

THE EEAG REPORT ON THE EUROPEAN ECONOMY

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Chapter 1 Macroeconomic Conditions and Outlook 14

The industrialised countries remained in recovery mode in 2015, while growth in emerging markets slowed down markedly, with Latin-America and Russia even slipping into recession. Favourable business cycle conditions in the United States and Britain, together with moderate growth in the euro area, had a stabilising influence on the world economy. Fluctuations in the price of oil and other commodities led to very heterogeneous developments in emerging economies, with India's growth rate exceeding that of China in 2015. Demographic trends and China's growing reliance on domestic demand are expected to lead to further long-term declines in its structural growth rate, which should nevertheless remain stable in 2016.

Chapter 2 Intergenerational Fairness 54

The idea of a contract between generations forms the bedrock of an equitable social order, stability and sustainability. In many countries the public sector is now expected to replace the family by funding education and pensions, but social welfare models are facing major challenges. This chapter looks at how to preserve intergenerational fairness by tackling issues like demographic ageing, rising healthcare costs, blocked housing, labour market flexibility and emigration.

Chapter 3 Tuning Secondary Education 70

Education is one of the most controversial issues in Europe. Reforms can have major short-term budgetary effects and a strong influence on longer-term growth and inequality trends. This chapter reviews differences across Europe in the orientation of curricula, in school autonomy and private education, and in teacher management, with a special focus on the secondary education level. It interprets current reform tensions and asks whether and how country-level policy choices may benefit from supranational EU-level coordination.

Chapter 4 Denmark: Too Good to Be True? 85

The Danish welfare state and flexicurity labour market model have a reputation for functioning efficiently, but is this assessment justified? How can the strong economic performance of a small, open economy be reconciled with a large public sector and a high tax burden? And how can such an economy cope with challenges like ageing and migration?

Chapter 5 Western Balkans: Coming Together 99

What measures are required to promote the creation of a vibrant regional economy in the Western Balkans? How can the region become a development pole, instead of a potential source of instability? This chapter outlines key aspects of the Western Balkans' economic transformation in the 15 years since the break-up of the former Yugoslavia and explores reform options for building a brighter future.