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# Cooperatives Instead of Migration Partnerships

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**Abstract:** Large-scale migration is one of the most topical issues of our time. There are two main problems. First, millions of persons will enter Europe in the short and middle run in spite of the firewalls we have built. When the income levels in the development countries raises, the migration pressure will even become stronger for a long time. Second, the present integration policy in most European countries is deficient. In contrast to common knowledge, strong social benefits for migrants, multicultural policies and fast naturalization do not further integration. To address these two problems we propose a procedure that takes into account that most migrants react to incentives in a rational way. Migrants in our countries are joining a cooperative and take advantage of many collective goods and social institutions the citizen of the immigration countries have provided. Migrants therefore should pay an entry fee to join the cooperative. This proposal has positive consequences for both the countries of immigration and of origin, as well as for actual and would-be immigrants. It has many advantages compared to other schemes.

**Keywords:** migration, asylum, integration, cooperatives, entry fee, collective goods

## 1 Introduction

One of the most pressing political issues today concerns migration policy. It has even caused an ‘Europadämmerung’ (‘Twilight of Europe’, see Krastev 2017). However, there are deeply divergent views on how to address the political as well as the humanitarian crisis characterizing today’s migration problems. On the one side, populist national and even fascist movements focus on the high costs of migrants and their deficient integration in European countries popularized by some media. On the other side, some moral philosophers (e.g. Cassee 2016; Jäggi 2016) and left hand politicians (e.g. Die Linke. Themenseite Flucht 2018) argue that we are obliged to welcome migrants on humanitarian reasons beyond any upper

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limit. A third position claims that we need regulations different from the present policy of closing the borders. Immigration acts should allow more non-EU migrants to stay and work in our countries according to predefined criteria (see e.g. Angenendt/Kipp/Meier 2017). However, there are only few suggestions which criteria should be applied. We contribute to the third position by proposing criteria combining humanitarian motives ('Gesinnungsethik') *as well as* economic reasoning with respect to political and economic outcomes ('Verantwortungsethik').<sup>1</sup>

Our proposal aims to address two main problems of the present migration policy: First, in spite of the firewalls we have built around Europe the migration pressure will increase in the middle run. Humanitarian problems of people smuggling, risks of dying in the Mediterranean Sea, and illegal stay in our countries will not come to a stop for a long time. Second, integration of migrants in our countries is deficient. This problem is intensified by the fact that today's refugees are more culturally distinct than former refugees, e.g. those that arrived after the Balkan wars in the 1990ies. In contrast to common knowledge, strong social benefits for migrants, multicultural policies and fast naturalization do not further integration. Instead, they provoke a negative attitude of many local people, feed right-wing populist parties and in the end hinder a more humanitarian immigration policy. To meet these two problems we propose to consider our countries as cooperatives or clubs. To join a cooperative or a club one has to pay an entrance fee to be allowed to profit from the collective goods provided. This proposal takes migrants as autonomous persons instead as objects of bureaucratic decisions. Migrants decide on their destiny to a certain extent. They react to incentives in a rational way and are able to contribute to the collective goods of their country of destination. This will increase their incentives to integrate and at the same time will increase their acceptance by the local people.

We deal in the first place with economic migrants. They leave their home country voluntarily in order to find a better living. In contrast, refugees are forced to leave their country because their lives are threatened. They intend to return to their home country once the situation has normalized. However, the difference between the two types of migrants is blurred, mixed migration has been a long-standing reality (Angenendt/Kipp/Meier 2017; WorldBank 2016; UNHCR 2018) in two regards: the formal distinction between the two groups, and the difference in behavior.

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<sup>1</sup> In the sense of Max Weber 2018.

A formal distinction between refugees and economic migrants is difficult to make:

- There is large heterogeneity in how European countries differentiate between refugees and migrants and how generously they grant refugee status or other subsidiary protection (Dustmann et al. 2017).
- Many economic migrants try to get asylum in our countries because otherwise they do not see any alternative to migrate.
- Most of the displaced persons live in countries close to their home country. For the most part these are developing countries that do not have a formal system of status recognition as an asylum seeker so that migrants and refugees are treated alike.

The two groups also exhibit many similarities with respect to their behaviour:

- Refugees and economic migrants travel side by side, using the same channels and infrastructure. This is clearly shown for the movement across the Mediterranean Sea (Carling/Gallagher/Horwood 2015). Most of migrants cross the border in an unauthorized way often using criminal smugglers<sup>2</sup> and facing high insecurity, danger and even torments (Ratha et al. 2016; Ellis 2016).
- Asylum seekers as well as economic migrants prefer those European countries in which there is already a large number of people with the same nationality or ethnicity (Collier/Hoeffler 2018). The larger the diaspora, the easier is migration.
- Asylum seekers prefer countries in which they can expect a higher material standard of living. In the autumn of 2015 they mostly aimed at countries with a generous social system, in particular Germany.<sup>3</sup>
- The first persons among the migrants and refugees who enter our countries are not those in greatest need such as the old or women with children. Rather, mostly young men enter first hoping to be able to have their families follow later. Young men are better able to cope with the strain and dangers of emigration. A second group entering early are people relatively well endowed because they are the only ones able to pay the high fees imposed by people smugglers (e.g. Clemens 2014; Peri 2016).
- Asylum in countries of high income factually turns refugees into economic migrants attracted by an expectation of a higher standard of living. Compared

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<sup>2</sup> Human smuggling should not be mixed up with the morally ambiguous activity of human trafficking. As history shows, some human traffickers like e.g. Oskar Schindler who saved 1200 Jews during the Holocaust, today are considered saviors, see Tinti/Reitano 2016, 31, 51.

<sup>3</sup> See Ettel/Zschäpitz 2015.

to their former life in their home country they experience a clear increase in their material position (Betts/Collier 2017, 149).

Our discussion suggests that in reality there are many similarities between refugees and economic migrants. Though refugees in contrast to economic migrants leave their country involuntarily, their decision about which country to migrate to is often lead by economic considerations. Insofar this is the case, refugees as well as economic migrants might be conceptualized as investors that take into account costs and benefits (Collier/Hoeffler 2018). We consider this notion when developing our proposal; we take such economic motives into account in order to mitigate the huge humanitarian and political problems we face.

## 2 Why Outsourcing of Border Controls Is Not Sufficient

In 2015 an unprecedented flow of 1.5 million asylum seekers arrived in Europe. The resulting refugee crisis today dominates European policy debate. It persists even though in 2016 and 2017 the number of asylum seekers decreased sharply due to the arrangement between the European Union and Turkey in March 2016 and the so called ‘migration partnerships’ with e.g. Niger, Mali, Nigeria, Senegal, Ethiopia.<sup>4</sup> These countries get foreign aid in return for blocking refugees and migrants to leave their countries. Often former people smugglers turned into coastguards, and corruption is endemic.<sup>5</sup> This discussion disregards that the migration wave will not subside even if the wars in Syria, Sudan or Yemen would come to an end. In view of the political instability, the growth of the population, and the missing economic perspectives in so-called MENA (Middle-East-North-Africa) states, in which only 40 per cent of the working age population finds employment, millions of people wish to emigrate.<sup>6</sup> At the moment there is only one strategy of how to deal with these millions of potential migrants: Make Europe a ‘gated community’ or a ‘fortification’.

At the moment, the firewall around Europe seems to work. The number of asylum seekers has dropped considerably<sup>7</sup> from around 1,2 millions in both 2015

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<sup>4</sup> For Germany, see Die Bundesregierung 2016.

<sup>5</sup> See SRF News International 15.3.2018.

<sup>6</sup> Hanson/McIntosh 2016; Müller/Sievert/Klingholz 2016.

<sup>7</sup> See European Council 2018, Infographic Eastern and Central Mediterranean Routes.

and 2016, to 650 000 in 2017,<sup>8</sup> and probably much less in 2018 due to the ‘migration partnerships’ put in place in summer 2017.<sup>9</sup> These figures do not consider the many unregistered illegal migrants crossing the borders.<sup>10</sup> The firewall leads not only to fewer migrants and refugees. More importantly, it strongly reduces the number of people dying in the Mediterranean Sea.

However, there are a lot of political as well as humanitarian problems connected with the migration crisis both in the short and in the long run. In the short run the following aspects have to be considered:

- The accord between Turkey and the European Union is fragile. The EU depends on Turkey in regard to blocking refugees and migrants. Turkey variously threatened to stop the arrangement with the EU.<sup>11</sup> There is a conflict between Turkey and Greece about extraditing military personnel who fled to Greece after the coup in Turkey in the summer of 2016.
- It is doubtful whether Turkey is as safe state to host refugees or to take over refugees who are rejected in the EU (see Ziebrinski/Nestler 2017). There are reports that Turkey rejects migrants as well as refugees at the border to Syria.<sup>12</sup>
- Libya is not a member of the Geneva Refugee Convention. It does not draw a difference between an illegal entry by a migrant or an asylum seeker with respect to imprisonment.<sup>13</sup>
- Many refugees and migrants who are prevented to cross the Mediterranean Sea have to stay in camps or hotspots,<sup>14</sup> under partly deplorable conditions.<sup>15</sup> It is not guaranteed that refugees can apply for asylum there.
- People living in such camps have little possibility to act for themselves but are constantly kept under surveillance (Betts/Collier 2017, 191).
- In general, “[b]order controls, like any kind of market barrier, give rise to smuggling, black markets, organized crime, and denial of migrants’ human rights” (Sachs 2016, 454).

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**8** See Eurostat 2018.

**9** However, since January 2018 the number of refugees that arrived in Italy has risen again, see Straub/Dernbach 2018.

**10** See Stabenow/Staib 2017.

**11** See Kauffmann Bossart 2018.

**12** See Bünger/Nestler 2017.

**13** See Riemer 2017.

**14** In the case of Turkey there are only 10 per cent of the refugees in camps, whereas 90 per cent struggle along in different ways, see Betts/Collier 2017, 145.

**15** See e.g. Backhaus et al. 2017.

In the long run, there is not only the problem that 40 per cent of the population in the MENA states wish to emigrate, i.e. there are millions of potential migrants.<sup>16</sup> There are also problems with the countries that get development aid in order to reduce the flow of migrants or in exchange for ‘outsourcing border control’. Development aid today is systematically channeled to reduce the flow of migrants and refugees to donor countries (Dreher/Fuchs/Langlotz 2018). For example, the Belgian Prime Minister Charles Michel argued at an international donor conference that a financial aid of 75 million Euros for Syria should “encourage the refugees to stay in the region near their country of origin and to provide dignified living conditions”.<sup>17</sup>

However, this stay-at-home-policy is not promising in the medium run for the countries of origin and the transfer countries.

- Giving development aid to poor countries does not reduce refugee and migrant outflow, except in the very long run. On the contrary, in the middle run the migration pressure rises when income and education increase (Collier 2013, 266; Clemens 2014),<sup>18</sup> because more people are able to carry the cost to emigrate. There is a marked inverted-U shaped relationship between emigrant stocks and real income per capita. In a range of income between roughly 600 US-Dollars (today’s income of Niger or Ethiopia) and 7,500 US-Dollars (today’s income of Albania or Colombia) higher income induces more migration. Only beyond this income level the patterns reverses. Countries in this range are defined as ‘upper-middle-income countries’ or even ‘high income countries’ by the World Bank (Clemens 2014). Dreher, Fuchs & Langlotz (2018, 4) support this finding: “Only with a long delay of eleven years or more we find some evidence of refugee-reducing effects of aid, which appear to be driven by lagged positive effects of aid on economic growth.”<sup>19</sup> Moreover, aid given to host or transfer countries in exchange for withholding migrants and refugees can have the perverse effect of creating more potential refugees in the first place. It induces governments to reduce their engagement in disaster prevention and preparedness (Raschky/Schwindt 2016). In addition, the provision of aid makes the donor countries a more attractive destination in the eyes of the refugees (Dreher/Fuchs/Langlotz 2018).

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**16** See e.g. Tausch 2015.

**17** See <http://premier.be/en/belgium-pledges-75-million-eur-syria-international-donor-conference>.

**18** In contrast, climate change and natural disasters deter migration rather than trigger it in poor and middle-income countries. Such disasters worsen the financial situation so that people are less able to cover migration costs (Beine/Parsons 2017).

**19** See also Dao et al. 2018.

- There are also problematic impacts for the transfer countries which get development aid or other forms of aid in exchange for withholding migrants and refugees. First, to the extent that aid promotes development in the recipient countries, it becomes easier to leave one's country and to try to migrate to wealthier locations (Dreher/Fuchs/Langlotz 2018). Secondly, these countries capitalize on their new status as transit countries. Mauritania, Senegal and Gambia increased their bargaining position relative to European countries which became dependent on agreements to hold back would-be emigrants (de Haas 2008, 1316).
- In the transfer countries the existence of camps induce a continuous flow of aid. They are attractive for the Refugee High Commission because they serve to receive financial aid (Betts/Collier 2017, 189).
- In general, development aid and other forms of money transfer to development countries very often support corruption and stabilize corrupt regimes (Deaton 2013, 281ff.). There is robust evidence of a positive nexus between aid and corruption, at least with African countries (Asongu 2012).

The policy of gatekeeping has negative consequences also for the countries of destination. A restrictive migration policy raises illegal migration. It has been found that a 10 per cent increase of asylum rejections raises the numbers of irregular migrants by on average 2 per cent to 4 per cent (Czaika/Hobolth 2016). In the United States the resources allocated to border control between 2000 and 2010 have almost tripled, but the trend of illegal migration is still rising (Casarico et al. 2015). Increased border enforcement increases the number of attempts to cross the border, hiring people smugglers, or choosing different entry paths. A restrictive policy of granting asylum leads to illegal migrants. This holds in particular for rejected asylum seekers who are not willing to return to their home countries and disappear from the official figures. As a result, the size of the shadow economy involved in drug dealing and criminal activities is likely to increase.

To conclude, outsourcing border controls is effective—if at all—only in the very short run. Financial aid for development countries in exchange for border control does not reduce migrant flow in the middle run, only—if at all—in the very long run.<sup>20</sup> As a consequence, illegal migration is beyond control of immigration states (Casarico et al. 2015; Czaika/Hobolth 2016).

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<sup>20</sup> In contrast, humanitarian aid, that is not fully fungible for the receiving countries is much more effective, see Dreher/Fuchs/Langlotz 2018; Milner et al. 2016.

### 3 Why the Present Integration Policy Is Deficient

In addition to the failure of the present policy of establishing firewalls, the present policy of integration of migrants and refugees is also deficient. This result occurs in particular in countries such as Germany and Sweden which host a disproportionate share of asylum seekers in big diasporas. As diasporas facilitate migration and migration feeds diasporas, migration accelerates (Collier/Hoeffler 2018, 106). The existence of a diaspora is one of the most important determinants of migration (Collier 2013, 265; Beine/Docquier/Özden 2011). The larger a diaspora is, the less integration works in the long run. ‘Parallel societies’ emerge if it is not possible to counteract this effect by better integration. Such societies should not only be prevented because they foster extreme right wing populist parties. They also deteriorate our ‘social model’ (Collier 2013) that is the source of our wealth (Acemoglu/Robinson 2012).

The ‘social model’ of a country depends on how good its political and economic institutions work. Important parts of a good ‘social model’ do not only consist in functioning institutions, an efficient administration and an effective legal framework, but also in good working morale, punctuality, security, and—most importantly—low corruption. Good ‘social models’ are based on mutual trust (Putnam 2007) and intrinsic honesty (Gächter/Schulz 2016). Following Collier (2013), people endeavor to move from failing nations into successful nations exactly because they want to leave bad ‘social models’ and enter good ‘social models’. However, if the immigration into the successful nation is so large that it undermines the integration of migrants, then failing ‘social models’ are imported. The reason why people want to immigrate in the successful nation is therewith destroyed.

To integrate refugees and migrants rapidly and effectively is therefore highly important. Many people assume as a matter of course that strong welfare systems, multicultural policies, and fast naturalization further integration. However, comparing the Netherlands, Sweden, Belgium, Germany Austria and Switzerland with respect to the immigration of non-EU immigrants, Koopmans (2010; 2017) empirically shows that the opposite is the case. Easy access to the same rights as has the local population results in lower work participation rates, higher segregation of homes, and higher crime rates among migrants, i.e. to less integration. Koopmans (2017) hypothesizes that the measures usually assumed to further integration reduce the incentives to acquire the linguistic skills and the interethnic contacts needed to be successful in the labor market. Moreover, flexible labor markets and weak welfare states raise the labor market participation rates of non-EU immigrants (Kogan 2006).



Why is this the case? The first reason for these effects is that inclusive welfare states induce a negative selection of immigrants. According to Borjas (1987; 2015) migrants to countries with low inequality (such as Sweden, Denmark) attract migrants with lower education than countries with higher inequalities (Parey et al. 2017): The more equal incomes are in the recipient countries, the lower is the education level of immigrants which weakens integration.

Second, in countries with high levels of support (for example the Netherlands and Sweden), the incentives of migrants are lower to invest in labour market possibilities such as learning the local language (human capital) or to establish contacts with the local population (social capital). These effects are strengthened by the fact that for the migrants the social benefits received are much higher than work income in their countries of origin. An example for the negative effect of generous welfare systems for migrants combined with high minimum wages is Sweden. In no Western country the gap between unemployment of locals and of migrants is as high as in Sweden (Andersson Joona/Wennemo Lanninger/Sundström 2016).

Third, in countries with easy access to citizenship there a lower incentives to get rid of social benefits compared to countries in which naturalization is more difficult and depend on not receiving social welfare (such as in Germany, Switzerland and Austria) (Koopmans 2017, 127f.).

The same holds, fourth, for countries with strong multiculturalism,<sup>21</sup> characterized e.g. by funding of mother–tongue education, no language and cultural requirements for accessing citizenship, funding of ethnic group organizations to support cultural activities, exemptions from dress codes, or allowing dual citizenship. If foreign normative ideas are too easily accepted migrants' incentives to assimilate are reduced (Joppke 2004; 2007; Koopmans 2013).

Fifth, a low integration of migrants provokes a negative attitude towards immigrants by the local population. This attitude affects in turn the composition of migration flows (Gorinas/Pytlikova 2015). Negative attitudes towards migrants in particular reduce migration of skilled migrants in contrast to unskilled migrants. Skilled migrants are more mobile while unskilled migrants depend more on existing networks in the country of destination, i.e. the diaspora (Avdiu 2018; Slotwinski/Stutzer 2015).

As a consequence, a failing integration of refugees and migrants feeds extreme right-wing populist parties and hinders a more humanitarian immigration

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<sup>21</sup> Measured by MPI (Multiculturalism Policy Index, see <http://www.queensu.ca/mcp>) or ICRI (Indicator of Citizenship Rights for Immigrants, see <http://www.wzb.eu/en/research/migration-and-diversity/migration-andintegration/projects/citizenship-rights-for-immigrants>).

policy. New approaches are needed that might lead to a better integration of migrants and refugees, and to their higher acceptance in our countries. This is all the more important because the migration pressure will become even stronger in the future.

## 4 How to Find Better Ways for Legal Immigration

Propositions are needed that on the one hand take into account that migration pressure in the middle run will increase and on the other hand that integration policy has failed to a high degree due to the fact that it has disregarded economic (dis-)incentives of migrants to participate in the labour market. We should follow Niskanen (2006) who argues: ‘Build a wall around the welfare state, not around the country’ and at the same time we should show solidarity with the poor.<sup>22</sup>

We suggest—in analogy to the model of *cooperatives*—a model for an immigration policy that is based on humane *and* economic principles.<sup>23</sup> To become a member of a cooperative a person must acquire a *participation certificate*. To that end, new members have to *pay an entrance fee*. The proposal of a cooperative takes into account that a new member participates in the collective goods provided by the existing members.<sup>24</sup> In exchange for the ‘participation certificate’, the immigrants are allowed to enter the country of choice without danger and to participate in the labour market. The revenue from the certificates goes to the country and population of the recipient nation rather than to human smugglers. The registration and payment should be made easy, e.g. at embassies or consulates. The recipient country only has to undertake security checks, e.g. whether the applicant is not an actual or prospective terrorist. Asylum seekers or war refugees would get back the money paid for the certificate if they and their asylum status have been accepted by the recipient country. Those immigrants not accepted in this capacity have to pay the entrance fee, but are not confronted with an insurmountable barrier. The use of the price system transforms a categorical conflict of ‘yes or no’ into a decision between ‘more or less’ which is easier to solve (Hirschman 1994).

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<sup>22</sup> For a similar idea see Schlegel/Lutz/Kaufmann 2016; for a similar intention but a different suggestion see Pritchett 2006. For a similar idea but without referring to humanitarian aims see Becker/Lazear 2013; Eichenberger 2015.

<sup>23</sup> See also Osterloh/Frey 2017.

<sup>24</sup> Switzerland is built on the idea of a cooperative: Switzerland is called ‘Schweizerische Eidgenossenschaft’. ‘Genossenschaft’ in English means ‘cooperative’.

A humanitarian and monetary win-win situation could evolve while the people smugglers are disempowered.

We argue that this policy would make it possible to regulate immigration more efficiently than today. The model of cooperatives helps to reap the huge welfare gains by increasing labour mobility (Clemens 2011; Milanovic 2015). It would, however, not displace all entrance barriers and coercive measures to prevent illegal entry. But it would reduce the pressure of illegal migrants considerably. At the same time the costs of transforming Europe into a ‘fortification’ fall. It also would provide incentives for the migrants and refugees to integrate faster so that the deterioration of the ‘social model’ can be avoided. It would help to gain more acceptance with the people in the countries of immigration and to avoid strengthening radical right-wing movements. Most importantly, it would treat migrants and refugees as *autonomous persons* that can decide themselves about their destiny to a much higher degree than today.

We now discuss in more detail the advantages of the cooperative model for the countries of immigration, for the migrants, and for their countries of origin.

## 5 Advantages for Immigration Countries

The countries of immigration are expected to gain monetary and non-monetary benefits by introducing the model of cooperatives.

An obvious *monetary advantage* consists firstly in the fact that by the ‘entrance fee’ the immigration country gets financial resources to facilitate the integration of the migrants.

Second, because the migrants are allowed to work and to earn money soon after their arrival, the integration into the work process is achieved more quickly. The often extremely slow process of registration, checking, and dealing with legal appeals is avoided. Immigrants are required to actively contribute quickly to the public good of the cooperative they joined, which has been provided in the form of schools, hospitals, infrastructure, and efficient administration. Thus, the financial strain on the social system is reduced. The incentive to try to register several times is reduced simply because it would mean to pay the entry price various times.

Third, the huge cost of trying to secure the borders against illegal migrants—which is nevertheless far from effective (Casarico/Facchini/Frattini 2015)—is much lower because now there exist legal alternatives making illegal immigration less attractive. The money can be expended for more useful purposes. Equally, the high monetary costs of trying to send non-accepted migrants back to their

home countries is reduced. Moreover, most of these migrants disappear and stay in our countries illegally.

Finally, migrants can raise the productivity of the local population—provided there is no prohibitive minimum wage (Docquier/Özden/Peri 2014; Winter-Ebner/Zweimüller 1999). For migrants, minimum wages have to be suspended for several years because the productivity of the migrants usually is lower than those of the local low-educated population (Clemens 2011). This applies in particular for person-related local services like housekeeping, gardening, and childcare (Ortega/Peri 2015; Cortés/Pan 2015; Peri 2016). Today, many well-qualified women in our countries are forced to work part-time because they otherwise are unable to care for their children and relatives needing care. Migrants can much reduce this pressure. This opens a large potential of capable workers as today the young generation of women is formally better educated than are men. Moreover, it has been empirically shown that refugees may have a positive impact even on the wages for unskilled labour in the immigration countries. The inflow of migrants—who mainly do manual jobs—enables native low-skilled workers to do less manual and more complex jobs with higher wages (Peri 2016, 24).<sup>25</sup> These positive consequences may overcompensate a possible negative effect of immigration on wages, housing prices and rental services (Ottaviano/Peri 2006). Those negative effects in particular affect the welfare of low income recipients, including earlier arrived low-skilled immigrants (Söllner 2017).

Even more important are the *non-monetary advantages*. First, the receiving country—e.g. Germany—no longer crucially depends on the distribution of migrants over other EU-countries, which has, in any case, proved to be impossible. Refugees and migrants preferably are no longer attracted to those countries providing the highest social security. By setting the entry price, the receiving countries can determine how many migrants they wish to have, and how the integration is to be financed, without disregarding humanitarian aspects.

Second, the deterioration of our social system by imported bad ‘social models’ (Collier 2013) is avoided. The selective impact of the price to be paid serves to prevent potential immigrants just wanting to benefit from our welfare system. Those who are ready to pay the price have a stronger incentive to learn our language and to integrate into our ‘social model’ (Nowrasteh 2015; Koopmans 2017). This, not surprisingly, also raises the acceptance of migrants by the local population.

Third, since in our model migrants are immediately allowed to work and to earn money, their integration will be furthered. They will interact with local people and learn the local language faster. The longer refugees have to wait for the de-

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25 For further discussions see Dustmann/Schönberg/Stuhler 2016.

cision on their asylum, the less they integrate themselves (Dustmann et al. 2016; Hainmueller/Hangartner/Lawrence 2016).

Fourth, a better and quicker integration enables immigrants and their children to fill the many open jobs arising in the future due to our population getting older on average. They will contribute to our old age system.<sup>26</sup> This again raises the local populations' willingness to accept immigrants. But it is highly controversial how much time this will take; it will depend strongly on the conditions mentioned. Time will be much shorter if migrants have to pay an entrance fee for the cooperative (selection effect), are immediately allowed to work (integration effect) and are not faced with minimum wages above their productivity (productivity enhancing effect for the local labor force).

Fifth, an entry price enables to regulate the concentration of migrants in certain areas. By varying the 'entrance fees' according to the location the country of immigration may determine the places of settlement for the migrants. There are different aspects to take into account. On the one hand, migrants prefer to go to big urban cities where they already find a part of their diaspora (Collier 2013). This choice lowers their transactions costs and their feeling of being lost. But at the same time it reduces the incentives and possibilities to integrate. Ghettos and Banlieus arise. On the other hand, the political costs of migrant allocation might be lower in big urban cities compared to smaller cities and rural places. The support for right-wing anti-migration parties is the stronger the less local people are accustomed to foreigners (Dustmann/Vasilijeva/Damm 2016). Moreover, in urban and high-population areas there may be positive agglomeration externalities, based on lower transport costs, higher local learning, and thicker labour markets (Peri 2016).

Sixth, the cultural diversity provided by migrants—e.g. with restaurants, entertainment, and arts—may enhance the amenity value of a location. Productive benefits also might arise from a greater variety of ideas and the varieties of goods and services supplied locally (Peri 2016).

Of course there are also possible disadvantages for the countries of immigration. Examples are the competition of migrants with locals concerning social infrastructure like social housing, medical service, and childcare. In recent times a possible influx of terrorists has gained attention. A much discussed, though controversial issue (see above) is the impact on wages and unemployment rates of low-income workers (e.g. Foged/Peri 2015; Söllner 2017). Moreover, technological innovation may be decelerated by a larger supply of manual working migrants,

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<sup>26</sup> Sinn 2015 estimates that until 2035 we would need 35 millions of migrants to keep the relationship between the labour force and retired people at the level of today.

possibly reducing the mechanization of some processes (Rossi/Schiltknecht 1972; Lewis 2011; Peri 2016). Very controversial are also the long-term fiscal consequences (e.g. Blau/Mackie 2016; Bahnsen/Manthei/Raffelhüschen 2016). Again, for the countries of immigration the possible disadvantages compared to the advantages depend strongly on the conditions discussed, in particular the extent to which the model of cooperatives is put into practice.

## 6 Advantages for Migrants

The most striking advantage for migrants is that they can enter their chosen country without having to fear of losing their lives, and without having to bear stressing and traumatizing experiences. This is particularly important for children.

Second, the accepted migrants have a much better life than those persons remaining in their countries. They participate in our social system and can profit from our schools, hospitals and general security. Their income rises markedly even when their qualification and work activity is unchanged. Indeed, a person who does the same work in the United States as in his home country, e.g. Haiti, is able to increase his income tenfold (Clemens/Montenegro/Pritchett 2008; Collier 2013, ch. 3). This is due to the fact that he or she can now work in a well-functioning environment in which, for instance, public traffic is punctual, or in which the supply of material can be relied on. As a consequence, even after paying for the certificate, the possible increase in income is large.

Third, there is no uncertainty whether a person is accepted or not. This uncertainty, combined with the prohibition to work, lowers migrants' incentives to invest in skills that are productive in the new country (Adda/Dustmann/Görlach 2016), and hinders integration. With our policy suggestion, the immigrants can quickly integrate into work, schools and housing.

Fourth, incentives to work lead to a much faster integration of migrants than providing them with generous social welfare. They will to a higher extent acquire necessary skills. The disadvantages of generous welfare system for the integration of migrants (see Koopmans 2017) are avoided. This also will enhance solidarity of the local population with the migrants.

Fifth, assuming that various countries decide to accept the cooperative model proposed, the migrants have the option to choose. They are no longer petitioners depending on the whims of bureaucrats pushing them around in 'hotspots'. They become autonomous people who can decide themselves where to go.

Sixth, the prospect of migration into a country of desire may lead to a 'brain gain' of possible migrants. The entrance fee into the cooperative as well as the

prospect to get a legal job in our countries gives them an incentive to make an effort in their home country, in particular to get a better education and to become competitive on our labor market (Beine/Docquier/Rapoport 2003). At the moment many young people in Sub-Sahara African countries just wait for an opportunity to leave their country. Instead of improving their situation as well as the situation of their home country they gaze like in hypnosis to Europe, which seems to promise heaven on earth. In Senegal the saying ‘Barcelona or dead’ is popular (Signer 2016). The prospect of—if ever—staying as an illegal migrant in Europe provides no incentives to educate—except for how to enter to and survive in Europe illegally, e.g. by drug dealing.

## 7 Advantages for Countries of Origin

The most important benefit consists in the lower social pressure in poor countries, even if in the short and middle run poverty is not reduced. It is mostly the well-educated middle class which emigrates (Peri 2016).

Second, the problem of brain drain—which is indeed a big problem—is mitigated by remittances. In general, migrants are better educated than those who are left behind. Among the countries with the highest rates of emigration of high skilled workers are Haiti (82 per cent), Barbados (76 per cent), Mauritius (67 per cent); Sierra Leone (49 per cent), Ghana (45 per cent), and Somalia (35 per cent) (Pekkala Kerr et al. 2016; Docquier/Rapoport 2012).<sup>27</sup> Remittances made by the migrants back to their country of origin improve the welfare of the migrant families at home, but also generate jobs. It was found in Mexico that each dollar of remittances by a household was associated with 1,85 Dollar more economic activity in the local economy (Taylor 1992). Remittances contribute six per cent of the revenue of poor developing nations (Collier 2013, ch. 9). In 2012, this amount was twice as large as worldwide development aid (Adams 2011; Bauer/Loser/Mustedanagic 2013). It was estimated that in 2015 it was three times as large as development aid (Ratha et al. 2016). Probably the effectiveness is even much higher: In contrast to development aid, which is often harmful to the developing countries, remittances are highly useful because they empower recipients to demand more from their government (Deaton 2013). Remittances of those persons willing to return are considerably higher than those who intend to remain in

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<sup>27</sup> High skilled workers are defined as those with at least one year tertiary education, see Pekkala Kerr et al. 2016.

their new country (Dustmann/Mestres 2010). This underlines the importance of permeable borders and legal migration, as our model of cooperatives permits.

Third, the countries of origin may profit from a ‘brain gain’ effect that arises when possible migrants have an incentive to invest in their education hoping for a legal possibility to emigrate. These incentives work as a catalyst for the growth of human capital in the home country even for those who do not emigrate. The ‘brain gain’ by positive prospects may well exceed the negative ‘brain drain’ (for empirical evidence see Collier 2013; Shrestha 2016; Méango 2016).<sup>28</sup> Such an effect has been demonstrated by two studies. Chand/Clemens (2008) document it for the Fiji Islands. To meet the education-based criteria set by the Australian and New Zealand immigration policy, tertiary education for the domestic workers in Fiji increased considerably. Shrestha (2016) shows for Nepalese men that education as a selection criterion for the British Army to enter a Gurkha regiment raised the education level of non-migrants who were not successful in being selected by 1.15 years. This not only improved their domestic labor outcomes in later life, but also increased the average education of Nepalese men. The prospect to migrate legally by paying an entrance fee could have similar effects, by first, enabling people to escape from hopelessness, and second, by inducing them to invest in their education, thereby fostering the domestic economy.

Fourth, research on immigration (Dustmann/Görlach 2016) suggests that after ten years about half of the migrants return to their home country, provided the borders are permeable.<sup>29</sup> They therewith contribute to ‘brain circulation’, one of the most effective means to develop a country.

Finally, the network of migrants supports the exchange of goods, services and capital, including technology transfer and the exchange of information and tourist traffic between the countries, benefiting the countries of origin (Bellino/Celi 2016; Freeman 2006).

To summarize, we do not know whether the advantages for the countries of origin really exceed the disadvantages, in particular whether the problem of brain

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**28** Méango 2016 provides an analysis of ‘brain drain’ and ‘brain gain’ effects in Congo, Ghana and Senegal, differentiating between rich and poor households. He finds a ‘brain gain’ effect in the rich households of Congo and Ghana, but not in Senegal. It could be the case that ‘brain gain’ effects increase when wealthy people of these countries have the opportunity to immigrate legally into our countries in contrast to the mostly illegal migration of the poor. Illegal migrants have a lower chance of getting a job in the immigration countries. This lowers their incentives to acquire a better education at home.

**29** This figure excludes traditional immigration countries such as Australia or Canada and countries at war. For a more skeptical view see Martin/Straubhaar 2002.



drain is compensated for. But there exists empirical evidence that the potential for a win-win-situation might be high if our proposal is put in practice.

## 8 What Should Be the Price for a ‘Participation Certificate’ to Enter the Cooperative?

The question regarding the price to be paid in order to gain access to the cooperative cannot be answered *ex ante*. If it is too low, there will be too much immigration. If it is too high, people smuggling and costs of deterrence will stay at a high level. The price depends on the one hand on how many legal migrants a country is prepared to accept. This should include humanitarian aspects and those of solidarity with the poor. It must also include political aspects such as avoiding popular support for right-wing anti-migration parties. However, it might also be the case that anti-migration parties loose ground when our proposal is put in place, because of the monetary and non-monetary advantages mentioned.

Today on average 7,000–10,000 Euros per person are paid for smugglers (e.g. Eisenring 2016). In addition 2,000–4,000 Euros have to be paid for falsified passports. To provide a regulating effect, the price for the entry certificate must exceed these costs considerably, in particular because it enables a comfortable immigration. Some authors mention 50,000 Dollars (Becker/Lazear 2013) or 50,000 Swiss Francs (Schlegel/Lutz/Kaufmann 2016), which is probably too high. A few countries offer EU citizenships to very rich people. For instance, Malta, Cyprus or Austria permit citizenship-by-investment for about 1 million Euros (Malta) and 2,5 million Euros (Cyprus) (Kálin 2016), which is obviously far beyond the level we are considering.

In order to find out which price would regulate the immigration in an acceptable way, one could estimate the willingness to pay by surveys among immigrants into different countries. It should also be considered that prices can have an expressive function comparable to the expressive function of law (Cooter 1998). They signal a norm, namely the norm that the immigrants are expected to make a contribution of their own if they wish to become a member of the cooperative. Such reciprocity norms are quite effective even if breaking them is not punished (Ostrom 1990). Prices also have the function of ordeal mechanism signalling that welfare programs are to be used in an efficient way (e.g. Dupas et al. 2016). Trial and error must in the end show what price would be reasonable.

It could be objected that only wealthy persons and families are able to pay the price for the certificate. But this argument also applies to today’s situation. Only those people can afford to migrate who have sufficient money to pay for the peo-

ple smugglers and falsified passports. However, the migrants can get a credit from banks or, more probably, from relatives, because they will have a much higher income than in their home country and will be able to reimburse the credit. It is likely that such a credit market will evolve, comparable to the micro-credit markets. Moreover, private sponsors and humanitarian organizations financed by persons in rich countries can pay for the certificates, adopt a sponsorship or a debt guarantee. The willingness to donate in our countries is high (Frey/Steuernagel 2015). Sponsorship could establish a direct contact to the migrants furthering integration. For example, in Canada exists a sponsor-program for Syrian refugees, organized by private initiatives. They take responsibility for the refugees and help them to cope with the new situation. One year after arrival, 50 per cent of these refugees earn money in the labor market, compared to only 10 per cent coached by state programs (Mijnssen/Wenger 2017). A similar effectiveness might apply to firms looking for new employees. Alternatively, the governments could offer loans to migrants because of their special skills or because of humanitarian reasons. Migrants would then repay the loans over time, perhaps when they file their taxes. As mentioned, recognized asylum seekers and war refugees get back their monetary contribution. Those leaving the harboring country could also get back part of their expenditure and thus have an incentive for ‘brain circulation’.

## 9 Alternative Suggestions

We discuss alternative propositions, which are based on the premises that first, legal ways for refugees and migrants are needed in order to avoid the inhuman migration condition we face today, and second, that totally free movement of people into welfare states is not viable.

The most often discussed suggestions are *point-based systems*. They exist in many variations.<sup>30</sup> The Canadian system was created already in 1967 and is often taken as a reference. To qualify for an immigration to Canada one has to reach a minimum of points that take into account education, proficiency in English or French, work experience, employability, financial background, job offer, and health. Point-based systems in the first place aim at meeting the need for qualified workers in destination countries as well as supporting the future financing of old age pensions.<sup>31</sup> To a lesser extent they aim to offer generous legal perspectives

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**30** For an overview over point-based systems see Donald 2016. For a comparison of point-based systems and auctions see Ochel 2001.

**31** See e.g. Bertelsmann Stiftung.

for immigration, to reduce the migration pressure in the poor countries, and to motivate poor people to invest effectively in their human and social capital. The biggest disadvantage of point-based systems is the difficulty of constructing an effective system and to make it flexible in order to adapt to unexpected future events. Furthermore, much time and effort is needed to check the qualifications required. Applicants therefore sometimes have to wait up to eight years for a decision (The Economist 2016). Moreover, they subdue migrants to the rules of the immigration bureaucracy. They do not treat the migrants and their families as autonomous persons deciding themselves over their destiny. They do not make aware migrants that they must contribute to the common goods of the cooperative in order to be welcome. This is a marked difference to our proposal of an entry price where this obligation is made clear.

A second alternative possibility is to *auction the right to immigrate* to potential migrants or to domestic firms (Ochel 2001; Zavodny 2015). This idea has been promoted by Nobel-laureate Gary Becker (2011). In contrast to point-based systems so far no country has adopted it. A specified number of visas are given to the highest bidders. Auctions are appealing to economists because they efficiently identify those migrants or firms with the largest potential for the economy. Auctions have several advantages. First, they help governments finance the infrastructure needed to care for the migrants. Second, they allocate workers with the highest-valued skills efficiently. Third, separate auctions could be held for different categories of migrants. The deficiencies of immigration auctions are first, that they might be perceived as unfair, since they are based on economic considerations only and disregard humanitarian reasons. Auctions to distribute the slots for immigration are not applicable to asylum seekers. Second they do not provide migrants with information of how much the participation certificate will cost in the future. The price to pay will rise and fall according to unforeseeable events. Third, the government has to decide for each auction how many certificates are to be sold, thus each time causing political controversies.

Last but not least, *lotteries* can be used to allocate some types of visas. The US and New Zealand run such programs ('green cards'). They might create a perception of fairness and could also take into consideration humanitarian reasons. But they offer only very little legal perspectives for immigration compared to the huge migration pressure we face now and in the future. Therefore, lotteries do not motivate poor people to invest effectively in their human and social capital.

## 10 Conclusions

Our paper aims to contribute to one of the most pressing problems of our time, large-scale migration. It takes into account the legitimate interests of the immigration countries as well as solidarity with the migrants and the poor countries of origin. It tries to combine the ethics of responsibility ('Verantwortungsethik') with the ethics of ultimate ends ('Gesinnungsethik') in addressing the two main problems of today's migration policy: First, firewalls around Europe will not decrease migration streams in the middle run. Second, integration of migrants is deficient and raises right-wing populist movements. The basic idea is that immigrants join a cooperative, and therefore have to pay an entry fee. This proposal has many important positive consequences for both the countries of immigration and of origin, as well as for actual and would-be immigrants. Most importantly, and in contrast to other proposals, our proposal takes immigrants seriously as persons able to contribute to their new country, rather than as pure objects of bureaucratic regulations. Many details of our proposal still have to be solved. We nevertheless are convinced that our proposal has many advantages compared to the terrible situation existing today.

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