

Munich: achievements and prospects of economic



**ASSIGN
BUSTER**

Munich is the capital city of Bavaria, Germany. It is located on the River Isar north of the Bavarian Alps. Munich is the third largest city in Germany, after Berlin and Hamburg. There are about 1,35 million people living within city limits, and 3,39 million living in the metropolitan area.

Most Munich residents enjoy a high quality of life. It is ranked as one of the cities with the highest quality of life worldwide. At the same time Munich is one of the world's most expensive cities to live in and the most expensive major city in Germany. Munich enjoys a thriving economy, driven by the information technology, biotechnology, and publishing sectors.

Environmental pollution is low, although as of 2006 the city council is concerned about levels of dust in the air.

Today, the crime rate in Munich is low compared to other large German cities, such as Hamburg or Berlin. This high quality of life and safety has caused the city to be nicknamed "Toytown" amongst the English-speaking residents. German inhabitants call it "Millionendorf", an expression which means "village of a million people".

Economy

Munich is a leading German metropolitan region for high-tech activity, with a powerful innovation system. It is, arguably, Germany's Silicon Valley—with dominant positions in electronics and advanced manufacturing—and is famous for the "Munich Mix" of sectors and company sizes, including world-leading firms like BMW, Siemens, and MAN. Today Munich is one of the top performing cities in Germany, Europe's strongest economy and the fourth largest economy in the world.

By the mid 1990s, Munich's competitive position was under threat. The recession of 1993–1994 dealt a heavy blow to Munich's export-oriented industries and the end of the Cold War triggered a rapid drop in demand in the defense and aerospace industries. German reunification and globalization both threatened to shift growth away from Munich and Bavaria, towards Berlin and to other countries moving up the value chain. City leaders feared that Munich's era of growth might have ended.

The Bavaria state government responded strongly to these threats, initiating new strategies to promote innovation and stimulate long-term growth. The results culminating from these and other efforts have been impressive. In general terms, Munich's success story can be summarized by four key success factors. First, deep connections between public, private and third sector actors—"institutional thickness"—have produced a clear sense of common purpose, and long term, focused policy interventions.

Second, consistent state-led policies have supported and advanced economic clusters and innovation. Third, Munich's economic diversity and some world-beating firms have provided economic resilience and helped to spark new ideas. Fourth, the state and the city of Munich invested in the assets that matter, notably in human capital (via public education) and infrastructure (such as the new airport).