

Styles of creative destruction in East and West


Per Högselius

We live in a world of crap

- There is a pressing need to get rid of old shit
- Policymakers may play a much more active role in the destruction process
- The usual focus on the *creative* aspects of change must not hide the need for far-reaching *destruction* efforts!

Examples of things we'd better get rid of

- Petrol-driven automobiles
- Copper-wired telephone lines
- Early generations nuclear power
- Outdated national defence structures
- Music CDs
- Manual personal signatures
- Etc.

- 
- **The main problem is not that we lack creative new technologies...**
 - **... but rather that the old ones continue to be so dominant and ubiquitous!**

LEARNING TO DESTROY

- What are the political and other instruments that may help us get rid of the old rubbish?
- Are some countries more successful than others in managing destruction?
- If so, why?
- Can others learn from the success stories?

The Baltic Sea Region as an East-West arena for creative destruction

- **"WEST":**

- Sweden
- Finland
- Denmark
- West Germany

- **"EAST":**

- Estonia
- Latvia
- Lithuania
- Poland
- East Germany
- Russia

"East wins" cases

- Telephone vs. Internet banking
- Copper-wire vs. optical fibre
- Shut-down of old nuclear power
- Manual vs. digital map production
- Renewal of tax system
- Manual vs. digital signatures (?)

"West wins" cases

- Renewal of energy systems away from fossil fuel
- Effectivization of agriculture
- Radical process innovation in industry
- Renewal of national defence structures (?)

So, which part of the region is better at creative destruction?

- There obviously exist cases where Western countries have been better
- There obviously also exist cases where Eastern countries have been better
- Hence, there should be a learning potential in both directions across the Baltic Sea

Lessons from Eastern countries

- Collapse of socialist society made successful destruction easier (maps, taxes, nuclear power)
- However, underlying momentum and path-dependence was often more severe than initially expected (energy)
- Success often based on latecomer advantages (banking)
- East German cases point at great opportunities for political action in CDM, but also at the enormous costs involved (optical fibres)

Lessons from Western countries

- Steadily increasing labour costs drives radical process change in industry
- Far-reaching welfare systems makes destruction both easier and more difficult
- Strong worker resistance in trying to get rid of old-style factory production
- Environmental subsidies successfully used in Denmark and Germany (energy)
- Public referendum largely a failure in Sweden's attempted destruction of nuclear power

LEARNING TO DESTROY

- What are the political and other instruments that may help us get rid of the old rubbish?
- Are some countries more successful than others in managing destruction?
- If so, why?
- Can others learn from the success stories?

Styles of creative destruction in East and West

Per Högselius