Creative austerity*

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ABSTRACT: *The chief current problems for Europe, apart from possible decisions bearing on the Schengen Treaty and its costs, concern compliance with the rules on the government budget deficit (3 per cent of GDP) and the public debt (60 per cent). The annual budget constraint is attenuated by the possibility of flexible application for individual members, while the debt limit is harshened by the Fiscal Compact, which requires members to bring the ratio down below the 60 per cent threshold within 20 years.*

The Italian government's recent critical stance on a European Monetary Union more concerned with budgetary rigor, measured in percentage points, than with growth, gauged by more jobs and higher living standards, constitutes an important stimulus for rethinking the institutional architecture of the treaties and regulations in force.

The premises for the euro highlight the problems and constraints that would plague its proper implementation.

1. The Italian government's recent critical stance on a European Monetary Union more concerned with budgetary rigor, measured in percentage points, than with growth, gauged by more jobs and higher living standards, constitutes an important stimulus for rethinking the institutional architecture of the treaties and regulations in force. To better grasp the need for change, one need merely ask why, of the 200 or so countries that now make up our world, only the few that belong to the European Monetary Union are subject to such strin-

gent budget constraints and why the euro area is growing less than other regions, in particular the United States, the epicenter of the subprime mortgage crisis.

The chief current problems for Europe, apart from possible decisions bearing on the Schengen Treaty and its costs, concern compliance with the rules on the government budget deficit (3 per cent of GDP) and the public debt (60 per cent). The annual budget constraint is attenuated by the possibility of flexible application for individual members, while the debt limit is harshened by the Fiscal Compact, which requires members to bring the ratio down below the 60 per cent threshold within 20 years.[1] It is worth recalling that if the Union's objectives for inflation and long-term interest rates have been practically attained, owing in part to the recession caused by the sacrifices imposed by economic convergence, as regards the objective of fiscal sustainability four of the twelve original signatories of the Maastricht Treaty were running deficits larger than 3 per cent in 1991 (Portugal and Belgium, 7.2 per cent; Greece, 11 per cent; and Italy, 11.4 per cent), and at the end of that year five had debt ratios higher than 60 per cent (Belgium, 127 per cent; Greece, 82.2 per cent; Ireland, 94.4 per cent; Italy, 98.0 per cent; and the Netherlands, 73.7 per cent).

At the first of three scheduled monitoring exercises, at the end of 1993, the countries failing to comply with the deficit ratio were again Italy, whose deficit had come down to 10 per cent, Belgium, where it was unchanged, Austria (which joined the European Union on 1 January 1995, together with Sweden and Finland) at 4.2 per cent, and France, at 5.9 per cent.

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[1] See, DI TARANTO, *L'Europa tradita. Lezioni dalla moneta unica,* LUISS University Press, Rome, 2014, pp. 51-53.

At the second assessment, as of 31 December 1996 nine members were above the 3 per cent threshold and seven in violation of the 60 per cent debt ratio limit. And despite improvements on the deficit front, at the final verification, 31 July 1998, the debt ratio was above the limit in seven countries and had risen in a good many others: by 20.1 percentage points in Germany, 22.3 in France, and 31.8 in Greece. After the three assessments, 11 of 12 countries were admitted to the single currency. Greece was admitted under derogation, soon to be terminated.

The acceptance of these members, which ignored their public finance problems, was possible thanks to an interpretation of Article 104C(b) of the Treaty that had been adopted in the earlier exercises as well; namely, greater importance was assigned to the deficit than to the debt ratio. As in December 1991, when the Treaty had been signed but not yet ratified, five member states had debt ratios higher than 60 per cent, it was posited that there was no definite limit to the volume of the public debt, and that accordingly it was sufficient for the debt to be coming down towards the desired value at a satisfactory pace, with no specific timetable for attaining it.[2] This is the reading that has now brought, instead, the Fiscal Compact, which lays down rigid time and quantity standards for lowering the debt ratio to 60 per cent. Here, one of the linchpins of modern economic theory has been – willfully – ignored: the Ricardian equivalence proposition, set forth in the second decade of the 19th century and refined by R. Barro in 1974, which postulates that the public debt can increase as long as the additional tax revenue deriving from greater economic growth

[2]See, GUARINO, *L'Europa imperfetta. Ue: problemi, analisi, prospettive*, in Id., *Diritto ed economia. L'Italia, l'Europa, il mondo*, "I Quaderni di Economia italiana", No. 8, 2011, pp. 219-274; Id., *Eurosistema. Analisi e prospettive*, Giuffrè, Milan, 2006, pp. 126-141. See also DI TARANTO, *Le basi problematiche della moneta unica*, "Aspenia", No. 26, 2012, pp. 176-179; Id., *The Internationalization Process in Southern Italy*, "Review of EconomicConditions in Italy", 2011/2-3, pp. 495-517; Id., *L'Europa tradita. Dall'economia di mercato all'economia del profitto*, in F. Capriglione (ed.), *La nuova disciplina della società europea*, Cedam, Padua, 2008, pp. 21-63.

produced by larger deficits is enough to cover the interest payments principal repayments on the debt.

As for the deficit ratio, the rules allowed for overshoots in temporary, exceptional circumstances. Hence, the deficit requirement turned out to be a necessary and sufficient condition for convergence on the standards of admission to the single currency.

Italy, with its very high public debt, in order to qualify quickly applied the Ricardian equivalence, enacting a burdensome "Eurotax" and not following the UK's lead in "opting out" under the Maastricht Treaty clause that allowed member countries not to adhere immediately, pending further consideration.[3]

These premises for the euro highlight the problems and constraints that would plague its proper implementation.

What, then, were the criteria behind the 3 and 60 per cent limits? And what economists endorsed such limits in theory?

Before the advent of the euro, the 3 per cent deficit parameter was ascribed to the so-called "golden rule of fiscal policy," namely that government should not borrow to finance current spending and that the deficit should therefore not exceed public investment expenditure, which was around that level in a good number of countries. Or else it referred to the benchmark applied by West Germany. Or, yet again, it was said to correspond to the deficit at which a public debt of 60 per cent of GDP could be financed at an interest rate of 5 per cent. This third criterion, however, implies a balanced budget net of interest payments and thus conflicts with the medium-term objectives of the Stability and Growth Pact.[4] Yet the Delors Report, upon which the Maastricht Treaty was based, only spoke of the need to "impose effective upper limits on budget deficits of individual member countries"; it did not quantify them.

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[3]See, SAVONA, *Eresie, esorcismi e scelte giuste per uscire dalla crisi. Il caso Italia*, Rubettino, Soveria Mannelli, 2012, p. 46.
[4]See , MAGNIFICO, *Euro: squilibri finanziari e spiragli di soluzione*, LUISS University Press, Rome, 2008, p. 239.

Thanks to the French daily *Aujourd'hui*, we now know how the 3 per cent deficit ratio originated and how it was adopted by the technocrats of Brussels. Its inventor was Guy Abeille, a budget department functionary at the French Finance Ministry during the presidency of François Mitterrand. The standard was set "with no theoretical reflection whatever," Abeille has said. "Mitterrand needed an easy rule to use in order to turn down ministers who came to ask for money. … We needed something simple." At the time, in the early '80s, France was running a deficit of around 2.6 per cent, so "proposing 1 per cent would have been too hard, unfeasible," 2 per cent would have "put the government under too much pressure"; the figure was therefore fixed at 3 per cent. "3 per cent? It's a good number, a historic number, calling the Trinity to mind." And in fact the former head of the Bundesbank, Hans Tietmeyer, acknowledged that the standard was "economically not easy to explain." The most striking thing, as *Aujourd'hui* emphasizes, is that the Brussels technocrats adopted the same method in their recent determination of "another seeming, and equally false, Cartesian rule: the structural deficit ceiling of 0.5 per cent. Why not 1 per cent or 2 per cent? No one knows."[5]

There has been no lack of proposals for modifying these postulates. The European Economic Advisory Group advocates modulating the budget constraints depending on the size of the country's debt. Other scholars hold that there is a need for some deficit flexibility in accordance with national economic growth rates. And the list could be extended.[6] So far, however, nothing has changed – least of all the obstinacy of the Eurocracy.

The theoretical underpinnings of the 60 per cent debt ratio are traceable to what was called, in the '90s, "expansionary austerity," by now part of the mainstream neoclassical market model. Under the theory of expectations, the reduction of the sovereign debt thanks to fiscal consolidation through spending

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[5]See, DI TARANTO, *Ragioni liberali per criticare certi eccessi dell'austerity*, "Il Foglio", 16 November 2012; V. Lops, *Parla l'inventore della formula del 3% sul deficit/pil: 'Parametro deciso in meno di un'ora, senza basi teoriche*, "Il Sole 24 Ore", 29 January 2014.
[6]See, MAGNIFICO, *op. cit.*, pp. 241-43.

cuts will stimulate growth, because the cuts are perceived as the signal of future tax reductions and hence higher expected incomes. But the recent crisis has demonstrated that "expansionary" austerity was, instead, recessionary. The International Monetary Fund, at first the most vehement of the Troika's advocates of austerity, has now had to recognize that the fiscal multipliers have been higher during the recession than before: 1.5 instead of 0.5, meaning that a fiscal contraction of €1.00 had a recessionary impact of €1.50 on the economy, and not of €0.50, as the theorists of expansionary austerity had estimated.[7]

The thesis of a negative correlation between debt and growth has been recently resumed and sustained by Carmen Reinhart and Kenneth Rogoff of Harvard. Based on empirical studies, they show that in the long run countries with high sovereign debt – over 90 per cent of GDP, hence well above the more restrictive 60 per cent parameter laid down by the European treaties and regulations - have lower growth. The study has been taken as the scientific justification for the adoption of austerity policies within the euro area and for the rule requiring reduction of the public debt to 60 per cent of GDP, including by means of the Fiscal Compact and the incorporation of the balanced-budget principle in national constitutions.

But this empirical work on the correlation between debt and growth is flawed by spreadsheet errors, as was discovered by researchers at the University of Massachusetts and as Reinhart and Rogoff have admitted. What is more, it has been shown that there is in fact no "threshold effect," such as a ceiling of, say, 60 per cent, and no direct causal nexus between debt and growth. Finally, the consequences vary from country to country, while empirical studies on the Reinhart-Rogoff model simply *postulate* that the relationship between debt and growth is the same independent of context. "The hypothesis could potentially

[7]See, DANIELE, *L'austerità espansiva e i numeri (sbagliati) di Reinhart e Rogoff*, "Economia e Politica", 20 June 2013, http://www.economiaepolitica.it/index.php/primo-piano/lausterita-espansiva-e-i-numeri-sbagliati-di-reinhart-e-rogoff/. For Italy, PISAURO, *Il risanamento dei conti pubblici*, "Economia italiana", No. 1, 2012, pp. 37-61; IMF, *World Economic and Financial Surveys. Fiscal Monitor*, October 2012, p. 53 ff.

produce misleading results, and studies using statistical techniques that *do not so postulate* cast doubt on the negative correlation between debt and growth in the advanced countries."[8]

2. The advent of the single European currency has resulted in a switch in the focus of currency speculation, from exchange rates – which were flexible after 1978 both under the old monetary snake and also, albeit within a fixed fluctuation band, under the European Monetary System – to the rates of interest on the public debt of different countries. In other words, speculators switched from currencies as the representation of the conditions of a national economy to the market's confidence in a State's sovereign debt. While the spread between ten-year Italian Treasury bonds and German Bunds was 600 basis points in 1991 when Germany was reunified, rose to 700 basis points with the speculative attacks on Italy in 1992, and remained over 300 basis points until 1996, not a single analyst cited this as proof of Italy's economic weakness relative to Germany. The spread then declined and with the advent of the euro recorded negative values from 1997 to 2007, marking the first but in many respects also the last success for the single currency. As Jacques Sapir has noted, it went unobserved – or ignored – that this was the only sphere in which some effective unification was achieved at the time: "Product prices remained quite diverse across the various euro-area countries, and the prices of shares listed in the various stock exchanges absolutely failed to converge. Worse still, the dif-

[8] See, PANIZZA - PRESBITERO, *Quel nesso da dimostrare tra debito e crescita*, "lavoce.info", 20 April 2013; REINHART - ROGOFF, *Growth in a Time of Debt*, "American Economic Review", Vol. 100, No. 2, 2010, pp. 573-578; T. Herndon, M. Ash, R. Pollin, *Does High Public Debt Consistently Stifle Economic Growth? A Critique of Reinhart and Rogoff*, PERI Working paper No. 322, April 15, 2013, For the full text, see: http://www.peri.umass.edu/fileadmin/pdf/working_papers/working_papers_301-350/WP322.pdf.

ferences in economic trends between the countries of the euro area continued to increase."[9]

The shortcomings of Europe's institutional architecture were then thrown into relief by the subprime mortgage crisis that broke out in the United States, the subsequent failure of major investment banks – first Bear Stearns, then Lehman Brothers – and Prime Minister Georgios Papandreou's declaration that Greece risked default. The resulting contraction of liquidity widened interest rate spreads vis-à-vis ten-year German bonds, spreads that hit their maximum during the summer of 2011 in Portugal, Ireland, Italy, Greece and Spain (the "PIIGS" countries) but also in Belgium. Actually, this constituted the realization of the conditions laid down by Germany for agreeing to Maastricht – the euro area had to arise as a community of financial stability, according to a decision of the German Constitutional Court, which consequently ruled out any form of mutualization of the sovereign debt of countries in difficulty. And given this line of thought, the European Central Bank, founded in 1998, could not act as lender of last resort, because its sole mandate was for monetary stability, interpreted narrowly as fighting inflation on the model of the Bundesbank.

Euro-area countries in difficulty, then, given the single currency, cannot mutualize their debt, or carry out competitive devaluations, or regulate interest rates. The sole instrument they can use to finance themselves is the free capital market – an instrument that even in 1999 Joseph Halevi had described as a boon to financial rents[10] – with a consequent increase in the public debt and the transformation of the liquidity crises into solvency crises. These in turn undermine investor confidence, threatening economic deterioration in the debtor states, insofar as the widening of spreads lowers the value of their government securities and means higher debt interest payments. It is no accident that the IMF has reconsidered its original position, admitted the damage done by the

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[9]See, SAPIR, *Bisogna uscire dall'euro?*, Ombre corte, Verona, 2012, p. 24-39.
[10]See, GRAZIANI, *Lo sviluppo dell'economia italiana. Dalla ricostruzione alla moneta unica europea*, Bollati Boringhieri, Turin, 2001, p. 171.

policies of austerity imposed through the Troika,[11] and, together with the OECD and the European Parliament, recognized the need for some control on capital movements.

The yield on sovereign debt instruments is correlated with the exchange rate, inflation, insolvency risk and, solvency being equal, their degree of liquidity. So a German Bund is more attractive in the international capital market than an Italian BTP, which in turn is more attractive than analogous bonds issued by Greece or Cyprus. Thanks to the soundness and reliability of the German economy, the Bund would appear to serve as a sort of safe haven. With the advent of the single currency, the first of these factors – the exchange rate – was eliminated and variations in inflation expectations were reduced enormously, to far less than 2 percentage points above the rates in the three most virtuous countries as established by the Maastricht Treaty. And in fact until 2007 the average spread with respect to German government bonds was only 27 basis points for Italy, 28 basis points for Greece, and a mere 9 basis points for Spain. This means either that the markets had unlimited confidence in the financial soundness of all the euro-area countries or else that they had failed to comprehend one of the constituent elements of Maastricht, namely the no-bail-out principle, which ensures the stability of the single currency and absolutely precludes any transfer of funds between member states.[12]

Jean-Paul Fitoussi has rightly observed that "the consequences of foreign exchange speculation, while serious, are infinitely less grave than those of speculation on the stability of States. The economic and social consequences of a currency devaluation are incomparably less severe than those of a bank run."[13] In practice, the switch from speculation on exchange rates to speculation

[11]See, SAPIR, *op. cit.*, pp. 12-13, 16. For Italy, see "Growth and Financial Stability in Italy. Review of Economic Conditions in Italy", 2012, No. 1. In particulare, PISAURO, *The consolidation of the Italian economy*, pp. 31-54.
[12]See, SARRAZIN, *L'Europa non ha bisogno dell'euro*, Castelvecchi, Rome, 2013, pp. 77-78.
[13]See, FITOUSSI, *Il teorema del lampione o come mettere fine alla sofferenza sociale*, Einaudi, Turin, 2013, p. 122.

on sovereign interest rates coincided with the transfer of sovereignty from States to the supranational economy of finance. Whereas a national government can manage exchange rates by open market operations to regulate domestic liquidity through its own central bank or by competitive devaluation – or revaluation, as envisaged by the EMS – it is impossible for any country, alone, to ward off speculative attacks on its stability, given the enormous volume of capital that liberalization has injected into the market with the financialization of the economy. This is because the euro-area countries' public debt is denominated in a supranational currency over which they no longer wield the monetary policy powers just mentioned. On the contrary, the crisis is deepened, as the danger of a State's default depresses its bonds, widens the spread, and depreciates the assets of the banks that hold them. Unless government intervenes, there is the danger of a bank run – as in Greece – and the flight of capital to States with sounder sovereign debt. Obviously this mechanism weakens the poorer countries, through speculation, and further enriches the affluent.

In this regard, Thilo Sarrazin has observed that "a bank that holds government securities denominated in euros takes on an extra risk with respect to the securities of a State whose central bank can issue money" and that this threatens to undermine its solvency.[14]

3. Eight months have passed since Schengen's 30th anniversary: the European treaty signed on 14th June 1985 by Belgium, France, Germany, Luxembourg and The Netherlands. The abolition of borders and the subsequent free movement of persons within the Schengen area represent a major conquest for the members of the European Union, as well as a fundamental element on which the Union is based.

The values of solidarity and hospitality promoted by the EU are integral part of the Schengen's *Acquis,* which is currently applied by 26 countries (22

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[14]See, SARRAZIN, *op. cit.*, pp. 24-41.

European Union members and 4 associated states).
However, the dream of a united and supportive Europe seems nowadays undermined as nationalism and xenophobia find increasing public approval in times of disastrous migrant crisis.

Saving one of the most important strongholds in European history and providing a concrete answer to the ever-increasing migration issues is crucial for the future of the "Old Continent".

It's not surprising to see nationalist movements stonewalling the arrival of refugees escaping from war, death and misery. Refusal and demonization of diversity are just part of their DNA.

Most worrying, democrats and liberals paved the way to isolationist policies, taking advantage of legitimate fears in the citizenry for the sake of arguable political campaigns.[15]

Hungarian Prime Minister Victor Orban caused public outrage last summer for its decision to build a barrier on the Serbian borders to prevent migrants from entering the country. Decisionist policies in Poland, Czech Republic and Macedonia echoed Mr. Orban determination with the announcement of drastic and violent solutions in an effort to hinder the refugees flow. The incapacity of the European Union to provide a univocal, well-balanced, answer to the crisis and its failure to develop a common sense of belonging for the EU members appear to be the real problem.

Legal gaps and European Union's lack of preparation in managing the phenomenon justify the adoption of restrictive measures and isolationist policies by moderate governments: blaming Orban's barbed wire while building invisible walls made of tighter border controls and questioning Schengen's validity.

As the crisis sharpens, Schengen's area shows signs of weakness while Austria, Denmark, France and Sweden restore borders[16] pointing their fingers

[15]See, ACCARDO, *Libera circolazione e immigrazione: trent'anni dopo, che cosa rimane di Schengen*, "Voxeurop", 19th June 2015.

at the presumed inability of Italy and Greece to patrol the European external frontiers. Recent studies show that over one million asylum-seekers crossed the EU borders: a remarkable number, especially if compared to 2014 data. Nevertheless, this figure seems more reassuring when confronted to EU total population. At this purpose, one million migrants accounts for 0,2%, therefore scaling down the crisis magnitude which cannot be compared to the situation Lebanon has to face, providing hospitality to one million migrants representing 25% of its population.[17]

Issues regarding the management and integration of people from different worlds in the economic, social and cultural context are undeniable as they represent the real challenge to a strong and unite Europe.

Integration and constructive exchange should be at the very heart of the "New Schengen". The Cologne matters show the urgent need for a balance between integration and social protection of UE's citizenry. Shutting eyes and doors is not a solution. Such a behaviour wouldn't be respectful of the work and hope with which Schengen was created. Incalculable damages would affect every EU citizen with a significant reduction in mobility rights that would mean living in a degenerated Europe, deprived of that common sense of belonging acting as inspirational principle.

However, Schengen suspension would need the approval of all the 26 member states and, in any case, would mean unsustainable costs for all the participants to the zone. Cost/benefits analysis on immigration show that abandoning Schengen would not bring any advantage.

The European crisis is serious and Mr. Donald Tusk, President of EU Council, gave a 2 months deadline to reform Schengen and find a long-term an-

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[16]See, CARLINO, *Porte sempre più chiuse per i migranti. Scontri a Kos contro gli hotspot*, "Euronews", 15th February 2016.
[17]See, LIBERTI, *Chiudere le frontiere in Europa ha conseguenze incalcolabili per tutti*, "Internazionale", 18th January 2016.

swer to the migrants issue. As time is pressing, a fast response is needed to tackle migration crisis.[18]

Greece is now experiencing hard times in balancing its economic and social efforts for both the migrant crisis and the financial issues regarding its debt, while Europe still fails in defining a suitable strategy for the current immigration problems.

As Turkey wriggles out of its duties concerning the strengthening of border controls to stem the migrant flow heading to Greece, Kos is witnessing fights between the embittered population and desperate migrants, exhausted by inhuman trips and uncertain perspectives.[19]

Schengen's suspension and the redefinition of Europe's real borders will not be an acceptable solution, as this will not help interrupting the migrant flow to the Hellenic coastline: blocking desperate migrants in an unprepared country will only result in a humanitarian emergency.[20]

In this catastrophic context, the European strategy and the relocation policy must be redesigned in order to avoid nationalisms and unsustainable economic and social costs. In addition to this, the uncertainty about the British referendum and the threat of a possible Brexit burden the crisis with an additional risk factor. Moreover, the commodity crisis and the ghost of recession, new and old EU discords, the Eastern "secession" and the possible return of Nation states cast a shadow over the unity of Europe.

To make the multi-speed Europe matters worse (a division which is nowadays less visible as Finnish economic conditions deteriorate), a rift between Western Europe and radical nationalist Eastern nations follows up.[21] Furthermore, the virtuous, unwavering Germany suffers from the impact of one

[18]See, CORIAT, *2016: année critique pour l'Union européenne*, "Alternative économiques", 18th January 2016.
[19]See, GUETTA, *Compte à rebours en Europe*, "France Inter", 26th January 2016.
[20]See, PAPACHELAS**,** *Διπλή καταιγίδα στον ορίζοντα, "I Kathimerini", 17th February 2016.*
[21]See, CORIAT, *2016: année critique pour l'Union européenne*, "Alternative économiques", 18th January 2016.

million refugees on the job market, the instability of economic conditions and the uncertainty of electoral results.

Studies outline the possibility of an even worse migration flow in the future, as a consequence of climate change. Such a scenario makes the current refugees tragedy a mere testbed for Europe, which, if not capable of managing the crisis, will give in to more serious and hardly avoidable migration flows.[22]

An unanimous, sustainable and responsible solution, outcome of a well-balance mix of integration and citizenry safeguard, is highly necessary; as well as the redefinition of the refugee-sharing scheme with fairer models.

In response to the struggle among Ministers of the member states and Italy and Greece push for the application of EU solidarity principle, the European Commission published an agenda concerning the distribution of asylum-seekers from Syria, Eritrea and Iraq. The Commission agreed to redistribute migrants on the basis of population size (40%), national GDP (40%), unemployment rate (10%) and number of refugees hosted during the last 4 years (10%).

Denmark, United Kingdom and Ireland are excluded from the programme, as determined by the Treaty of Lisbon.

An alternative allocation method has been proposed by two researcher from the London School of Economics, basing their study on realistic and pragmatic criteria. The hosting capacity of destination countries is analyzed taking into consideration three dimensions: internal wealth, job market conditions and demographic rate. Internal wealth is estimated by GDP (PPP) per capita, as hosting costs are strictly correlated to the cost of living. The greater is the wealth of a country, the easier is for it to sustain the migrants-related financial costs. Bigger shares, therefore, must be allocated to the richest countries.

Job market and demographic rates – inasmuch as they can turn the migrant issue into a good economic and social development opportunity - are crucial for the definition of these shares. A quali-quantitative research is per-

[22]See, HALL, *The Challenge of Financing the Costs of Climate Change*, “The Governance Posts”, 25th January 2016.

formed to analyze the job market conditions, taking into consideration job vacancies. Countries with high education level will probably suffer from shortage of manpower and less qualified workers. Demographic structures with low birth rates will benefit from refugees (81% is under 35 years old and 55% is 25).

The 10% correction factor regarding previous hosting commitments is omitted as it has little influence on the results of the study. Moreover, economies of scale offset hosting costs. The outlined shares are highly divergent from the ones proposed by the Commission.[23]

Regardless of the results, it's interesting to note that many other redistribution plans are feasible and desirable for a real and supportive cost sharing in order to host refugees and save Schengen.

[23]See, BOVENS - BARTSCH, *Why the refugee quota system is unfair on poorer eastern and souther EU states*, "The London School of Economics", 28th January 2016.