

FOREWORD

Buoyed by the uptick in the world economy, the performance of the euro area continued to improve somewhat during 2014. However, it remains weak, with discrepancies across EU member states where political uncertainties and economic rigidities persist. The government bond purchases by the European Central Bank now give new hope for southern Europe and France, as it may well depreciate the euro and help overcome their competitive crises, inflating Germany and other northern euro countries in the process.

Like its predecessors, this year's report by the European Economic Advisory Group at CESifo (EEAG), the fourteenth in the series, identifies some fields that need to be tackled to both strengthen the Eurozone and accelerate the European integration process. In this respect, the report's title – "Blurring the Borders" – highlights three border-related issues that have recently gained prominence on the political agenda and that are analysed from an economic point of view: the energy strategy, regional disparity, and migration.

While the EU integration process has seen national boundaries become ever blurrier over the years, this has not been the case in energy supply. Chapter 2 makes the case for thinking about energy policies not in terms of energy markets defined by national borders, but of the EU as an integral, unified market, for the sake both of economic rationality and security of supply.

The progressive blurring of boundaries has also seen a backlash of sorts: during the crisis, national borders re-emerged as a significant determinant of regional development within Europe, an issue we discuss in Chapter 3, with a call for European policies that achieve regional promotion with cross-regional structural funds.

Lastly, the precarious situation in some countries triggered by the crisis and the increased migration flows resulting from the EU's Eastern enlargement have propelled migration to the forefront of public debate. Our contribution to this debate can be found in Chapter 4, with a pitch to decouple welfare claims from national states and promote contribution-based social insurance systems.

As always, the Report also contains a thorough analysis of the economic situation of the EU and other countries around the world, together with a forecast for the coming year.

The EEAG, which is collectively responsible for all parts of the report, consists of a team of six economists from five countries. This year the Group is chaired by Ákos Valentinyi (Cardiff Business School) and includes Giuseppe Bertola (EDHEC Business School), John Driffill (Birkbeck College), Harold James (Princeton University), Jan-Egbert Sturm (KOF Swiss Economic Institute, ETH Zurich) and myself (Ifo Institute and University of Munich). The members participate on a personal basis and do not represent the views of the organisations that they are affiliated with.

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

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