

Munich Economic Summit
Thursday, 19 May 2011

**Welcome Address by State Secretary (ret.) Jürgen Chrobog,
Chairman of the BMW Stiftung Herbert Quandt**

Dear Ministers and Ministers of State,
Excellencies,
Ladies and Gentlemen,

On behalf of the BMW Stiftung Herbert Quandt I would like to welcome you to the 10th Munich Economic Summit in the Bavarian capital! This year, it gives me particular pleasure to do so, because we are celebrating our Summit's ten-year anniversary. We are proud to look back on ten years of successful cooperation between the BMW Foundation and the CESifo Group, and for that I would like to express my sincerest thanks to Professor Sinn.

The continual increase in the number of participants shows how widely the Munich Economic Summit has become recognized as a political and economic forum of international standing. More than 200 experts, managers, politicians, and media representatives from the EU and other countries, also outside of Europe, have accepted our invitation to participate in our anniversary Summit. Again this year, the Summit seeks above all to enable a constructive and open dialogue between the economic, political, and academic sectors.

We continually and consistently strive to increase the diversity of the participants in this dialogue and therefore are pleased to welcome today representatives of the Third Sector; young, future decision-makers in industry and business, so-called Young Leaders; and last but not least Young Academics, aspiring scholars and researchers.

While we usually concentrate on specific international economic policy issues, this year's focus is on the state – the institution that provides the regulatory framework and that is itself a key economic actor. Our goal is to gauge the role the state will play in relation to society and business in a newly forming global system that is defined by upheavals in world politics, emerging economic powers, and global crises.

The first item on our agenda is to compare economic and social models: Which system is innovative and sustainable enough to hold its own – or even take the lead – in the global competition?

The Anglo-American system, traditionally a liberal free market system, the European system that takes a social market economy approach, or a predominantly state-run, authoritarian system such as in China? – to highlight, and describe in a nutshell, only a few.

You'd think that the European model has proven to be quite successful. After all, Europe has come out of the crisis in better shape and more quickly than other economies, current forecasts predict an economic growth of around 2.5 percent, and the German economy, the quintessential social market economy, in the first quarter of 2011 has regained its pre-crisis levels of 2008. With a predicted growth rate of up to 2.8 percent, it is considered to be the "engine of growth among industrial countries – and not just in Europe," as the new Federal Minister of Economics, Philipp Rösler, put it in light of the positive figures issued by the Federal Statistical Office.

If only it wasn't for the euro crisis ... While it is currently the close-to-default debtor states on the EU's periphery that are hit hardest by the crisis, there remains the risk, according to a recent IMF assessment, that the crisis will spread to the core countries of the euro-zone, unless we increase financial and economic integration. However, the question of whether the European model will be fit for the future not only depends on how the EU deals with the euro crisis, but also on how it will implement "Europe 2020," its economic reform and growth agenda. Yet it would seem that European governments are losing sight of this agenda in times of burgeoning public debt.

The misguided policy of running up even more debt – which has been pursued for years and which, by the way, is not only typical for the EU states in varying degrees – but for the OECD as a whole –, not only forces governments to implement severe austerity measures, which primarily take the form of cuts in welfare spending; it has also fundamentally called into question the welfare state and its efficiency. In the UK, for example, the government has introduced a reform policy, the so-called "Big Society", whereby a "civic state" characterized by "pluralism, localism, and voluntarism" is to supersede a market-based welfare state that is seen as too bureaucratic and too expensive. Driven by the need to economize, the government aims to reduce the role of the state and wants its citizens to assume greater responsibility for shaping the system, especially the welfare system. This raises the question, however, of how much the state can and should abdicate its core responsibility of guaranteeing social welfare benefits and how many responsibilities and burdens it can expect its citizens to shoul-

der. These questions will be at the heart of the second panel, before we will move on to our third panel, which will focus on economic policy:

Intervening into economic processes and acting as an “entrepreneur” itself or merely serving as a guardian of the regulatory framework for economic activities it has created – it is these two poles that define the range of possible government action in economic affairs. If we take a look at the United States, we can see that the government, in order to stem the consequences of the crisis, has widely departed from its liberal regulatory agenda by rescuing or taking over banks and companies and by launching major stimulus programs. Europe, on the other hand, proceeds much more cautiously, at least when it comes to fiscal policy measures to stimulate the economy; the EU rather focuses on reducing national debt and advocates a common financial market regulation. Is this merely a snapshot in time, where we see different strategies to revitalize national market economies? Or does this prefigure a fundamentally different understanding of the role of the state that will continue into the future?

Many of these questions, which I have touched on only briefly, will be discussed during the three panel sessions today and tomorrow, and we look forward to your active participation. In the end we will, I am sure, come away with new insights and perspectives. I wish you all an inspiring and stimulating 10th Munich Economic Summit and will now pass the floor to Mr. Sinn.