During price and the formation of knowledge spillovers

During the past decades regional economic development theory focused on the concept of business cluster. The cluster theory suggests that companies that are part of a geographical agglomeration enjoy advantages that also affect the economic performance of the region to which the cluster relates (Spencer et al., 2009). It can be explained by the fact that, considering that there is a large number of companies concentrated in a limited geographical area, there is a high intensity of workers employed in the same or related sectors. In addition, there are economies of scale that lead to the acquisition of raw materials and other inputs at a lower price and the formation of knowledge spillovers between research actors and companies that are part of the cluster (Martin and Sunley, 2003).

Although it may be thought that globalization makes the location of businesses irrelevant to competitiveness on a larger scale, it is actually the opposite. In fact, globalization has made ever more fundamental to have the headquarters of the business in a place where it is possible to exploit the competitive advantages that only a group of companies can provide (MacLeod, 2001). As said by Porter (1998), “ the enduring competitive advantages in a global economy are often heavily localised, arising from concentrations of highly specialized skills and knowledge, institutions, rivalry, related businesses, and sophisticated customers”. The idea of business clusters has become fashionable among economists only in the last few decades, but it must be said that this concept is well present in the economic literature since Marshall (1890) and Schumpeter (1934). This trend is explained because the Region is suddenly appreciated as a “ unit of social life in contemporary capitalism equivalent to …

markets, states or families" and therefore it must be understood as the " fundamental basis of economic and social life" (Storper, 1993). Moreover, the construction of a specialized literature also derives from the positive appreciation of some economic principles that have already been studied for long time. The entire theoretical construction is based, in fact, on the traditional theory of localization and agglomeration of firms, on the concept of industrial district, growth poles, national or regional innovation system, territorial production complexes, learning regions, new industrial spaces, neo-Marshallian nodes, and innovative milieux (see for example, Harrison, 1992; Markusen, 1996). The synthesis of the evolution of the most popular form of cooperation, the business cluster, is provided, as already stated, by Porter and it is not only an analytical concept, but it is also the policy tool for governments, companies and other institutions (Martin and Sunley, 2003). More than a century ago, in the chapter " The concentration of specialized industries in particular localities" of the book that formalized microeconomics, Principles of Economics (1890), Marshall outlined the English industrial organization. The first conclusion the economist drew is that " groups of skilled workers … gathered" together " within the narrow boundaries of a manufacturing town or a thickly peopled industrial district". Because of the location of enterprises in a specific area, the factors of production – capital and labor – would concentrate in the same region in order to acquire their target market. Co-location thus means achieving a critical mass and the rise of some phenomena that in the long term may lead to economic growth.

The first of such phenomena is the knowledge spillover, where “ if one man starts a new idea, it is taken up by others and combined with suggestions of their own; and thus it becomes the source of further new ideas” and, clearly, within these industrial districts knowledge circulates “ in the air” (Marshall, 1890). The second key point is the emergence of economies of scale that producers can achieve through the division of labor within industrial districts. Specializing in one aspect of the value chain means that the equipment can be used at full capacity. There is no need to deal with all the individual processes and it is feasible to focus on efficiency. The third feature that can be stressed is the development of a pool of skilled workers.

It results from the choice of a significant number of companies to locate where it is possible to recruit employees with highly specialized skills and, at the same time, of workers moving to the place where it is easier to find a new job, or to swap the old company (Marshall, 1890).