

The impact of creative industries in the process of development after trauma

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Abstract

In history of states and societies, there are milestones that fundamentally alters their future. Whereas victories, innovations and scientific advances lead to prosperity and happiness in society, factors like epidemics, natural disasters, moral corruption or wars which will be focused on study cause grief, turmoil, and collapse. The major transformative events of the 21st century for societies were The World War 1, particularly The World War 2. The remainder of them are millions of deaths of people, irreversible destruction against nature, famine, hunger and misery. After Second World War, two great powers United States and Soviet Russia shaped the world policy by creating a bipolar world. The world was divided into a US-led Western Bloc and a Soviet-led Eastern Bloc. It is called Cold War Era which will last until 1990s. War unsettled the balances, radically changed the peoples' social, economic and political lives. The new nation-states emerged, empires and countries collapsed. After that, states developed various economic recovery strategies. Little government achieved development by adapting changing conditions in this process and survived. Throughout history, economic growth models are constantly changed depending on evolving conditions. When it comes to 20st century, along with globalization, concepts such as innovation, creativity, knowledge-intensive sectors revealed. Industries in which individual creativity and talent became an economic value and created employment and prosperity defined as creative industries. In the study, the impact of the creative industries in the process of development after trauma will be examined. It will be discussed that the economic development model can be created for today's countries which are still under the sway of trauma and become more and more dependent. To do this, economic development of West German will be compared in the historical process.

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1. Introduction

History shows us that all nations may rise and fall due to several reasons. After the collapse “(their) governments lose credibility, and the continuing nature of the particular nation-state itself becomes questionable and illegitimate in the hearts and minds of its citizens (Rotberg, 2003)”. In some cases collapse may occur collectively; involved the vast majority of the world's nations, as in World War II. Another important point about collapse is the new revival experienced after the collapse (Togay and et al., 2015). One example is *Wirtschaftswunder* (economic miracle) which refers to rapid reconstruction and development of Germany after wartime devastation.

This study is about the recovery and reconstruction of German economy after WWII through investment on technology and creative industries. But before this debate, it would be useful to provide limited information about the economic structure of pre-war Germany starting from 19th century.

1.1. 19th Century to 1914

In the 19th century, Friedrich List (1789-1846), the founding of economic nationalism, was one of the leading names that mark for the German economy. According the List the power of producing wealth is therefore infinitely more important than wealth itself (List, 1856). To achieve wealth, List defined the role of the state as a protector of the national productive powers. List defined wealth which created not merely by material capital but by the interaction between material capital and man's skills, industry and initiatives (Levi-Faur, 1997). In this approach, the role of the state was gaining importance, especially in the infant industries against free international trade. Because according to him a real sense of international free trade cannot be achieved due to the divergence of the development levels of the nations. So infant industries are needed to be nurtured and protected by the state for the development. When the development reaches a certain level, protection on these industries should be reduced cautiously for integration into the world trading. However, according to List it was necessary that all branches of industry be equally protected. Preference on protection should be used rather than on the manufacturing industry as an engine of growth. Through this approach List's theory was similar with a sense of unbalanced growth theories. The essence of unbalanced growth theories based on the development of few leading or strategic sectors in short span of period under less amount of capital accumulation. Generally, Friedrich's infant industries show similarity with the leading sectors of unbalanced growth theories. Because these leading sectors constitute the core of the development due to their both strong forward and backward linkages with other industries. In the year 1870 List's *The National System of Political Economy Theory (Das Natürliche System der Politischen Ökonomie)* has become a fact of German economic policy. Although this based the capitalist competition, states are given the possibility of regulatory intervention.

1.2. 1914 to 1933

After 1870 major industries were founded influenced by the List that led to the full-fledged industrialization of Germany. By 1914 Germany had become Europe's most powerful economic power, however after WWI and defeat Germany's economy was in ruins. The terms of the Treaty of Versailles ordered to pay huge sums (269 billion Marks) in reparations which they could not pay. In response, French and Belgian troops occupied the Ruhr River valley for raw materials as coal and steel. The

government began printing more money to pay its debts and anxious workers, it resulted as an astronomical hyperinflation. Under the pressure of hyperinflation the government started printing new marks called *Rentenmarks* to replace the old *Papiermark* and to stable value relatively. For the remained the problem of reparations a payment plan was introduced and the USA loaned Germany huge sums of money. The loaned money paid as reparations to other European nations. This resulted as rebuilt in economy and hyperinflation and unemployment begun to decrease. After the Wall Street Crash in 1929, US economy 1933 to 1939.

1.3. 1933 to 1939

At the end of a long struggle and with the political opportunities of The Great Depression, Adolf Hitler became reichs-chancellor in 1933. Hitler needed the economic stability to achieve his political objectives. So he directly intervened in the economic system by the help of being a concentrated power centre. Nazi regime first tried to fight deficit spending policies by large public works programs under the name of Reinhardt Program. The regime focused on infrastructure development financed by tax reductions and public investments. At the end of 1930s, free market policies were abandoned and the market regulated by political directive. At the end of all this economic policies, Germany had full employment at relatively stable market prices to guarantee rearmament goal. Labour unions are banned in 1933 and wages were kept low interests of big business. The rationale for such a policy was to get the continuous support of the business cartels and to ensure the continuity of military production. Foreign trade policy was based on the partial supply of raw materials. Later, to overcome the demand for raw materials, it is planned conquer central and eastern Europe. The intention lies behind all this efforts was the autocracy target in Lebensraum (living space).

1.4. 1939 to 1945

With the beginning of the resource saving Blitzkrieg attacks, Germans captured Poland, France, the Netherlands, Denmark and Norway to seize raw materials for war production. Occupied countries became taxpayers to support German war effort. Military expenditure rose up to 55% in 1942. According to the *Grüne Mappe* (Green Map) central region of Russia is planned for food supply of Germany. Yet the Operation Barbarossa (Nazi Germany's invasion of the Soviet Union) failed due to harsh winter conditions and lack of resources, the course of the war began to change. Nevertheless, in 1941 Germany declared war on US. After Blitzkrieg victories, German economy motivated into a total-war economy. After total-war economy decision, Nazi Regime focused more concentrated control over the entire German industry and labour force. This approach has led to the doubling of German production. However, this increase in production was not enough for total war and failed to sustain for long-term war at two different fronts.

1.5. After post WWII

In November 1945 the Allied Control Authority has formed and kept the economic policies (price rent, wage controls) of the Nazis in place. Germany was divided into two (West-Allies Occupation, East- Soviet Occupation). The division of the country caused a big problem between sectors, yet West side was deprived of food sources. Inflation reached 99 percent and this caused barter and black market. Allies had motivated the development of German economy more demand of reparations. In 1948 the United States agreed to aid Europe by the Marshall Plan and Germans are financed around \$2 billion. In 1948 German government introduced new currency as Deutschmark and this intervention caused decrease in inflation. Price restrictions are abolished and reduced tax rates are introduced.

2. Wirtschaftswunder

This chapter describes the miraculous post war economic development in Germany. There are specific reasons why this development called miraculous. The first of these is of course the strong state of the today's German economy. However, more important than, they pass in front of the earlier developed economies as they are defined as late-developed economy. This situation has been explained by the Gerschenkron (1962) under "Late Development" theory. According to him, early industrializers like Great Britain succeeded by of capital by private entrepreneurs, where late industrializers like Germany attributed their successes by entrepreneurial guidance, investment banks and state-led high technology industrialization practices. Explanations of Wirtschaftswunder in literature focus on three points. First one is convergence due to structural change and productivity growth. Second view emphasis on relatively fast institutional reasons as structural change. Third approach focus on the negative output shock in the final phases of the war. Each approach has its own reality, on the other hand, Wirtschaftswunder was triggered by reconstruction due to the policy reforms. Of course, while discussing the growth of German economy, the importance of London Debt Agreement (1953) should not be forgotten. By the agreement some payments are postponed and it allowed the Germany to re-establish its role in international capital markets.

Together with such excipients conditions possibility of making structural changes has occurred. The government has undertaken structural changes in the first part. To summarize the position of the state in the economy can be reached in the following table:

Table 1. The course of Wirtschaftswunder

Important Years for the Wirtschaftswunder	Position of State in the German Economy
1953	London Debt Agreement
1953-1960	Structural Changes
1960	Neutral Position
1966	Focusing on High Technological Industry
1970	Support for Declining Industries
1980	Neutral Position and Privatization
After 1980s	Support for R&D and New Products

As it can be seen from the table, Germany began development journey with structural changes. During 1960s these structural changes are expected to be absorbed by the market. To capture the high level of development in the true sense began with the high-tech moves in 1966. On the other hand, Germany has not experienced much difficulty on this issue. Because they had an experienced workforce and industrial culture from the past. At the same time, the unskilled labor Gastarbeiter (Guest worker) were obtained from Eastern Europe and Turkey. All this while there, especially after 1970, sector protectionism has been reduced except sectors agriculture, forestry, mining and textile.

Councils are another key element in Germany's development. These councils are often consisted of economy ministry, local government, private sector and trade unions. These councils, in a sense, meant that the collective wisdom of the industry. This way, the first, anti-monopoly policies has occurred. Rather, these councils since 1970 lobbied to the sectorial mergers understanding what belongs together to strengthen Germany's position as a leading industrial and exporting nation. When it comes to today, Germany's innovative policy (*Die Neue Hightech-Strategie*) is based on five principles:

- Prioritizing future challenges relative to prosperity and quality of life,
- Consolidating resources and promoting transfer,
- Strengthening the dynamism of innovation in industry,

- Creating favourable conditions for innovation,
- Strengthening dialogue and participation.

3. Creativity and Economic Development

Today there is a consensus about a tight link between creativity and economic development. Economies that clearly show this relationship began to be called the creative economy. The 'creative economy' is an evolving concept based on the potential of 'creative assets' to generate socio-economic growth and development. There are reasons to pay attention to the creative economy. These can be listed as the overall well-being of communities, individual self-esteem and quality of life, thus achieving inclusive and sustainable development.

The important thing here is the emergence of one of the conditions of creativity. For the emergence of creativity there should be specific reasons. The first of these is of course the market itself. According to Schumpeter, creative destruction occurs when something new kills something older in the market. Process of creative destruction is the essential fact about capitalism and international markets. Therefore, if a country wants to compete in international markets, it will soon face the creative destruction. Therefore, before entering the international markets, there are specific structural transformations are required to complete. First is protectionism in emerging sectors, second is the innovation based growth in emerging sectors. The state's roles at this stage will protectionism and encouragement. Protectionism alone is not enough. Because protectionism contrasts with free trade, where state barriers to trade are kept to a minimum. This system protects only against current market conditions, on the other hand blunts free trade opportunities and capabilities. So the important thing is to develop while protecting.

The second condition for the emergence of creativity is culture. Culture is both a driver and an enabler of creativity. More and more it is being acknowledged around the world that culture is essential to understanding the role and responsibility of creativity. Creativity is universal, but the culture is uneven. So, creative culture must be developed. Therefore states and corporations in most developing countries should appreciate the cultural ways which their economies can diversify and take advantage of emerging opportunities. The same issue has been stipulated by the List. According to him, the key to the transition from an agrarian to industrial society are education and cultural transformation.

Creativity emerges rarely by individual effort. Clustering and network activities build bridges between various stakeholders to enhance creativity and increase the opportunities for companies to do business and share/exchange ideas and knowledge. In the creative economy, place matters to access to skilled staff and shared services, the opportunity to capture valuable knowledge spill overs and of course to help to remove barriers to collaboration.

The last but not least condition for a creative economy is to access finance support systems. A well established and self-sufficient finance system for creativity can eliminate existing barriers for organizations – mainly SMEs – when accessing finance. Yet creative processes requires various financial and fiscal mechanisms to empower and facilitate the implementation ideas, access to finance is a major challenge entrepreneurs of creative industries. Therefore, especially for the creative industries ease of access to financial instruments should be provided.

4. Lessons Learned From Wirtschaftswunder

The rise and fall of nation-states is common and universal. They are more numerous reasons for collapse, on the other hand, wars play an important role. War affects everyone state in some way and there are no winners in war due to use of resources and loss of lives.

After WWII the economy of Germany was collapsed and Germany's industrial infrastructure would have to be essentially rebuilt from scratch. On the other hand, Germany was still holding its tremendous reservoir of industrial expertise and intellectual talent. That's why only government support was needed for development. It was only the London Debt Agreement of 1953 that the German economy needs to postpone war debts. So Wirtschaftswunder began with combination of serial reasons:

Stages Wirtschaftswunder (in order)	Resource or Policy Maker
Reservoir of industrial expertise and intellectual talent	Structural Origin
Postponement of debts by London Debt Agreements and Marshall Plan	International Support
Expansionary monetary policy	State Origin
Tax incentives for saving	State Origin, Structural Origin for saving
Investment planning by the government	State Origin
Protectionism for bottleneck sectors	State Origin
Focusing on High Technological Industry	State Origin
Support for Declining Industries	State Origin
Councils	State Origin
Focusing on High Technological Industry	State Origin

Upon analysing the table above, a state driven economic planning can be read clearly. At first, alternative to the market mechanism, German state directly allocated the resources to infant sectors contrast with the indirect allocation of the market mechanism. Up to 1980s a strong regulatory oversight and governmental provision of public goods and a mixture of markets and economic planning can be read. At this stage the role of state is limited with indirect macroeconomic influence over the economy through fiscal and monetary policies for the sake of social welfare.

In light of the above assessments, when Germany experience is analysed, after the collapse, a state-based economic planning needed to rise. The key issue is not just protectionism, allowing the development of domestic industry. The selection of these sectors would be a critical issue. Germany has used its preference according to state led high technological and creative industry and succeeded. It seems to be the same experience in the development of South Korea as a system of close government-business ties.

It may be concluded as follows: [a] Collapses may occur but at the first stage state oriented economic planning and policies are needed. [b] Protectionism is needed for bottle neck sectors is needed, on the other they should be prepared to international trade under protection. [c] Investments should be focused on high tech and creative industries. [d] For the fallowing stages a mixed economy practice should be on agenda for close government-business ties.

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