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The EMU27: Too Large to Have a Future? Notes for a Positive Approach

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I. Introduction and summary.

In 2002-2008, since when euro had been introduced in fifteen out of the twenty two EU member countries – support for the new common currency was more or less stable, while after 2009 there was a relevant plunge in people trust in southern Europe, together with rising dissatisfaction levels on democracy, due especially to high unemployment. As a consequence, cohesion among members declined to such an extent to undermine the already feeble incentives for the states to get fair solutions to common problems. In 2017, both Mediterranean and Eastern countries refrain from expressing appreciation toward EMU governance, although for quite distinct reasons. The western world changed drastically in the past fifteen years, in terms of reduced importance of the relatively most advanced countries, to account for less than one half of global GDP measured in PPP. In the US, the trend became clear in 2010, during II Clinton administration , when the question was posed: "what's in it for us?" urging to regain competitiveness and now looks a priority in Trump' rhetoric words. From the EU viewpoint, it is attractive to guess the reaction to the explicit US renounce to play an hegemonic role, namely in trying to prevent the demise of multilateralism.[1] The answers, whatever might be the future outcomes of the game, will depend among other things on the size and effects of the protectionist turn.

[1]About the international trade system, the objective of the US Republican administration in office to improve trade balance has to be obtained through a "Destination-Based Cash-Flow Tax" (DBCFT) or "border adjustment^, by imposing a 20% tax on all imports and a special tax exemption for exports derived income, to apply on producers only, as a penalty-subsidy mix to encourage bilateral incompatible with WTO rules. The three giant players (EU, USA, China) started to expand regional and bilateral trade agreements. After the unsuccessful TTIP negotiations, the goods and services and direct foreign investments of the two leading western economic systems is likely to cut global growth. Even if the EU still represents the largest trading bloc, it is incapable to replace US hegemony.

What is required is thus an approach to the current EU/EMU economic and political situation closer to the citizens perspective as it can be attempted by a public economist's simple-minded estimate of the meagre updated integration results. Section I briefly introduces. Section II points out how the relatively high number of the EU member states subsequent to the progressive enlargement process has caused the formation of a medium size heterogeneous group which, although ideally open towards global solidarity, in practice involves the collective action logic of a completely selfish exclusive "club". Section III includes spurious governance and abuse of intergovernmental agreements among the reasons of the impasse and the deceptive tendency to multiply rules and procedures to get its announced objectives. Section IV introduces a potential way out by bringing back some of the conclusions made half a Century ago by M. Olson Jr.[2] on group behavior and recent advances of game theory allowing new technologies and empirical evidence. Final Section V comments potential EU escapes to the "status quo", open to extended research.

II. The integration and enlargement process failures.

Notwithstanding the bold official "Declaration" of the 27 member states leaders and some papers of the European Council, the Parliament and the Commission in the 60the anniversary of the "Treaty of Rome" – last 25 March – and the promises of a bit softer "Five Presidents Report"[3], the future is ambiguous.

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[2] Olson M. Jr., *The Logic of Collective Action*, Cambridge, MA: Harvard University Press, 1965. We are indebted to the excellent review: Sandler T., "Collective Action Fifty Years Later", *Public Choice*, 164,, April 2015, 195-216. Based on the assumption of greater efficiency of little but organized groups with selective incentives, several problems can be investigated with respect to the EU case to see they rule with an even stronger impact than in a homogeneous club.

[3] European Commission, *Completing Europe's Economic and Monetary Union (Five Presidents Report)*, Brussels, 2016. Main objectives are thought feasible through political commitment, by virtue of a "4 pillars-two stages" strategy, following the bankrupt of "Euro Plus Pact on Stronger Economic Policy Coordination for Competitiveness and Convergence". Of some relevance is believed the creation of a "European Fiscal Board" whose task should be to "provide a public and independent assessment of budget performance" to make EU resilient to macroeconomic shocks. Moreover, "Economic Dialogues" among main institutions would lead to a "EP Week" with representatives of both European and National Parliaments" to talk on policy priorities "as enshrined in the legislative pieces" ("Two-Pack") to get the EC opinion on a draft budgetary plan or a recommendation to members in "Excessive Deficit Procedure", and (in accordance with the "Six-Pack" provisions) a second plenary debate on Country- Specific Recommendations".

In theory, the economic and political rationale for coordinating fiscal and monetary policies within a Union rests on the existence of interdependencies to internalize the spillover effects of collective goods. As an indirect consequence of the timid choice toward a true political multi-countries system, after the first step of a common monetary institution - witnessed by the European System of Central Banks – the group of states got evidently satisfied to amass a bundle of stringent rules i.e. the Stability and Growth Pact (SGP) and the like, until the so called “Fiscal Compact”.

From its early stages, EU produced in fact an increasing flow of norms and procedures with the scope to bring together geographically nearer countries, while improving the welfare of the original communities to create a huge market. A mixture of currency stability-slow integration had to be insured by the entrance into a peculiar quasi-inclusive club whose earlier members could accept or not claimant states on the basis of established average value - never weighted or revised - economic parameters.

Once the utopia, in 1941, of the Founding Fathers had soon been abandoned, no real bother apparently aroused from the shortcomings of a purely big market predetermined programme; alternative political-institutional settings were excluded or rapidly set aside as pointless, too. No surprise, then, the EU rulers’ recent proposal of a “double circle/speed” raid for the group is perfectly in line with past decisions, even if totally unfit and markedly direct at reinforcing the heterogeneous nature of the Union and left under strain by a few: not a *foedus,* but an anomalous exclusive group.

This note draws on masterly work on the logic of collective action – an area the Public Choice school first investigated – to argue that in a monetary Union including many countries which differ in size, composition and other social elements, non cooperative, free-riding attitudes are the dominant strategy.

The above statements may represent further threats to the achievement of a more democratic European Union. No better content is to be found in the *Reflection Paper on the Future of EU Finances* COM(2017), 28 June 2017, to (re)propose a five scenarios fake choice, except by adding the evident truth that national budgets account for less than 1% (0.98%) of EU countries income. The last point is not a terrific novelty – percentages were almost totally the same in the 1970s – although the miser figures crudely show the inadequacy of states fiscal effort in the last decade. What is astonishing is the announced perspective to be submitted – whether the project of a “double speediness” Union proceeds - to a “collective sovereign” European Council, a powerful Euro Group, or a duopoly of the strongest members.

The integration process, started in 1957, gave rise to a sequence of national states agreements to reinforce the influence of its already stronger members while the smallest were meant to engage in catching-up, in spite of an equally reasonable preference - especially in good years - to realize EU allowed an excellent occasion to behave as rent-seekers and block any move against group expansion. A continuous adjustment of the "intergovernmental system" was then carried out lead by few actors outside main institutions, leaving the European Central Bank to accomplish its task.[4]

A somewhat tempting suggestion, in the literature, regards political and economic integration as complementary, contrary to the idea that the former is only a tool to develop markets in the global world, whenever the latter is unavailable[5]. To apply the concept within the Union would indeed deserve some qualifications, relative to sample and chocks asymmetries, at least if referred to the smaller EMU circle ("Euro-Land") where several methods to estimate and measure it can apply[6].

In what follows the hypothesis is stressed that EU enlargements – in particular, last decade adhesion of a fair number of East European countries – have not sensibly changed the group scarce homogeneity and rather accrued its size inefficiency, due the high utilitarian behaviour of the incomers to enjoy an however inadequate, free provision of public goods, coupled with a smart currency policy. As a matter of fact, it was eased the insiders chance to benefit from free-ride and rent-seeking, an opportunity already caught, on the other hand, by UK and Ireland in 1973, Greece in 1981 and other Southern members in 1986. The point had been stressed in a research[7] on the way doors were opened to numerous new entrants, at the dawn of XXI Century, essentially not to renounce to 400 millions of potential consumers.

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[4] An influential stream of studies in international macroeconomics required long ago homogeneity within a Monetary Union: Mundell, R. "A Theory of Optimum Currency Areas", *American Economic Review*, 51 (4), Nov. 1961, 657-65.

[5] Brou D., Ruta M., « Economic Integration, Political Integration, or Both?", *Journal of the European Economic Association*, 9 (6), Dec. 2011, 1143-67. The authors assume an oligopolistic good market with an endogenous number of firms undertaking two activities other than the production of final goods, i.e. R-D, or innovation, and rent-seeking .

[6] Huchet-Bourdon M., Pentecote, J.-S. "Elargissement de la zone euro et mesure des asymétries. Un bilan empirique", *Revue Economique*, 59, N.2, Mars 2008, 341-58. The study pinpoints the value of factor mobility, namely work, and adjustments for technological shocks, suggesting to insert asymmetries as a further parameter to allow entrance in EU.

[7] Doucet D., *L'élargissement de l'Europe : un risque pour le Sud ?*, L'Harmattan, Paris, 1999

The reported analysis made a trial to show that the expectation of prosperity was supposed to include Africa by omitting to make clear that good results might have required long, while adjustments and efforts were much closer to afford, so that a lot of financial and environmental questions faced poor and distant populations.

Still another careful research unrolled for the fiftieth anniversary of the 1963 France-Germany Treaty of Elysée offered a sly picture of "neutral indifference"[8]. The relations between the two countries had been the object – in periodically odd recurrences – of several views, as an ideal fusion, or the birth of a "common nation"[9]. A more realistic study claimed the equalization of existing structural differences and the necessity to build up a broad system of equitable intergovernmental grants-in-aid. Meanwhile, it was discussed whether the Treaty shaped the myth of a French-German friendship[10] provided with a US quick approval, in defense of the world order.

At present, Europeans experience the paradox of mounting degrees of nationalism and populism as witnessed by the only at first sight surprising results of the French elections. There exists a broadly shared creed on solidarity and religious legacy, moreover, as identity symbols of the EU group. This feature, while unable to increase economic and social cooperation, appears frequently in the form of a widespread feeling not to tolerate any richer member's action at the expenses of weaker, desperate partners. It is hard to corroborate what amounts to be a self-contradictory abstraction if compared to the real attitudes and needs to be substituted for a stringent methodological premise stemming from collective choice analysis.

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[8] Sloterdjik, P. *Théorie des après-guerres. Remarques sur les relations franco-allemands depuis 1945*, Paris, 2008,

[9] Beck, U. "L'huitre et choucroute…ou l'impossible fusion, *Le Monde*, 7 février 2012.

[10] To speak coarse, it dealt with an everlasting rivalry on which it might be useful to spend a few words as regards to some important sub-periods going from 1945-1949 to 1963 and afterwards until 1989-1990, respectively. In the former, most studies agree how reconciliation was essentially due to their leaders' role, namely to the Adenauer/De Gaulle charisma. The original Treaty was signed in 1963, i.e. during the "cold war" and two years after the Berlin Wall, when the two "super powers" started to worry about the regulation of the conflict, under the basic condition of a stabilization of political alliances and the creation of a geo-political "status quo" in Europe, that is apparently still there. Washington's aim was, notwithstanding the URSS intentions, to build a concept of economic integration of western European societies as market oriented liberal systems in order to hinder any ambition of eastern Soviet expansion. This was partially advantageous for Europe although did imply a deterrence game, a "US protection", a much preferred choice instead of a stronger De Gaulle's claim for nuclear independence and the promotion of an *Europe des Patries*.: See: De France, C. Pfeil U., *La France, l'Allemagne et le Traité de l'Elysée* 1963-2013, CNRS éditions, Paris, 2012.

It is may be rather time the EU regards seriously the viability of a plain political federalism with concurrent governments, i.e. competitive economic systems, which look pretty more similar to their ordinary actions and would better match the purpose of large open markets. A substantive advantage will add, that is to finally disclose the hypocritical assumption of not merely selfish state members behaviour.

The reasons to make a proper institutional change are justified if one glances at the unsuccessful attempts in the past six decades to design a federation, not to mention the dreaming pillars of something called the “United States of Europe”[11]. The review of punctual historical facts that offer a list of the absolute wishes of members include the French opposition to the UK joining the EEC - in the same year 1963 of the Elysée Treaty - to threat U.S. hope for a bipolar world; De Gaulle’s political defeat and the British ambiguous EU admission a decade later; the two Germany process up to a now topical “Britain-affair”: all concrete acts of not altruistic nature. The problems of whether integration, identity and the measure of sovereignty, that is to say the extent to which nations decided to join or not EU for purely economic purposes is nevertheless mashed up and waits for a greater deal of further empirical evidence of the positive approach roughly traced in this note.

No doubt, economic homogeneity sharply diminished as a consequence of a EU endorsement, namely the 2004 admittance of new members whose average salary was around 26% of the past EU15, to suggest a trend towards a new minimalist conception of social policy. After the abortion of Constitutional referenda, it is easy to imagine those involved Eastern nations among the game winners[12] if, besides a perceived fear of not skilled workers dumping, the statement could be integrated by a rigorous inquiry on firms delocalization effects.

[11] Spinelli A., *Il manifesto di Ventotene*, Mondadori, 2006. In a passage, he emphasizes how the important problem was (still is) not to cheer the infinite variety of forms to be displayed in a federation, yet the factual option “to make it”.

[12] An under evaluated cost of both ex ante and ex post adhesion of the countries was as little as 75 billions of *ecu* in 2000-2006 estimates. In: *Agenda 2000*, EU, 1999 it was also stated each country contribution could not exceed 1,27% of GDP for the period: a further restraint which made unthinkable whatever plan of generalized public goods provision.

The role was often underlined in past work of demographic transition and technology to achieve long term growth rates in Europe and worldwide, but even partially ambitious forecasts hold cautious on this point. To give just an example, most studies on enlargement predicted catching-up, whereas the analysis of migration flows labor discarded mobility as inducing on balance a virtuous cycle between high growth in the destinations areas compared to a steady weakness in the origin ones. Forecasts have been shared thereafter on the problematic future of millions young productive Africa adults, as a result of massive migrations. Both issues would require a thorough check of the political actors' role and are therefore omitted here[13].

III. An alternative institutional approach?

The changes in size and composition of the EU group over the past twenty five years even unable to devise a different model[14] are more useful to criticize the official version of bureaucratic institutions to explain failure during the crisis span. This may be investigated by means of two suitable hypothesis tightly linked to Olson' logic – although its naïve assumption of perfect public goods supply and of an orthodox summation technology - as far as positive public goods externalities, like monetary stability and macroeconomic performance, depend prevalently on members activity.

The second-best ordinary instruments to bring about common ends, i.e. rules and procedures to afford structural and budgetary crisis obviously influence potential growth, because centralized decisions on the demand side, coupled with supply Laffer-type at both EU and national levels imply non-cooperative PD games, one shot Nash behavior, do represent the largely dominant strategy.

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[13] Aglietta, M., Borgy, V., Chateau, J., Juillard, M., Le Cacheux, J., Le Garrec, G., Touzè, V.: « The Larger Europe. Technological Convergence and Labour Migration, *Revue Economique*, 57, N.4, July 2006, 823-50.

[14] The literature lists the followings: i) liberal, or *anglo-saxon*; ii) social democrat, or *scandinavian*; iii) *continental*, corporative-conservative; iv) *latin*, or familiar. After the 20% increase of population, in 2005, EU25 showed a reinforcement of polarization, but no real change of the type i) and iii) social model in a somewhat hybrid mixture. It was also impossible to choose a single model to explain major revenue differentials, scarce workers union powers and relations. See: Carpanis, A., Koulynsky, A., Richez-Battesti, N., *Revue Economique*, 57, N.4, Juillet 2006, 793-822.

Olson put forward his “Exploitation Hypothesis” (EH) whenever rich members pay for collective action and rule by depriving others of any decision making power.

It will appear of special interest to deeper explore such theoretical argument to show whether one could reasonably apply the maxim to the Union, where the lack of homogeneity in economic power of a number of national players can find evidence in both little - as in Olson’s statement - and large groups, according to the issue.

For that purpose, assume that within EU/EMU one or more group leaders decide the impact of the collective action, i.e. the provision of exclusive group, or “club”, imperfect public goods to all members, while the rest tends to spoil the situation to free-ride and get own benefits without paying. Union governance is actually inspired by an “autocracy”, i.e. a restricted membership and well established group of actors: namely, national leaders or their economic and finance ministers, or the Euro Group, who use political proceedings to arrange principles and legislation once they are inserted in a new Treaty, e.g. Stability and Growth Pact, Six-Pack, Two-Pack, “Fiscal Compact” dictate and the like, under the central banks tuition[15].

IV. Bringing back the “Logic” of collective action.

The simple analytics sufficient at the time Olson’s book appeared can without much effort be integrated with some game theory cooperative and non-cooperative rationality insides to confirm his main prescriptions on group size. Open-access commons were initially restricted to conceptualize the circumstance that “too many members” had to limit their activity, i.e. to lie midway between private, public, and mixed goods, although the author privileged a polar public/private classification goods, thanks to a feasible principle of exclusion in consumption.

[15] A solution is famous Oates’ public goods-based theory of “fiscal federalism” to consent decentralized choices to be melted into an over national entity with the need to aggregate preferences *à la Coase* and require alternative institutions to put limitations on costly and uncoordinated single country decisions through the use of either financial penalties, like in the EU, or of incentive mechanisms to enhance positive externalities. See: Le Cacheux, J., “Politiques de croissance en Europe. Un problème d’action collective”, *Revue Economique*, vol. 56, N. 3, May 2005, 705-714.

An important hallmark rests on the circumstance that the non-cooperative action of some members does not dramatically impinge on the others while “non-sub tractability” implies their growing number bolsters total resources and the option for insuring larger benefits to all. Moreover, joint supply taken alone, group size growth has a positive effect on the probability that public goods will be provided.[16]

Cost sharing formulas lead each member – or a minimal contributing group - to perceive that she/he is critical for collective action and decide to pay or not. If others do, then a discrete threshold PD game shifts to an insurance one. Under a “weakest link” technology, Olson’s third result on size will not hold, in a homogeneous group. Sometimes, excessive use by members generates high costs and still imply a symmetric Nash equilibrium from below, i.e. just the opposite of what happens in finite repeated public goods experiments of “learning by doing”.

To identify an EU safe exit from its defaults does not much differ from a miracle and needs time, unfortunately, due to its immutable collective action logic.

A move toward a viable turnout is to acknowledge policy errors, e.g. the crude enlargement process and faulty crisis responses yet continued with tough obstinacy. Even if the EU/EMU decision making is made pervasive thanks to a complicate vote system based on special majority and constantly unanimity[17], the weight of a major “restricted membership group” of recognized actors plays a crucial analytical role[18].

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[16]In terms of production functions, Marginal Per Capita Return is the value of the switch of one unit from private consumption to provide public goods. If MPCR is .25, 1 euro contribute will generate a 1/4 euro value public good. With 4 subjects paying the same unity, total return equals total costs and a minimum number of people let benefits exceed costs is k=5. Yield CPR have quadratic form but non-linear functions give accelerating or decelerating paths. Olson’ attempt to use the same approach to explain global issues: *The Rise and Decline of Nations. Economic Growth, Stagflation and Social Rigidities,* New Haven: Yale University Press, 1982 was criticized and nonetheless he got the privilege that problems of collective action related to the goods provision were since labeled that way. Contrary to A. Smith’s “Invisible Hand”, individual rationality is not sufficient to achieve collective rationality as single agents, or countries, may pursue self-interest that do not advantage the group. It concerns public goods, uncompensated externalities and commons. Thus, collective action involves strategies and rational choice as analyzed in game theory.

[17] With regard to unanimous consent, various kinds of majority and other electoral rules, the reference is to a well known anthology on collective action : Mueller D. C., *Public Choice III,* Cambridge University Press, 2003.

[18] To enter the EU might increase the availability to choose to belong to an “exclusive group” e.g. the UNESCO list, as is dramatically demonstrated by the ostracism of the “Fortress Europe” setting up walls against outsiders migrants. (refugees or not) from the South of the World. Analogously, Eastern countries had relatively high growth rates in the last decade to quite rapidly waste them afterwards, to maintain a definite rent-seeking position.

More controversial is the validity of Olson's "Exploitation Hypothesis" relative to the group composition when members are identical in tastes but not in incomes, with a critical "threshold" value. In simplest words, the "large (rich) members are exploited by small (poor)", through a plural free-riding on the highest incomes, while the contributions are always income proportional as well as the economic spillovers which benefit the rest of the group to satisfy the needs of all.

If, however, tastes are not identical, the scale of the phenomenon is uncertain as single members preference for public goods determine the total amount supplied. In other words, a low income member state with high preferences - e. g. Italy's will, and moral obligation, to receive migrants – may cause the opposite pay-off, since large income effects counterweigh the standard exploitative tendency. This replaces usual Nash assumption by a duopoly game, or a "weakest link technology".

For commons, the exploitation is usually reversed - as in Olson's, who had however in mind a collective good - provided that a rich state (leader) will impose crowding costs on the poor (follower) who exploits by letting it shoulder the burden. This brings substantial equity effects, too, that should be always taken into account.

EU policies used to offset exploitation should encompass a compensation tax/subsidy to the poor - within commons - or to the rich, in a public goods scenario.

A final notation concerns a couple of observable similarities. First, mentioned income effects look as a close analogue of federal systems equalization grants-in–aid. Second, on the contrary, the "EU fortress" resilience is astonishing, to try to explain the rigid tendency towards outside people. Under many respects this also recalls Buchanan's theory of heterogeneous, multiple clubs engaged in the supply of no-spillovers, semi-public goods to members alone such to affect crowding situations. Effective tastes are then satisfactory revealed by the exclusion forces at work in little groups and congestion charges, fees or other tolls, finance public goods shared in common uniquely by individuals who belong to it, or to a given nation community.

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V. Some comments and remarks.

To summarize the findings of these introductory notes to the EU logic of collective action - if any - through the lens of Olson's seminal work, they are:

a) The maxim that small organized homogenous groups are more efficient – as public goods supply shortage depend mostly on free-riding and rent-seeking – should warn to allow neither the EU historical heterogeneity nor extensive enlargement processes;

b) When the scarce group homogeneity is limited to tastes, income differentials can induce total provision by few richer providers who take upon themselves the power to rule, besides technology in force does require some minimum effort by everybody. Opposite pay-offs stem from alternative public goods or commons production;

c) According to b), Olson's EH is reversed whenever the two options are compared;

d) The possible nature of the E(M)U as a club is still more intriguing than that of a group whose inequalities appear in both tastes and incomes, as impure public goods are offered to members through cost sharing, fees and tolls which exclude outsiders;

e) As far as collective logic is concerned, stronger exclusion mechanisms at work in a club are partially not comparable with Olson' traditional groups where additional contributions are required – as an equity objective – but occasionally rejected by members who feel uncomfortable with it. This could be overcome in a federation.

The whole EU puzzle is quite messy to reasonably argue for a passive application of Olson's intuitive and still updated brilliant maxims. Two out of three maxims on size, namely: 1): "*large groups may not form to provide themselves with the collective action*"; 3)"*the larger the group, the greater is associated inefficiency*", hold with almost no exception in the real world, in the sense that sub-optimal policies rise as a direct proportion of the countries number[19].

[19] For non-rival not-excludable "perfect" public goods, one agent's contribution automatically benefits others, i.e.is likely to reduce her/his payments as others do more. A similar strategic interaction characterize generators of either external advantages and costs (PD contribution game) or exploiters in open access commons (Commons Game). Sub optimality, or market failure, stems from insufficient financing if too-little is supplied, or, even when it is provided, because of free-rider incentives. See, for analytical proofs and details, the paper by Sandler quoted in note 2).

Notwithstanding the lack of a fully agreed empirical evidence for the EH in alternative provisions, the advances of the theory have robust foundations in the duality of the respective games and, in turn, derive from Olson's original insights.

In fact, the public economics literature states formalized private provision of a public good involves inefficiency, since individual behavior of a contributor equates her/his marginal benefit to the relative price, ignoring the advantage to other persons. It follows that, with a simple summation aggregator to multiply benefits by the total number of contributors, the dominant strategy is defection and the PD game leads to an amount of sub-optimality whose aggregate payoff is a zero Nash equilibrium.

An opposite game occurs when Commons are involved, because now the benefits are public while costs are borne privately. As a consequence, the dominant strategy is everybody exploiting the open-access good, despite a per user loss that will not induce players to switch unilaterally to a Nash no-exploitation.

When applied to the EU, the above results indicate that in the "contribution game" a purely selfish attitude of country members leads to a lack of social actvity and a pond of effective provision of public goods policies, unless a few major actors rule. On the contrary, the "Commons game" shows an excessive, largely harmless action by members, where sub-optimality amount is increasing with size.

The claimed "democratic deficit" is perhaps but a "voice" supremacy of the little number of the Council members over definitively larger Parliament national groups. Good examples of restricted membership élites are the mentioned "5 Presidents ", states and party leaders and/or advisors, the Euro-Group and many more with specific tasks, as sub-commissioners in different fields of the budget areas. The guess is how precisely this plethora of acronym-short sized groups make the relevant policy choices one has to look at to build analytically sound club models.

Without a true political Union, any collective effort is in both cases destined to fail, as further evidence on the EH might easily proof : the "Status quo" prevails.

The focus on exploitation and raising inequalities among and inside national EU groups shows opposite trends, whether competitive or imperfect markets exist.

Admittedly, it is hard to guess the future Union's fate by the light of the proposed splitting in two or more subgroups, as a result of compromises in the political arena. It can be argued, however, that EU stronger members have partially repented of the enlargement process choice and moved to a sharp reduction within the restricted membership club, to assume an explicit leading role. Stable, yet insufficient outcomes may draw from the severe fiscal and debt precepts of Germany alone, or derive from a "Merkel-Macron duo" and may still prove slightly worse, based on the assumption that small groups do better for themselves. At the same time, clever so called *Visegràd* members could plan an opportunistic, EU disastrous multiple opt out.

In short, the search for a list of fair enough rules is actually a wishful thinking for economists and researchers. A few proposals could help to re-establish old style distinction between legislative and executive powers, to pass a neat bundle of norms to favor young and poor Europeans and public goods and commons plans,[20] to create citizens interaction. This takes time, but perhaps less than to conceive new Treaties.

As a primary to any reform, the aggregate EU budget should enforce proportional members additional contributions to reach around five/ten times the present ridiculous amount, compared to integrated central and local financial systems of either unitary or federal states. Following the British case, exit and a change to a new more homogenous group is, overall not so far from the "double speed recipe".

Common efforts imply trust accumulation , i.e. a honest will to cooperate for a capital good, notwithstanding this might call for a infinite repeated sequence of Nash

[20] Hennette S., Piketty T., Sacriste G., Vouchez A., *Pour un traité de démocratisation de l'Europe*, Editions du Seuil, 2017. This valuable contribution for a change of "status quo" relative to EU composition rather than to its size might affect the exploiting role of MC small groups of officers *vis-à-vis* the larger Parliament's representatives in office. Of course, any welcome step toward more democratic institutions and governance in Europe would constitute a necessary but not sufficient condition to finally allow citizens to get their crown back. In this respect, the prudent declarations in the press of the more influential actor-leader, i.e. a new EMS use, and common budget and finance minister proposals, might well work in the right sense, although deserve only a skeptical acceptance, as elections are just on the way.

equilibrium PD games where, all things considered, in order to single out the areas where a determined strategy remains stable, players rationality is not requested at all.