a; 2016b)
The first one describes the social situation in southern Italy and the role of the social centers into the inclusion processes. The second study is particularly focused on the role of social centers within the immigration issues and their contributions to the social support to the dignity of immigrants.
- Membretti (2007)
The study is focused on the social center Leoncavallo in Milan, it describes the lack of social and cultural services in some post-industrial area of Milan, with particular attention to the management of collective services in participative and informal way.

- Mudu (2004; 2012a; 2012b)
These studies analyze both the history and the changes within the social centers 'constellation; they are currently connected through several networks, each one operating on specific social and political targets.
The politic component, and the relative ideology, are a distinctive tract of Italian social centers, even if with some differences, there have similar perspective about the social function of the socialization places.

This brief overview focusing the attention on two elements about the social centers, the socio-economic proposal and the decision tools to engage the local communities.

In my experience as architect and activist for civil rights, I visited several urban areas during the periods before and after the global crisis.

From 2004 to 2017 I travelled across the peripheries of several cities (in Italy, Europe and US) to study and analyze the "informal social spaces" and their operating contexts. They are generally occupied in areas representing the negation of urban territory in terms of relations between human and natural environment.

The neglected urban areas suffered the shock of economic cycles, the firms shut down or the failure of urban programs (De Lucia 1989), these spaces are defined "crack spaces" (Loukaitou-Sideris 1996), "infra-ordinary spaces" (Brighenti 2013) or "neglected spaces" (Carmona 2010). In several urban peripheries, the post-industrial era is made of iron skeletons and brownfields (Milano, Napoli and Taranto), closed firms around which the urban tissue is been disrupted and abandoned by institutions and markets, no more schools no more Malls, etc. but the residents are still living there, simply they haven't other chances. This discouraging picture was the typical scenario about European and Italian post-industrial peripheries and the residuals of the architectural utopias of 70-80s (Coccia and DAnnuntiis 2008; De Lucia 2013).

In neighborhoods like these, are been developed some bottom-up informal initiatives around the social reappropriation of neglected spaces.

These social spaces are typical in Europe and particularly in Italy (Piazza 2016), commonly called 'Centri sociali', the real sense is not completely translatable in social centers.

According to Mambretti and Mudu (2013) The characteristics of social centers can be grouped as follow:

- A network of people characterized by a heterogeneous socio-cultural and generational composition (although young people often predominate).
- Following different leftist ideologies and traditions by participating in a symbolic frame and a repertoire of practices, oriented towards a radical change of society.
- Sharing the same place, usually an illegally occupied abandoned building (generally in large or medium-size cities) where they: develop a collective identity; build or enlarge a local and extra-local network of movement relationships (a “movement area”).
- have an internal organization based on non-hierarchical self-management; mostly focus their actions on the dimensions of non-commodified social relations, or the possibility of being together without being in a commercial relationship, counter-cultural events and welfare services.

These spaces offer a wide panoramic about the meaning of informal spaces and their role on the social inclusion.

The places in which the social centers are placed, have symbolic significances, connected with the severe conditions of some neighborhoods.

For example the “CSA Jan Assen” is located in the south-east periphery of the city of Salerno, this social space was created 25 years ago occupying an abandoned kindergarten, as a symbol of a neglected space, returned to the community with a new social function.

The acronym CSA means Self-managed Social Center, in these years the local community recognized the importance of this place for the activities organized for the neighborhood, to share information and culture.

The main aspect is the reuse of the building to create a place in which the community is constantly engaged in active participation based on assemblies, workshops and cultural activities. In 25 years of activity the social center operated as a social pole for the neighborhood but for the entire urban area.

Another example is the “CSOA EXSNIA” (Self-managed, occupied social center) in Rome, occupied from 1995. The site is a vast abandoned industrial complex east of Termini Station, the EX-SNIA Viscosa, placed in the Prenestino a densely populated neighborhood.

The social center offering a place for the local unemployed and immigrant communities for social meetings and events, pursuing several objectives through laboratories and initiatives such:

- *Ciclofficina (bicycle workshop)*

The *ciclofficina* is a self-managed laboratory, in which people can learn how to repair their bike or build one. One of the purposes of the bicycle workshop is the sharing of knowledge; nobody will repair the bikes for money, there are some mechanics that will help people to do it by themselves. The *ciclofficina* is not a shop but a collective space to share knowledge and skills about bike repairing promoting the use of alternative transportations. The *ciclofficina* is completely free. It is financed through the voluntary subscriptions.

- *Ludofficina (toy library workshop)*

The *ludofficina* is an economic and social alternative to commercial models of schooling. Its activities are guaranteed by self-financing and common management by the people involved. The active participation can be achieved by contributing in several ways, such as participation fees (ten euro each year), the exchange of knowledge and time, the self-organization of events or initiatives in support of the play. The main goal is to guarantee accessibility without any economic discriminating. The sustainability of the project is shared with the members, in fact, the costs of participation and for the activities, the reimbursement of the operators and the purchase of the necessary materials, are normally examined with the parents and decided in a shareholders' meeting. Thus, the members of the project together with the operators will elaborate the self-sustaining and self-financing modalities of the *ludofficina*.

- *Ortofficina - OrtoInSnia (Vegetable garden workshop)*

OrtoInSnia is a shared vegetable garden, born in the summer 2011 by the donation that Fritz Haeg⁵.

It is a canned vegetable garden, which is spreading over eXSnia land, reclaiming it from industrial contamination through the production of new soil over time. OrtoInSnia is created and managed by all those who, gathered around this social project, want to make our neighborhood better, create a meeting place, where to grow our self-consumption vegetable garden and share our environmental knowledge.

This space is created and managed by all persons interested to make the neighborhood better, create a meeting place, where to grow their vegetable garden and share the environmental knowledge to the others.

- *Scuola popolare (working-class school)*

⁵ Source: <http://www.fritzhaeg.com/wikidiary/>

The Italian courses for strangers started in 1998 as one of the main activities of C.S.O.A. ExSnia, it was ideated as courses to facilitate the participation of social processes (through a perspective based on the exchange between cultures) and especially:

- The use of basic services
- Rights awareness
- Social inclusion

The courses are free and organized into different levels, including literacy courses, the school also promoted over the years:

- Self-financing initiatives and projects of legal assistance
- Training and self-training (computer science, tailoring, teacher training),
- Inter-culture initiatives.

The school, as the other initiative, is self-managed and self-funded, to provide essential services to low income people, especially to immigrants.

In some social centers the craft labs or the vegetables gardens are used to promote an alternative market.

This is the case of the CSOA Forte Prenestino , in Rome, occupied in 1986 and located in the Forte Prenestina, a nineteenth-century military site.

The social center operates in some interesting initiatives oriented to short supply-chain, income saving and 'self-income', engaging the local community of the neighborhood 'Centocelle'.

- TerraTERRA

It is a socio-economic experiment for an alternative economy; it mutually commits producers and consumers to manage the distribution chains, reducing food distance, enhancing social relationships.

The initiative is experiencing the approach based on a real and immediate relationship between producers and consumers.

A small-scale market, not a niche, spreading self-managed forms of exchange of goods, skills and knowledge within self-certification practices of food quality.

The idea is ethically focused on the mutual trust, and productive cooperation to shorten the distribution processes and the relative added costs (short supply chain).

The farming partnership, committing producer and consumer together, develop and strengthen the smallest local economies, through a productive system based on the active role of the consumer (co-producer).

- ChurmaLab

The screen printing laboratory is born from a need for self-production, its ethics is synthesizing into "di it yourself."

The idea is to communicate a personal identity and attitude through the reproduction of concepts using graphics as a tool to wear and show. This is not for advertising purposes, but to communicate ideas and projects, the main scope is to help other organization to create their graphics at a right price creating a circuit of mutual help. The laboratory aims to manage and control every process, from the project to the production and distribution of printed material with silk-screen printing technique.

The machine was completely self-produced, and the technicians are available to share their knowledge and skills to anyone interested to learn the technique of screen printing.

- ForteMente

The prevention is a basic activity to avoid pathologies and health problems, these activity is primarily focused on the psychological support, with the professional help of a psychologist, but within the initiative are proposed and promoted also health programs about nutrition and healthy lifestyles.

The initiative provides two types of services:

- A free listening desk where a psychologist can be consulted once a month.
- The possibility of psychological interviews on a weekly or bi-weekly basis.

Several other social centers may be listed, with similar activities, operating on the Italian territory, CSOA Rialzo (Cosenza), CSOA Crash (Bologna), CSOA Cartella (Reggio Calabria) etc. As previously showed the social centers are based on some specific characteristics in terms of urban problems solving, such as the raising awareness about social and environmental issues. The informal activities ensuring free access to some basic services, they may be paid by participating to the maintenance activities or make available the own skills. Social centers operate on several intervention plans within the urban territory. In terms of social issue they work for:

- Participation
- Aggregation
- Inclusion

In terms of urban places the social centers are active to investigate the political and geographical characteristics of the sites in which they are located, changing them and assigning different uses and meanings”

(della Porta et al. 2013). Often occupying dilapidated buildings, the activities made by “squatters” are focused to denounce the degraded situation of the place, offering to the neighborhood the possibility to retrain the place through a bottom-up process. That activities about are generally focused on:

- Reuse
- Refunctionalization
- Space recycling and environmental remediation
- Awareness on environmental issues

The social spaces, even if focused on the neighborhood they are connected by national networks, to share information and experiences.

The economic aspect is central into the social centers analysis, as previously discussed, both into the description provided by Mambretti and Mudu (2013) and by the exemplification provided by the CSOA ExSNIA, these places arguing the idea that the common services are more important than the monetary income (Umanità Nova 2017). The funding derives from several channels following the principle of self-financing, and “do it with others”, in the social centers are often scheduled periodic initiatives, such as dinners, cultural and artistic events (concerts, readings, projections, live exhibitions, etc.). The revenues are used to finance activities and projects.

In conclusion the social center in particular and the social spaces in general, are managed by mutual help, being not commercial spaces. The principal elements of these experiences are the active engagement of part of society, and the total refuse of the concept of assistance and subsidy.

- Mutual help
- Self-management
- Do it by yourself
- Do it with other
- Co-operation and collective actions
- Sharing of common spaces
- self-construction

These elements helping the individuals to develop a sense of community and the sense of place (Filhol 2016).

CHAPTER 6

CONCLUSIONS

6.1 CRITICAL OVERVIEW OF THE CENTRAL TOPICS.

How to build self-sufficient communities through processes of the social transformation is a complex question, thus a complex answer is mandatory. For this reason the present research analyzed the problems connected with the local development starting from the global scale, to consider all the general factors influencing the local scale. Another aspect of this study is to provide a different point of view on well-known topics. Informal economy, resilience, territory and neighborhood scale are arguments largely treated by the scientific literature but often they are analyzed separately. Some of the studies, cited into this research, grouped them into systematic investigations, but only a comprehensive analysis of all these elements, taken together, can show the origin of the structural problems connected with local development. One of the most significant examples is the co-production, Ostrom, Boyle and Cahn; they proposed innovative solutions to fix some structural problems in terms of social services access. They suggested some solutions to implement the social cohesion to address the local communities into a new perception of social services, but in some specific situations this process constitute part of a more complex solution which is also based on the inclusion of informal sectors. Analyzing the critical topics of this study, some considerations are inescapable.

Informal economy; after the analysis proposed into chapter four it can be defined as the self-manage answer to the structural changes. It is more than a convenient way to survive; it represents a great potential for alternative economic paradigms. Informality persist in being the adaptive way in which people exploiting all the resources they have around, maximizing the local capacities without compromise the future of the

place. The Informal economy is a trust based process, it provides the creation of robust social connections. On the other hand informality can be absorbed into formal economy as a low-cost sector; the shadow ring of a value chain. In these cases wholly the beneficial aspects of informal relationships are annihilated. The informal sector is difficult to quantify, because it's based on personal relationships. Moreover, quantify the economic contribution derived by the informal sectors remain the key problem. Even if the money circulation is not extremely difficult to be determined, the non-monetary contributions are difficult to quantify without a direct analysis on the community behavior. The income saving is the central pillar to analyze the innovative effect of informality. It is also one of the constitutive elements of socio-economic resilience at local scale, being connected with the informality. Analyzing the informality, the concept of innovation shift from a mere technological meaning from a process, based on 'collaboration and sharing in mutual sense, as an alternative mechanism of co-operation and bottom-up organization' (Bonomi et al. 2016).

Resilience; in this research the concept of resilience includes a certain independence by the massive need of external contributions, the resilient strategies, gradually, will make the local economies able to face up to changes, market failures and economic cycles. This implies the need to redefine the socioeconomic equilibrium, currently based on the investments attraction and subsidies. Resilience, including all the aspects concerning the territory, is considerably difficult to define. It is based on complex relationships between several factors such as social, economic, cultural, technological and geographical; these constitutive factors are the environment on which the resilience is build-up; thus, the meaning of territory is central to figure out the elements supporting the resilience. The success of the interventions is strictly connected to the comprehension of the territorial system and the reaction of this to the external factors, like economic cycles, big infrastructure, investments, etc. The resilience represents the optimization of those characteristics already owned by the territory to implement the reacting capacity to the changes. The linkages between informal sectors and resilience are

quite clear, only if the main discussions about the local development were not generally focused on the economic aspects.

Probably could be more interesting to put more attention on those studies regarding the socio-economic aspects, more complexes to analyze but better to catch the key factors to solve the structural problems afflicting the local contexts.

Territory; this is the crucial element of the study; the analysis about the meaning of the territorial dimension hasn't been considered as a specific field of analysis.

The real meaning of territorial complexity has been relegated into theoretical studies, using the technical disciplines to quantify the economic resources, planning their exploitation, not their smart use.

This research defined the territory as a complex system in which several factors acting contemporarily within an interdependent relationship; this complexity is normally ignored by the global integration process, based on a “one-dimensional complexity” connected with the linear growth (Magnaghi 2017). The one-dimensional growth introduces deep modifications on the local equilibrium, generally not rebalanced by the local economic development, in terms of material needs, generating the phenomena “urban hypertrophy” (Magnaghi 2017) . When the local production and the local economic strategies are narrowly sectorized on a single industry, the local socio-economic structure may collapse, when the sector facing a crisis (Hessink 2010). Thus economic problems mean socio-economic implications, or more simply, one-dimensional growth affecting the multidimensional socio-economic system.

The comprehension and the analysis on the complexity of the socio-economic relationships are the first step to build-up a resilient system, based on the territorial specialness. The social component of the socio-economic structure has been often considered a problematic issue to solve, not the hypothetic engine of the development. This research tried to have highlighted the importance of the social structures within the local economy, till now few studies treated the social factors as an active element into local development not only in economic terms. The social answers to the unsolved economic problems are the informality, through which is possible to trace back those characteristics identifying the territorial specificities.

Micro-local scale; as argued into the chapter four, the micro-local is not the spatial definition of some social intervention strategies; it's the minimum dimension in which the relationships which identify the territorial system are still observable. In this way the micro-local can be considered like an approach, more than a spatial dimension, it links together the dynamics of the territorial system with the influences of the global integration process. It also represents the minimum component of the urban territory, without necessarily mean a neighborhood or a block; it means a place, identified by a specific community, such a portion of a neighborhood or several parts of diverse neighborhoods connected by common elements. Certain flexibility is needed to figure out the social dynamics within the communities and the positioning on the territory. As previously debate into the specific paragraph, the resilience can be considered as a characteristic emerging by the community, and the informal economy is one of the innovative factors to analyze a resilient system. The informal economy is based on trust; the informal dynamics easily happen within the strong communities, thus the dimensions of the micro-local, coincide with the "borders" of the communities. In this way the micro-local approach can be used to investigate the socioeconomic connections identifying the community cohesion. Each community is based on specific elements; needs, values, interests, social norms, lifestyle and agreed behavior form its identity, thus the socio economic structure is based on the relationships among these constitutive elements (Coleman 1990). This means that each community, even if inside the same territorial system, has some peculiarities, some specificity, diverse from other communities. At the same time the fact to be part of the same system induces some common aspects into different communities. This is an interesting point to analyze, as structural and subjective dimension intertwine and interact.

6.2 FINAL COMMENTS

The concept of innovation investigated in this research may be considered a key element in the evolutionary process of the local socio-economic structure.

The strategies about social innovation are often linked with the usage of social capital within consolidated institutional structures, nevertheless the outcomes in the previous decades are not so encouraging.

Even if several initiatives attempted to achieve solutions to material needs such as housing, healthcare and job, the resulting effects aren't been definitive solutions, causing some dependency by subsidies and public programs (Shill 1997) or introducing collateral effects worse than the initial problems, such as gentrification, social exclusion and households displacement (Galster 2005).

The need for innovative strategies and definitive solutions are constraining to investigate new approaches to the problem solving. The examples and the analysis proposed into this chapter, shown practicable alternatives to start some transformation processes.

The overlaps of diverse strategies can provide innovative solutions for consolidated problems:

- The innovative combination of social spaces and income needs generated some micro activities (craft labs) through which gain both money (direct income) and participating to a larger community obtaining other benefit (indirect income) (Umanità Nova 2017).
- The need for healthy food, created the CPG (collective Purchase Groups) and, at the same time, the short supply-chain provided more revenues to the farmers.
- The need for credit access and the opportunity provided by the networks, not only by the web but also networks of people, associations or groups, generated creative forms of mutual help and credit access, such as crowd funding, social micro-credit, etc. The time banks 'transforms' the debit, switching money to work-hours, this guarantees solvency of the debt also to those in difficulty.

The innovations provided by the informal activities, as shown by the examples, consist of the progressive reduction of the need for money and the growth in social exchanges and relationships.

The activities based on mutual trust consolidating, have beneficial effects on the community and the sense of participation to the collective interest.

Around the social centers, the CPG or the several other bottom-up initiatives finding creative solutions to severe local problems, in the time

emerged a new idea of community and citizenship, based on the sharing more than on individuality.

Brownfields, neglected areas, discrimination, segregation, exclusion and many other problems may be fixed through the social cooperation and with the participation of every social subject.

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