

Specialization or diversification of local production systems?

Size matters

by Riccardo Persio | Lelio Iapadre | Fabrizio Colantoni | Massimiliano Parco | Università degli Studi di Enna "Kore" | Università degli Studi dell'Aquila | Università degli Studi di Roma "Sapienza" | Centro Europa Ricerche (CER)

Abstract ID: 81

Inviato: 14/04/2022

Evento: XX Workshop Annuale SIEPI

Argomento: 10. Internazionalizzazione, competitività e catene globali del valore

Parole chiave: Specialization, diversification, innovative approach, regional development, regional economies

Specialization or diversification? The theoretical and empirical literature on the economic growth of regions and local production systems has investigated the linkages between the economic development of a territory and the structural features of its specialization pattern. Several analyses have highlighted how a gradual diversification of the economic structure of a region can support its growth and reduce its vulnerability to external shocks. Others continue to emphasize the importance of specialization along the region's comparative advantages.

This study aims at contributing to this empirical literature by exploring the idea that the choice between diversification and specialization might depend on the economic size of the production system. The underlying assumption is that an effective diversification process requires a minimum endowment of productive resources, which makes the "critical mass" necessary to expand the basket of comparative advantages of the region.

We use data on merchandise exports of the 107 Italian provinces (NUTS-3), disaggregated according to the statistical classification of economic activities in the European Community (NACE Rev.2). The level of disaggregation chosen (3 digits NACE Rev. 2) is the maximum available in the ISTAT statistical sources and allows the identification of 104 manufacturing sectors. The analysis covers the period from 1991 to 2021.