



A strategy to guide us through the crisis

The global rescue operation last year prevented a meltdown in the economy. Now we need a radical rethink to avoid a repeat of the financial crisis. "I am convinced that, for economic reasons, such a rescue operation will not be possible a second time", said Dr. Michael Menhart, Chief Economist at Munich Re. Rapid growth driven by a bubble harbours massive dangers, both economic and political.

A rethink is also essential in order to offer other countries a guiding principle for sustainable development. "The way large parts of the financial system operated prior to the outbreak of the crisis cannot be taken as a role model. Risks were either disregarded or incorrectly assessed", said Menhart on Thursday evening at an event by the Munich Re Foundations on the topic of "Development 2.0 – The crisis as an opportunity". The lack of risk management and an unwillingness to accept responsibility for risks were the main reasons for the financial crisis which has occupied all of us since early summer 2007. That was why we had to ensure that no single company was systemically relevant.

The Chief Economist, formerly a trend researcher and futurologist in Munich Re's Group Development unit, admitted that the economic boom had helped promote emerging countries to the big league of leading economies. Nevertheless: "The extent to which the so-called BRIC countries (Brazil, Russia, India and China) may be considered shining examples of today's forgotten billions of people in the developing countries remains to be seen. History will decide."

Dr. Axel Berg, Chairman of EUROSOLAR Deutschland, firmly believes that "development policy has failed because it is not sustainable and even to some extent destructive". There was no way we could simply go back to business as usual. He intimated that an integrated approach was needed to get the three crises in the areas of energy, growth and climate under control.

Berg did not believe that the Group of Twenty leading industrialised and developing economies (G-20) could provide the necessary impulses. "Basically, that is only a lousy bridging construction because the global institutions such as the UNO and the World Trade Organization (WTO) have failed", he criticised. The industrialised countries are pulling out all the stops to ensure that the game which has brought them wealth will carry on indefinitely.

Berg recommended a strategy consisting of three equal-ranking parts. First, we as a nation should set a good example. Secondly, we should further develop the global institutions but not rely on them because they are highly cumbersome. Thirdly, we should seek a coalition of the willing and forge partnerships with countries that are in a similar position to

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to Action

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ourselves. Berg believes that “we can achieve our aim by pulling on all three strings at the same time”.

Menhart and Berg were guest speakers at this event, part of a series of dialogue forums which the Munich Re Foundation has already staged five times. The fifth series of forums, “The world in flux – The forgotten billions”, focused on the future prospects for international development policy and the fight against climate change. “Development 2.0 – The crisis as opportunity” marks the end of the forums for 2010.

The Munich Re Foundation is planning a dialogue forum for 2011 at which members of the public can discuss selected topics with high-ranking experts from the political, business and scientific sectors. The series, starting in January 2011, is scheduled to deal with the topic of “The future of the world’s population”. For further information, go to www.munichre-foundation.org.

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