

How Associationalism Affects Economic Reconvergence and Diversification

A Comparative Study of the Lorraine and Piedmont Regions

May 31, 2002

A Project by Team Beta:

Conor Crimmins
Violeta Gonzalez
Lewis Grow
Leah Kutcher
Pam Ritger
Casey Rundquist

The 1970s was a decade of economic upheaval in the Western world. The steel and automobile industries were hit particularly hard due to changes in world markets and production technologies. Lorraine, one of France's most prosperous regions during the 1960s, endured a drastic downturn in the steel industry causing a loss of 46,000 jobs between 1974 and 1984 (Evans: 82-83). Similarly, in the Italian region of Piedmont, Fiat auto faced growing financial difficulties and labor absenteeism following the Hot Autumn of 1969.¹ Due to these crises, it became necessary for both regions to undertake the restructuring of their dominant industries and the creation of a social safety net for those harmed by these changes.

Lorraine and Piedmont faced similar challenges, however, each region responded very differently in their restructuring of these primary industries and implementing policies to absorb the social shock of the dislocation caused by industrial restructuring. In Lorraine, over 40,000 workers were placed into early retirement while the national government simply watched the steel industry flee the region (Rimbert and Trapet, 1997: 3). Conversely, in Piedmont the regional government worked to augment industries beyond the auto sector while retraining displaced workers in an effort to reintegrate them into the local workforce. The fact that each region responded so differently to such similar crises begs the question: Why did each region respond differently to industrial decline?

There is a school of thought advanced by scholars like Richard Locke and Jonah Levy, which holds that one of the most powerful factors that explains divergent patterns of successful economic development is the presence of strong local associations. Through our own investigation we applied these theories to both regional cases and found that the region of Piedmont had both higher levels of associationalism and in turn experienced greater success with their social and economic policies than Lorraine. In this paper we discuss our empirical findings

and we argue that the existence of strong local associations is a necessary condition for the successful transition to a more modern regional economy.

Literature Review

Recently many scholars have begun to argue that classic neoliberal and managed economic models are insufficient in promoting economic development. One new school of thought argues that the strength and structure of local associations is the most reliable determinant of economic success. In this section we will examine some of the theoretical literature regarding the correlation between associational strength and successful economic development and how these theories apply to our own argument.

Ash Amin and Nigel Thrift argue that classic neoliberal and statist managed economic strategies are both ineffective paths towards economic development because they force states to make a choice which either enhances competitiveness in only the most capable regions or else fosters uncompetitiveness across the entire national economy (Amin and Thrift, 1995: 46-49). Instead, Amin and Thrift argue that there is a “Third Way” towards economic development, which emphasizes the role of local associations in promoting regional and national competitiveness (ibid, 50). Amin and Thrift contend that successful economic development depends on strong local associations built on: cooperation, reciprocity, the flow of information, increased “learning abilities”, and “thick” networks (ibid, 52-54).

Additionally, an important aspect of Amin and Thrift’s theory is their conception of the role of the state. They say,

Although, in most cases associations start as local enterprises, the aim of the associationalist approach must be to build actor-networks that are able to rival the networks of the powerful. Thus, the intent is always build ‘outwards and upwards’, for example from a local foundation to regional, national and even European-wide coalitions (ibid, 62).

Thus, they argue that strong associational networks will foster economic development and they contend that local associations are the seeds of strong associational ties, which may ultimately grow to include national and even supranational levels.

Similarly, in his book *Remaking the Italian Economy*, Locke also argues that local associations have the greatest impact on regional economic development. Like Amin and Thrift, he argues that economic development and successful industrial policy are built on “dense but egalitarian networks of associationalism, interest group organization, and local institutions” (Locke, xii). But unlike Amin and Thrift, Locke suggests that it is the structure of local associations that most affects the process of economic development. He says,

Associations differ in terms of their qualitative features and the way they aggregate interests. These differences have a tremendous impact on both local patterns of political and economic behavior and on the types of connections that link local interests and central policy makers (ibid, 24).

Towards this end, Locke describes three different idealized associational structures: polycentric, polarized, and hierarchical.²

Locke also suggests that the state has little or no role in the strongest types of local associational networks. Instead, he contends that the manner in which local actors respond to economic crises is always moderated by the “local context in which they are embedded” (ibid, 27).³ Thus, Locke suggests that the role of the central state is limited to that of an initiator of public policy—policy that is ultimately filtered through local associational structures. Therefore, Locke shares Amin and Thrift’s basic belief that local associations lead to economic development. Unlike Amin and Thrift, however, Locke argues that it is the structure of local associations that determines economic success rather than simple associational strength and network thickness. In further contrast to Amin and Thrift, Locke argues that the state simply does not participate in associational networks.

Finally, author Jonah Levy shares the theoretical perspective that local associations lead to the implementation of successful economic policies and that “a vibrant set of societal and local actors is essential to good governance and economic prosperity” (Levy, 1999: 11). Unlike the other authors, Levy argues that the structure and role of the state is essential to the formation of local intermediate associations. For example, he says that the high degree of centralization of the French state led to a distrust of local associations and an underdevelopment of local civil society that ultimately deprived French officials of “valuable policy resources” (ibid, 10). Additionally, he contends that the strength of local associations determines economic success, but he also argues that the state plays an active role in strengthening local associations through mechanisms like the French Auroux laws and the conscious dismantling of statist dirigist policies. Thus, Levy argues that simple policies of non-intervention are not sufficient to promote local associations. Instead, he argues that the state must actively promote local associationalism.⁴

In summary, it is important to compare the three authors’ respective theories: On the most basic level, they agree that strong networks of local associations will lead to successful economic development and the implementation of effective industrial and social policies. At the same time, each of the authors holds very different conceptions of associational strength. The inherent differences in each author’s definition of associational strength leads to varied conceptions of the role of the state. Locke argues that the state has no role in local associational networks, Amin and Thrift suggest that the national government can be an active member within associational networks, while Levy contends that the state must have an active role in fostering an local environment that is conducive to the growth of local associations. The contrasts between theories on associationalism beg two questions: Is there a causal link between associational

strength/structure and successful economic development and industrial policy; and what is the role of the state in relation to local associational networks or the promotion of local associations?

In this exercise we seek to answer these questions by applying these theories to a comparative study of the Lorraine and Piedmont regions. We view the strength/structure of local associations as the independent variable in a causal relationship with successful economic development. In the subsequent sections we further operationalize these variables and argue that these authors are all correct: successful economic development does appear to be caused by the presence of strong, polycentric networks of local associations. Moreover, the theories of Amin, Thrift, and Locke appear to be the most applicable to our cases because of the limited role that the state played in fostering local associational networks.

Methodology

The Lorraine and Piedmont regions are very appropriate regions in which to study the effect of associationalism on the success of economic development. Through the 1960s, the regions had two major characteristics in common: centralized governments and mono-industrial economies. In the 1970s, in the face of global competition, both Fiat and Lorraine steel were forced to restructure or face obsolescence.

In response to this industrial crisis, the Lorraine steel industry restructured, drastically cutting jobs and attempting to salvage what remained of the industry throughout the 1980s. By the 1990s, Lorraine had lost 200,000 jobs in coal and steel and cost the state 16.6 billion dollars in funding for 40,000 early retirement packages used to meet the necessary job cuts while attempting to maintain social cohesion in the region (Rimbert and Trapet, 1997: 2-3). Fiat responded to the crisis by implementing labor-cutting strategies such as the installation of robots, which in one shop, allowed the company to cut nearly half of the welders (Locke, 1995:110).

Fiat also utilized the Italian policy mechanism of *cassa integrazione* to reintegrate laborers into the workforce while rationalizing its production model by decreasing the number of independent suppliers with which it dealt.⁵ Given the similar challenges that each region faced, one would expect both regions to have had comparable fates. This has not been the case.

Piedmont emerged from the crisis stronger than ever. While Fiat retained a prominent role in the economy, many independent small and medium enterprises began to appear. More importantly, many of these new businesses did not rely on ties to the automotive industry for economic success.⁶ Additionally, in response to the need for further diversification actors in Piedmont cooperated to bring in new investment and foster horizontal relationships. Conversely, production of iron ore has fallen dramatically in Lorraine. The regional economy has not been able to diversify as successfully as that of Piedmont and much of its productive workforce has gone to waste in early retirement programs.⁷

Due to the disparate responses to the crises, Lorraine and Piedmont are good comparative cases for the study of the effects of local associationalism on successful economic development. Lorraine failed to save the local economy from the effects of industrial restructuring while Piedmont is still home to one of the world's largest auto manufacturers as well as prominent agricultural and textile industries. In accordance with the theoretical literature, we find that Piedmont is home to more robust polycentric associational networks than Lorraine, explaining its more successful economic development.

Our dependent variable is regional economic development, which we define as the region's ability to attain sustainable development away from the previous mono-industrial economy. Specifically, we measure this variable in terms of the efficacy of industrial and social policies that each region has implemented in the response to industrial decline.

Our independent variable is the robustness and type of associational networks in the region, defined as the strength and density of associational ties and the qualitative structure of local associations. This variable changes in terms of the presence of strong/weak associational ties as well as the basic structure of associational networks present in each region.⁸

The indicators of the variables are valid for two reasons. First, they explain the depth and scope of associationalism. Second, they measure the extent to which each region was able to achieve sustainable economic diversification and alleviate the social dislocation in the wake of industrial reconversion. In accordance with the theoretical literature we would expect that the regions containing robust, polycentric associational networks would experience higher levels of success at economic modernization. We test this causal relationship by observing how the strength and level of associationalism within each region is related to each region's degree of successful economic development.

The data we acquired is both quantitative and qualitative in nature. It was gathered through a series of interviews of the social actors conducted both in Lorraine and Piedmont. In addition, we use statistical indicators obtained from primary and secondary literature.

Case Studies

In this section, we apply the theory and methodology to the cases of Lorraine and Piedmont. The discussion is divided in two parts: the restructuring of the dominant industry and the diversification away from a single industry.

Case 1: Restructuring—The Process of Revitalizing the Dominant Industry

The following is an account of how changes in associationalism affected the ability of the dominant industries in Piedmont and Lorraine to restructure successfully. We find that Fiat, restructured successfully due to a growth in associationalism within and between unions,

business, and the regional government. Steel in Lorraine failed for the opposite reason. In this process, the central states of Italy and France were not able to affect restructuring in a positive way except by providing funds for displaced workers. In France, the lack of cooperation necessitated state intervention, while Italy, state funds were used in a more constructive manner.

The Independent Variable

Concerning the growth of associationalism in the dominant industries of Piedmont and Lorraine, there are three parties to consider; labor, capital and the regional government bodies. In Lorraine none of the relationships between the three parties changed significantly. In Piedmont, both labor and capital became more associationalist. The regional government role is held constant. In the 1970s, both Lorraine and Piedmont fall into Locke's polarized model. Only Piedmont, however, develops polycentric associationalism.

Labor exhibits anti-associationalist tendencies in Lorraine. The CGT has historically been a militant union with close ties to the French communist party.⁹ On the shop floor, unions were unconcerned with cooperation through works councils and CGT members in plants were used for militant organizing purposes and exercised little control over plant workers (Kesselman et.al., 1984: 65-67) The CGT itself worked almost exclusively with the French Communists (PCF) towards electoral ends. The basic capitalist relation of wage labor was the only link in the region between capital and workers.

Though moderates advocated cooperation with steel barons, their ideas were unpopular in Lorraine.¹⁰ The adversarial nature of industrial relations in Lorraine manifested itself most clearly in the response of the local unions to the announcement of job cuts in 1979. In that year, tensions peaked with massive demonstrations of up to 80,000 workers (Le Monde Diplomatique, 1997: 4-5). Overall, the struggle lasted five months but only because the French government

announced a stay on jobs cuts. In the end it took two years before labor in Lorraine admitted defeat and acquiesced to job cuts. During this period, owners and workers never met to discuss a cooperative strategy to end the crisis. Statistics on works council elections during period correspond with the anecdotal evidence presented above.¹¹ From this we see that the CGT and its confederated unions have not become more cooperative since the crisis.¹²

In Piedmont, labor union structure and policy exhibited similar tendencies until the crisis of Fiat in 1980. The General Italian Confederation of Labor (CGIL) and its confederated unions were very uncooperative. In turn, Fiat managers segregated union members in Turinese plants (Locke, 1995: 121). However, in the 1970's participation by confederated union members in works councils rose. On the ground, both union and non-union members voted for confederated candidates (Ruyssveldt and Visser, 1996: 272-274). This phenomenon occurred without aid from the national offices of the CGIL. Thus, when the crisis ensued, the CGIL turned to militant strikes rather than cooperation with Fiat for cooperative solution.¹³

When Fiat announced 48,000 job cuts in 1980, the CGIL authorized a general strike in the city of Turin (Locke, 1995: 124). However, after only three months of conflict, 40,000 blue and white-collar workers in conjunction with Fiat managers crossed the picket line and broke the strike (ibid. 124). This defeat marginalized the CGIL in Turin for the next few years. With the CGIL out of the picture, Fiat workers formed their own organizations and cooperated with Fiat on wage and pension concessions as well as worker retraining through the *cassa integrazione*. After the restructuring plan was completed, the CGIL and confederated unions began to gain influence again. Statistics on works council elections and the CGIL back up this anecdotal evidence.¹⁴ In the face of a decline in membership, the CGIL has undergone resurgence in plant level influence.

In the face of crisis, Fiat moved from hierarchical control of its component suppliers and the service sector to a position of partnership with both. Aldo Enrietti, Professor of Economics at the University of Turin, observed that before its crisis Fiat maintained a dominant position in relation to its suppliers.¹⁵ During the crisis Fiat managers realized that this system was unsustainable in the face of competition from innovative Japanese firms. Starting in 1980, Fiat began a process of devolving responsibility for innovation and production to its primary, and to lesser extent, secondary suppliers. This evolution is still in process today.¹⁶ This change amounts to the development of a collaborative practice between Fiat and its suppliers. In the 1990s, Fiat also took a more associationalist approach to civil society by privatizing its services.¹⁷

The contrast with the Lorraine steel complex is stark. Until privatization in 1987, French steel in Lorraine was unwilling to cut its reliance on traditional links. Since its inception after WWII, steel production in Lorraine relied on ore and coal from the region. Steel managers were unwilling to rethink the entire process of steel production in Lorraine. No attempts were made to increase the efficiency of small firms related to steel technology. Also, the issue of raw material provision was not addressed until privatization in 1987. Usinor, the newly privatized company, quickly divested even further from Lorraine, moving towards coastal regions and Luxembourg. Like the French managers, Usinor made no attempts to decentralize responsibility for technological innovation to SMEs in Lorraine. Control of the service sector simply faded with time.

The third major actor discussed in the associationalism literature is regional government. In the French case the regional government plays no role. It did not even exist until 1982. After the creation of the Lorraine regional council, it played (and still plays) no role in the steel industry. In Italy however, a young regional government played an important role in the Fiat

crisis by adjudicating the implementation of the cassa integrazione. This made it impossible for Fiat to mistreat its workers, who had no protection from an official confederation. It also provided space for discussion between the two parties. Today, the role regional government provides a forum for discussion between the many SMEs, NGOs, unions, and managers concerned with the present crisis of Fiat.

To summarize, in Piedmont, both labor and capital became more associationalist after the crisis, while in Lorraine these actors did not change. The role of the state was constant in each case.

The Dependent Variable

We will discuss the link between changes in the independent variable and the dependent variable based in two areas, labor market programs, and success in restructuring the dominant industry. In the two cases there are very different outcomes. The associationalist approach taken in Piedmont leads to a more productive use of displaced workers and a more successful restructuring. The conflictual approach in Lorraine leads to wasted workers and the lack of a solution to the crisis of the steel industry.

To deal with massive redundancies, different labor market policies were employed. Steel managers and the CGT did not cooperate to deal with the problem. Instead, the French state simply put redundant workers aged 45 years or more on an early retirement program.¹⁸ Contrast this with the cassa integrazione. As stated earlier, the cassa integrazione is an Italian national law that provides funds for retraining and supplementing the income of displaced workers. The regional governments, who force workers and capital to form a common plan to deal with redundant workers, administer the national funds. Through an associationalist approach, actors in Piedmont dealt with the problem of redundant workers in a more efficient manner.¹⁹

Discussing the effect of associationalism on the ability of the dominant firm to restructure is a bit more difficult. This is because the international steel industry simply had, and still has, more problems than the auto industry. However, we know that Fiat was more successful in dealing with the crisis than Lorraine steel. Fiat's process of devolving responsibility for innovation and production to suppliers has been relatively successful. Aldo Enrietti notes, "between 1990 and 1997 independent firms more than doubled their share of the export market, also showing extensive growth in non-automotive sectors – essential diversification for firms that otherwise sell 50% of their production to Fiat (Enrietti et al., 2002: 4-5)." In conjunction with production changes, these firms overall employment of managerial and technical staff increased from 17.5% to 21% over the same period (ibid: 6). Also, small firms that fell out of the Fiat supply chain were able to integrate themselves in other global supply chains. By 1997, 17% of their sales went to foreign original equipment markets (ibid 7). Today, firms that Fiat once owned are on the cutting edge of engine making, robotics and auto design.

In contrast, the legacy of steel in Lorraine has left nothing except empty factories and some 2.000 jobs in the few remaining steel mills (Le Monde Diplomatique, 1997: 8). The legacy of mistrust led to no new productive investment in Lorraine steel after the crisis. Instead, after the creation of Usinor, production was shifted to coastal plants in Dunkirk and Fos-Sur Mer, as well as Luxembourg. Instead of encouraging research and development of innovative steel technologies in Lorraine, funds were squandered. When privatization occurred, there was no reason for Usinor to stay in Lorraine. It had nothing to offer except low quality ore and coal. French steel managers had done nothing to encourage innovation over their half decade of control. The CGT gave them no reason to try.

From this discussion, it is clear that changes in the practices of Fiat and the CGIL allowed for a successful restructuring, while an unwillingness to change in the steel industry and the CGT allowed for no success in restructuring.

Case 2: Diversification—The growth of new enterprises outside of the dominant industry

Here we discuss different strategies pursued by various actors in order to diversify the economies of Piedmont and Lorraine. In Lorraine, since decentralization in 1982, the regional council has worked to attract multinational corporations as well as foster the growth of small and medium sized firms. In Piedmont, especially in the 1990s, many different bodies have attempted to do the same thing. Both have had access to large amounts of state funds. However, the Piedmont region has enjoyed a much higher success rate in attracting multinational investment and fostering small and medium size enterprises that last.

The Independent Variable

Ironically, the first attempt to foster economic diversification after the steel crisis in Lorraine was undertaken by the Sodie Company, a subsidiary of Usinor. This occurred soon after privatization in 1987. Sodie offered subsidies for redundant steel workers to invest their redundancy pay in service sector firms. This unilateral attempt led to the creation of many firms that were wiped out after Usinor began further divestment. The next large attempt to foster diversification in Lorraine was The Longwy European Development Zone (LEDZ).²⁰ Since LEDZ, the main role of the Lorraine regional council has been to attract multinational investors with subsidies as well as the promise of a strategic location in the European market. This approach has created animosity between the regional council and the CGT. For example, Guy Lattier, Lorraine Regional Council Vice President, lamented the fact that weak and militant labor

organizations make Lorraine less attractive to multinationals, while the CGT accused the Regional Council of being wholly unconcerned with the plight of the working man in Lorraine.

In Piedmont, the regional government and related development organizations tend to take a more two-pronged approach to economic diversification. The effort to attract MNCs is led by Investments in Turin and Piedmont (ITP), a non-profit agency created and backed by the regional governments, banks, and enterprises within Piedmont.²¹ ITP works with local SMEs to provide the necessary high quality components MNCs need. Local universities are utilized to design specialized curriculums in order to provide skilled labor for MNCs. Banks are recruited to provide any necessary credit. Finally, the regional government provides the final necessary subsidies needed to begin the introduction process of the new MNC into the Piedmont economy. Additionally, in Piedmont there is also an unrelated effort to encourage the growth of local SMEs. This effort is largely manifested in the use of territorial pacts.²² The first territorial pact occurred in Canavesse, an area in the province of Turin (Piedmont Region), in 1997. Starting in 1995, this area experienced a mini crisis.²³

In general, regarding Piedmont, more actors cooperated in the diversification process, while in Lorraine, action was largely unilateralist in nature.

The Dependent Variable

In Lorraine, unilateralist strategies by the regional council have met with little success.²⁴ Though multinational investment has been attracted, this type of investment tends to have an impermanent nature.²⁵ Multinationals invest in Lorraine due to the regional government's abundant amount of subsidies and the region's central location. However, once product lines become obsolete. MNCs abandon Lorraine for other regions willing to provide greater subsidies. This flight of capital is due to the lack of associational ties created between the Multinationals

and the region. The contrast with Piedmont is stark. ITP has a reliable track record of tying multinationals down through skilled labor and innovative component manufacturers.²⁶ Aside from the success of ITP, territorial pacts have been very successful in the creation of SMEs.²⁷

The success of Piedmont is explained by the multiplicity of actors cooperating in the process of diversification. In Lorraine, relative failure is due to the weakness of unilateralist approaches.

Conclusion

This empirical evidence suggests that there is a strong causal link between the presence of strong, polycentric associational networks and successful economic development. As our first empirical case on industrial restructuring suggests; militant labor unions, a hierarchical steel industry, and an impotent regional council forced the local steel industry to flee Lorraine at a tremendous social cost measured in unemployment and early retirement. Conversely, in Piedmont there were cooperative labor unions and coordinated industrial relations between labor, Fiat, and the Piedmont Regional Council. In turn, these stronger, polycentric networks of local actors allowed Fiat to modernize while devolving responsibility to independent SMEs and engaging labor in cooperative negotiations for retraining programs through the *cassa integrazione*.

The presence of strong, polycentric networks of associations in Piedmont allowed Fiat to effectively modernize and restructure while labor and the regional government were able to minimize the social costs through cooperative policy mechanisms. Similarly, strong levels of local, polycentric associationalism also appear to have helped Piedmont progress farther than Lorraine in the diversification process. In Lorraine, a series of powerful corporate actors undertook uncoordinated efforts at diversification. The result has been a failure to diversify and

an increase in subsidies from the national government in an effort to prop up dying industries and attract impermanent capital. In Piedmont however, the local government has worked in concert with corporations, non-governmental institutes, and local universities to help attract sustainable investment in sectors outside the auto industry. The success of these programs can be measured through the number of new, profitable small and medium sized industries in Piedmont outside of the automobile industry.

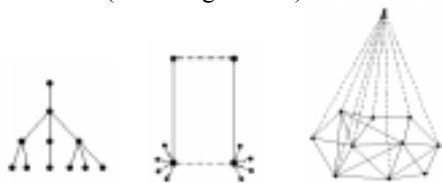
These empirical findings clearly support the theories of Locke, Levy, and Amin and Thrift. Just as all three authors would predict, economic development has been more pronounced in Piedmont—the region with stronger networks of polycentric associations. Moreover, our empirical findings also suggest that Amin and Thrift and Locke’s conception of the role of the state is more accurate than that of Levy. Both the Lorraine and Piedmont cases demonstrate how national policy is filtered through the strength and structure of local associations. In Lorraine, where local associations are weak and hierarchical, national policy was unproductive resulting in simple early retirement programs. In contrast, in Piedmont, where local associations are stronger and polycentric, the national government was one of many actors that helped articulate policies like the *cassa integrazione*, which ultimately have proven more productive for labor and industry.

We conclude that all three authors are correct in their basic assessment that networks of strong/polycentric local associations lead to economic development. Moreover, we also find that Amin, Thrift, and Locke are the most correct in their assessments of the role of states as a peripheral member of local network or basic initiator of policy. These findings ultimately suggest that networks of strong, polycentric local associations are a necessary condition preceding any sort of productive regional economic development.

Notes

¹ For example, in 1973 the company faced a daily rate of worker absenteeism rate of 19 percent and was unable to sell 300,000 units (Locke, 1995: 107).

² See Locke (1995: Figure 1.2).



Hierarchical Polarized Polycentric

Locke argues that there are three idealized forms that local sociopolitical networks will take: polycentric, polarized, and hierarchical. Locke defines Polycentric systems as those “characterized by a dense network of encompassing and open associations and interest groups that are linked to one another through many horizontal ties.” Moreover, Locke envisions these polycentric networks as more cooperative and open, essentially creating an atmosphere that is conducive to communication and where conflict is settled through third parties. Additionally, Locke suggests that the state has a very peripheral role in polycentric associational structures. He says, “the horizontal ties linking local actors to one another [in polycentric networks] are stronger and more numerous than any connections linking local interests to central authorities or national representatives.”

In contrast, Locke defines polarized local economies as systems “characterized by a small number of more parochial and organizationally underdeveloped interest groups and associations usually clustered together into two opposing camps.” Locke argues that cooperation between these two camps is rare since conflict usually degenerates into a zero-sum conflict. Moreover, he suggests that national interests will often have stronger ties to local actors in polarized systems, often using them as proxies for larger issues at the national-level.

Finally, Locke defines Hierarchical systems as a hybrid between polarized and polycentric models. He says, “[hierarchical local economies] may be characterized by numerous organized interest groups and associations, but the linkages among the local actors are fragmented and hierarchical. As a result, information does not flow freely among local actors but rather is limited to communications between actors linked by vertical ties.” Locke contends that cooperation is virtually non-existent in hierarchical systems as all conflict is settled through “top-down decision making.”

Locke concedes that these “ideal-typical patterns” are not absolute. However, he suggests that most local networks will resemble one of his models. Although his definitions are very objective, polycentric systems would constitute the “best” types of local associationalism in this exercise. (See Locke, 1995: 25-28).

³ Locke argues that local firms and other actors are capable of responding in a variety of ways to identical public policies (ibid, 21).

⁴ Levy argues that the state must actively foster the creation of local intermediate associations through active, pro-association policies. He says, “reviving civil society requires more than a policy of benign neglect or state withdrawal. The solution is not less state but a different kind of state—an empowering state, a state that gives societal and local actors the financial, regulatory, and institutional means to assume their responsibilities” (ibid, 12).

⁵ Cassa Integrazione Guadagni was a social shock absorber that allowed restructuring to “be handled with relative ease” (Eironline). In 1980 alone, they placed more than 20,000 employees in the program.

⁶ For example, today at least 50 percent of small and medium enterprises in the Piedmont region are no longer directly linked to the Fiat supply chain (Piedmont Regional Council)

⁷ Lorraine’s output of ore fell by 65 percent between 1974-82 (Evans, n.d.: 81). Furthermore, the tertiary sector is lagging behind in Lorraine and SMEs are still under represented (Regional Policy-Infoforegio).

⁸ Specifically, we will combine Amin and Thrift’s emphasis upon dense social networks with Locke’s qualitative models of associational structures (See Amin and Thrift, pp. 50-54. and Locke pp. 25-28).

⁹ During the 1960’s and 1970’s the CGT employed a strategy called “Defensive Unionism” in Loraine. This meant that the CGT was unconcerned with bargaining on the shop floor or even on the industry level with owners of capital. Instead, in order to win wage and pension concessions, it organized strikes. The purpose of this strategy was to attract French State intervention in the labor market. This strategy was largely successful and contributed to the problems of Loraine steel by increasing labor costs. It also furthered PCF ends by agitating laborer against the capitalist system (Kesselman et. al. 1984: 64).

¹⁰At the national level CGT leaders proposed a new model of action called "Proposition Force." At the 14th annual congress of the CGT, in 1979, these "Proposition Forcers" advocated a decentralization of CGT action. Specifically, this meant working for agreements with owners of capital at the plant level. They proposed a plan to deal with the steel crisis that included necessary job and production cuts along with investment in new high-tech methods of production and retraining for displaced steelworkers. Though these ideas were popular at the congress, the CGT base did not accept them. Especially in Lorraine, the history of adversarial industrial relations provided infertile ground for new ideas (Kesselman et al. 1984: 67-68).

¹¹ Amin and Thrift mention the works council as an important form of associationalism. In France, all enterprises of 50 employees must allow worker representation through elections to their board of directors. These representatives have little power but are important in fostering cooperation between capital and labor. However, votes for non-union members are negative for associationalism because non-union members have no connections outside of the enterprise. Between 1977 and 1995 the percentage of CGT votes in works council elections has dropped from 37.4 percent to 24 percent. Non-union candidates have gained from these losses, with an increase from 18 percent to 27 percent over the same period (Ruyseveldt and Visser, 1996: 92-95).

¹². This statement is backed up by an interview with the CGT. They stated that the CGT was still opposed to any restructuring of the steel industry. They also, reaffirmed the CGT's commitment to ""defensive unionism."

¹³ In 1979, moderate CGIL members within Fiat met with moderate Fiat managers in secret to discuss a cooperative solution. When the CGIL got wind of this meeting, it marginalized the participants and prepared for conflict.

¹⁴ From 1980, the percentage of votes gained by major confederations has consistently risen. In 1995, major confederation won roughly 90 percent of the votes. CGIL participation was notable (Ruyseveldt and Visser, 1996: 280-281). This trend has continued according to an interview with the CGIL.

¹⁵ Component manufacturers were very beholden to the dictates of Fiat managers. There was little room for suppliers to innovate (Enrietti et al., 2002: 7)

¹⁶ In 1982, 50 percent of components for Fiat cars were externally produced. 30 percent of design occurred in outside firms. In 2000, 72 percent of production and design occurred in external firms (ibid, 9-10).

¹⁷ ISVOR, Fiat's former education service provider, became a private company that provides training for a myriad of different enterprises in the region. Fiat finances many engineering degrees at the local universities. Also, Fiat profits have gone largely into San Paulo bank. San Paulo bank cooperates with SMEs and regional government agencies to provide subsidized credit for investment in the region. This comes from an interview with Aldo Enrietti.

¹⁸ Pre-retirement provided redundant workers with 80 percent of their salary until they reached the age of 60. Only one worker and eight rejoined the labor force with a part time job. Upwards of 20,000 steel workers were placed on this program (Le Monde Diplomatique, 1997: 6).

¹⁹ In 1980, 20,505 Fiat workers were placed on the Cassa Integrazione. By 1986 only 1,915 remained. Over half of these were reintegrated in the Piedmont work force (Locke, 1995: 114)

²⁰ LEDZ combined EEC and French state funds, under the administration of the Lorraine regional council, to attract multinational investors. LEDZ provided subsidies of up to 34 percent of investment costs with little constraints and promises of no labor union involvement (Le Monde Diplomatique, 1997: 11-12).

²¹ LEDZ combined EEC and French state funds, under the administration of the Lorraine regional council, to attract multinational investors. LEDZ provided subsidies of up to 34 percent of investment costs with little constraints and promises of no labor union involvement (Le Monde Diplomatique, 1997: 11-12).

²² Territorial pacts derive from an Italian law set up in 1995 based on the example of EU structural funds. This law authorizes the creation and funding of bodies within a region in order to develop SMEs. A body of regional actors, both private and public can apply for this money. The Italian state grants funding if they pass an examination of their plan (Interview with Piedmont regional government).

²³ Due to changes in the global market, Olivetti, a local designer and manufacturer of typewriter components was forced to cut employment in half (from 1300 to 6500 workers) in just a few years. In order to deal with the social fall out from these jobs cuts, the province of Turin, in conjunction with 123 municipal, Olivetti and its component suppliers, established the Canavese Area Territorial Pact. On March 21, 1997, the Italian state authorized 100 billion Lira for the use of this group. Seventy percent of this money was meant for entrepreneurial support, the other thirty 30 percent for infrastructure works (The Canavese Teritorial Pact, 1998: 4-6).

²⁴ From 1985-1995, the LEDZ created only 40 percent of the 5,500 jobs planned. The LEDZ had its greatest success in attracting Asian metallurgical firms interested in bypassing EU tariffs and gaining a strategic location in the European market. Outside of the LEDZ, The regional council has been able to attract 40,000 jobs in auto manufacturing, electronics and plastics (Le Monde Diplomatique, 1997: 11-12).

²⁵ The case in point is JVC. In 1988, JVC built a plant in Lorraine with 5 million dollars in aid from France and the EU as well as free land and a free factory. However, in 1996 JVC's production line in that plant became obsolete and the company moved to Scotland after the Scottish government promised greater subsidies than the French and Lorraine governments were willing to provide JVC in efforts to retain the company in the region (Interview with Gerard Sautre).

²⁶ Paolo Cardinni, General Manager of ITP, insists that Piedmont does not have the same Multinational flight risk problem of other regions because the companies that invest in Piedmont are tied to the region through qualified labor, an active and supportive regional government, and a strong network between new investment companies and preexisting enterprises within the region.

²⁷ Between 1998 and 2002, territorial pacts have aided the creation of 10,000 new jobs in SMEs that export 45 percent of their production. The provincial governments abilities to coordinate successful territorial pacts is astounding in Piedmont. Of the eighteen territorial pacts in Piedmont everyone has met its specified minimal goals for the region and most have well surpassed them (Interviews at the Piedmont Regional Government).

Bibliography

Amin, Ash and Nigel Thrift. 1995. "Institutional Issues for the European Regions: From Markets and Plans to Socioeconomics and Powers of Association," *Economy and Society* 24:1 (February): 41-66.

Bianchi, Ronny, Aldo Enrietti, and Renato Lanzetti. 2001. "The technological car district in Piedmont: definitions, dynamic, policy." *Int. J. Automotive Technology and Management* 1:4. 397-415.

EIROOnline. 2002. "Italy's System of Social Shock Absorbers Examined." URL: <http://www.eiro.eurofound.ie/1998/02/feature/IT9802319F.html>

Enrietti, Aldo, Massimo Folis, and Josh Whitford. 2002. "Improving Performances at the Second Tier of the Automotive Supply Chain: Fiat's "Guided Improvement" Program in Comparative Perspective." Paper to be presented at the GERPISA International Colloquium, Paris, June 6-8, 2002.

Europa. 2002. "Objective 2 Programme for the Lorraine Region." URL: http://www.europa.eu.int/comm/regional_policy/country/prordn/details.cfm?g...

Evans, Ifor. "Powerhouse in Decline." *The Geographic Magazine*. Date Unknown. 78-83.

Italy: Employment Action Plan. April 1998. Regional Employment Centers.

Kesselman, Mark and Guy Groux, eds. 1984. *The French Workers' Movement: Economic Crisis and Political Change*. London: George Allen & Unwin.

La Lorra, Sightseeing in Lorraine. 2002. "Lorraine in Facts and Figures- Conseil Régional de Lorraine." URL: <http://www.cr-lorraine.fr/English/facts.asp>

Levy, Jonah. 1999. *Tocqueville's Revenge: State, Society and Economy in Contemporary France*. Harvard University Press.

L'Invité Lorraine.2001-2002.

Locke, Richard. 1995. *Remaking the Italian Economy*. Ithaca: Cornell University Press.

Mudd, Tom. 2002. "Italy's Industrial Corridor." URL:
<http://www.industryweek.com/CurrentArticles/asp/articles.asp?ArticleID=1055>

Rimbert, and Trapet. October 1997. "After the Steel Closures: The Longwy Commune." *Le Monde Diplomatique*. Accessed 2002.

URL:http://mondediplo.com/1997/10/longwy?var_s=Lorraine

Van Ruysseveldt, Joris and Jelle Visser, eds. 1996. *Industrial Relations in Europe: Traditions and Traditions*. London: SAGE Publications.