

Dinner Speech by

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Excellencies,
ladies and gentlemen,

It is a pleasure to host this dinner tonight. The Munich Economic Summit, which now took place for the third time, has received huge media response, nationally and internationally. The reason for this success is that you, Prof. Sinn, have a knack for choosing and presenting timely and controversial topics that directly affect business and politics. You not only succeed in finding highly qualified speakers but also numerous highly interested representatives from business, politics and economics who enthusiastically participated and contributed to this conference. As I stated this morning, when such a conference takes place in Bavaria for the first time, it is an innovation. When it takes place more than twice, it is a tradition. And since this is the third time, the tradition has been firmly established. I am confident that we will continue to host the Munich Economic Summit in the future. This conference has already radiated far beyond the borders of Bavaria, Germany and even Europe.

In choosing the location for this dinner, we of course looked for the most suitable venue. The Emperor's Hall of the Royal Residence was the logical choice. You will probably ask why Bavaria has an emperor's hall when it never had an emperor. Well, Bavaria has always been so generous that it built spacious rooms to host the German emperor on his visits to Bavaria. These rooms were built for famous guests, for the highest excellencies, for the most important national and international representatives. Therefore we believed this to be the ideal venue for this conference dinner. And in these rooms it is my privilege to extend to you a very warm welcome.

The Munich Economic Summit is an event that radiates way beyond Bavaria and Germany. I therefore would like to thank you, Prof. Sinn, for your efforts

in organising this conference, and I would like to thank Mr. Schellhorn of the BMW Foundation Herbert Quandt for helping to make this conference possible. I thank both of you for staging this conference in Munich and for having made it a tradition.

This was a day of interesting presentations and fruitful discussions; it was a day that in my view was very rewarding for everyone and was especially interesting for political decision makers, as these topics will affect our future. I do not tell you anything new and I do not want to repeat today's discussions, which I was able to attend in part, but it is true beyond any doubt that European unification, EU eastern enlargement, intensified EU and international competition necessitate adjustment here and certain corrections, and that on the other hand timely corrections of certain regulations and conditions also mean that the process will yield chances, and this is what counts. It has always been our policy not only to analyse the problems but also to see the chances and seize the opportunities for future developments. That has been the economic policy in Bavaria, under all my predecessors as well. We have always recognised that change is a permanent law of economics, that the idea to be able to prevent change has always been wrong, that money that was spent to slow down change was misspent and that money invested in new opportunities, in new businesses, in new technology, in new developments has always earned high returns. That is the reason why Bavaria has been the only state in Germany that turned from a recipient of fiscal equalisation funds into a payer and that has long repaid everything it received with compound interest. That is also the reason why we had an increase in businesses and jobs in past years and that is also why we are offensively seizing the opportunities provided by eastern enlargement without hiding the difficulties and adjustment costs. It is important to recognise the opportunities and to make the optimism, which must also be present, borne out. In short: In Bavaria progress has tradition. That is the reason why in Bavaria there has been so much investment in new businesses, in new technologies, in research and development, in higher education, in all those areas that create new opportunities.



It is important that we offer solutions. This entails many decisions that are painful. This presently concerns the finance minister in particular, who has to balance the state budget. These are processes that are not easy, although Bavaria is the state with the lowest indebtedness in Germany. But we also know that in view of the demographics this problem cannot be addressed too early and that failing to do so will only make the problems bigger in the future. We also know that all the questions, including those discussed at today's conference, must be addressed early on and to see to it – and that is forward looking policy – that problems do not get out of hand. One must recognise them early and countermand them early.

It is also the task of a forward looking policy to decide on the course to take. That is what we in Bavaria have considered our responsibility, and though mistakes were made, we have still succeeded in keeping the state on a course that brings and sees new chances and seizes opportunities and solves problems early on. This is the course on which we want to continue.

I would like to tell you, Prof. Sinn, that the conferences you have organised, including today's conference, have been mile stones. The analyses presented have occupied us policy makers in a lasting way. Half a year ago, Prof. Sinn introduced us to his new book, "Can Germany Still Be Saved?" and the difficult decisions described there. I confess that I agree with most things described there.

We are well advised to take decisions early rather than too late when problems have become too difficult. That would be the wrong course. That is why we are grateful for conferences like today's Summit that are not only seminal but also a warning. But the warnings must be accompanied by the optimism that good decisions can change things for the better. This is also important for the people, because they will turn away if they are only presented with problems. One must not only describe the problems but also the solutions and the opportunities they entail for the future. In this way one will meet with agreement and acceptance and will be able to bring the people on board. It has always been the case with policy decisions, as everyone has experienced, that correct policy decisions are disputed at the time they are taken, but are confirmed in the medium term. That is why one must keep a cool head these days and must

not orientate oneself on public applause, but on the correctness of the analyses.

The conference has made a contribution to this, and on behalf of the Bavarian government I want to thank you, Prof. Sinn and Mr. Schellhorn, and all the participants in this year's Munich Economic Summit.