

## FOREWORD

World economic growth faced a number of fresh challenges in 2015, including the decline in oil and commodity prices, the slowdown in emerging market economies, and an initial interest rate hike by the US Federal Reserve System. Despite the turmoil, the European economy continued to recover, although the improvement remains weak and fragile, with yet another flare-up of the euro crisis in Greece. The EEAG scholars, focusing on the future, pose the question of *What next?* As is its tradition, the 2016 EEAG Report begins with an analysis of the business cycle situation in the major economies around the world, including a forecast for this year. In-depth chapters then delve into several topical issues. Chapter 2 addresses the demographic challenge faced by some EU countries, which is being exacerbated by labour mobility in the union, calling for a common solution to restore both cohesion between EU members and intergenerational fairness in society. Chapter 3 focuses on the need for tuning secondary education, a need starkly illustrated by the high levels of youth unemployment in Southern Europe. Practice-oriented dual education, standardised – and thus comparable – tests and greater coordination at the European level are all identified as key strategies. Chapter 4 offers an in-depth analysis of the feasibility of taking Denmark as a role model for implementing political reforms effectively. Denmark, it turns out, is not too good to be true. Finally, Chapter 5 explores developments in the Western Balkan countries, which are in the process of coming together and seeking a sustainable relationship with the EU.

The European Economic Advisory Group at CESifo, which is collectively responsible for all parts of the report, consists of a team of seven economists from six countries. This year the Group is chaired by John Driffill (Birkbeck College) and includes Torben M. Andersen (Aarhus University), Giuseppe Bertola (EDHEC Business School), Harold James (Princeton University), Jan-Egbert Sturm (KOF Swiss Economic Institute, ETH Zurich), Branko Urošević (University of Belgrade) and myself (Ifo Institute and University of Munich). The members participate on a personal basis and do not represent the views of the organisations they are affiliated with.

I would like to express my gratitude for the valuable assistance provided by researchers and staff at CES and Ifo who helped to prepare this year's report: Nadjeschda Arnold and Christopher Weber (assistants to the group), Atanas Hristov, Nikolay Hristov and Andreas Steiner (economic forecast), Lisa Giani Contini and Julio Saavedra (editing), Christoph Zeiner (graphics), Katharina Pichler and Elisabeth Will (typesetting) and Ines Gross (cover). I also wish to thank Swiss Re for hosting our autumn meeting.

Given that I am about to retire, upon reaching the mandatory retirement age of 68, I wish to take this opportunity to thank all those who have contributed over the years to develop the EEAG Report into a true European undertaking with a non-partisan approach aiming at serving Europeans as a whole.

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Munich, 22 February 2016