



Center for Research in Economics, Management and the Arts

# Migration Policy: Lessons from Cooperatives

Working Paper No. 2017-04

CREMA Südstrasse 11 CH - 8008 Zürich [www.crema-research.ch](http://www.crema-research.ch)

Margit Osterloh<sup>1</sup> and Bruno S. Frey<sup>2</sup>

## **Migration Policy: Lessons from Cooperatives\***

### **Abstract:**

We propose an immigration policy based the model of cooperatives. Incoming migrants have to acquire a participation certificate. In exchange, the immigrants may enter the country of choice without danger. The revenue goes to the country of the recipient nation rather than to human smugglers. The cost would be much lower than today's efforts to secure the borders. Asylum seekers get back the money paid for the certificate.

Immigration is therewith regulated more efficiently than today. Not all entrance barriers and coercive measures to prevent illegal entry would disappear. However, the pressure of illegal migrants is strongly reduced.

**JEL:** D71, F22, F66, J46, J61

**Keywords:** Immigration, asylum, cooperatives, participation certificates, borders.

---

<sup>1</sup> Margit Osterloh is Permanent Visiting Professor at the University of Basel. She is Research Director of CREMA – Center for Research in Economics, Management and the Arts.

<sup>2</sup> Bruno S. Frey is Permanent Visiting Professor at the University of Basel. He is Research Director of CREMA – Center for Research in Economics, Management and the Arts.

\* This Paper was published first as CESifo Working Paper No. 6364, Category 2: Public Choice, February 2017.

## 1 Introduction

Today, one of the most pressing political issues concerns migration policy. The way this policy is practiced today is a shame for all Western industrialized nations. Moreover it is ineffective. In 2016, in spite of the huge investment in patrolling coast guards and navy vessels, a new all-time record of boat-people was reached. Instead of providing safe, legal paths for refugees, new barriers are established that force migrants to pursue more dangerous journeys and to seek the service by mafias and criminal organizations. According to the UNHCR<sup>3</sup> in 2016 more than 180 000 people crossed the Mediterranean Sea. This is 18 percent more than in 2015. No less than 5022 human beings died or are missing; 33 percent more than in 2015. Human insecurity also has increased along the overland human trafficking routes e.g. across the Sahara. Criminal people smugglers often exploit migrants for years by bonded labor, enforced drug dealing, slavery or prostitution (Ellis, 2016). Today people smuggling is the biggest source of organized crime in Europe, though not all human traffickers are criminals, but also ordinary business people providing demand driven services (Tinti & Reitano, 2016).<sup>4</sup>

Instead of making a charge against traffickers and people smugglers, one should put the saddle on the right horse: It is our policy of making Europe a “gated community” or even a “fortification” that makes people smuggling a criminal business: "Border controls, like any kind of market barrier, give rise to smuggling, black markets, organized crime, and denial of migrants’ human rights." (Sachs, 2016: 454).

In addition, many of us close the eyes on the torments of refugees, among them 36 percent children (Ratha et al., 2016). We accept nationality or the fact that someone is born in a poor country as a morally legitimate basis for discrimination – though today it is widely regarded as morally illegitimate to discriminate among people because they were born e.g. as women, as members of a racial or religious minority, or are physically disabled persons. We do not

---

<sup>3</sup> <https://data.unhcr.org/mediterranean/country.php?id=83>

<sup>4</sup> Human smuggling should not be conflated with much less 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 and 51.

accept restrictions on mobility within a country, but across countries we do.<sup>5</sup> We also close our eyes that refugees from Syria find it impossible to evade the terrible war in Syria because Turkey hinders them to do so by using arms.<sup>6</sup> Moreover, we do not take into account that the migration wave will not subside even if the war in Syria comes 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 percent of the working age population finds employment, more than a quarter wishes to emigrate.<sup>7</sup> To close our eyes in front of this migration pressure causes the danger of terrorism and political instability in our countries. Therefore not only Europe's solidarity will be challenged now and in the future, but also its economic and political fate will crucially depend on how to manage immigration.

The German chancellor Angela Merkel met much criticism when she declared an opening of the borders. She is said to have acted according to an ethic of ultimate ends ("Gesinnungsethik") to the detriment of an ethic of responsibility ("Verantwortungsethik").<sup>8</sup> This criticism entails three sub-problems familiar to political economists: Firstly, she disregarded that a generous "Willkommenskultur" (culture of welcome) raises migrants' incentives to undertake the dangerous journey to Europe. In economics, such behavior is known as the Samaritan's Dilemma (Buchanan, 1975).<sup>9</sup> Secondly, Merkel wrongly assumed that the neighboring nations would admit an appropriate share of the migrants.<sup>10</sup> She disregarded that the situation has the characteristics of a typical collective good, and that there is a NIMBY (Not In My BackYard)

---

<sup>5</sup> For an intense philosophical discussion and rejection of such an attempt to legitimate discrimination of migrants see Cassee (2016), see also Pritchett (2006).

<sup>6</sup> Human Rights Watch: <http://www.zeit.de/news/2016-05/10/eu-human-rights-watch-tuerkei-hindert-syrer-mit-waffengewalt-an-einreise-10152005>

<sup>7</sup> Hanson & McIntosh 2016; Müller, Sievert & Klingholz (2016), Berlin Institut für Bevölkerung und Entwicklung, accessed 22 August 2016 at [http://www.berlin-institut.org/fileadmin/user\\_upload/Krisenregion\\_Mena/Mena\\_online.pdf](http://www.berlin-institut.org/fileadmin/user_upload/Krisenregion_Mena/Mena_online.pdf)

<sup>8</sup> See Weber, 1918, 'Politics as a Vocation'.

<sup>9</sup> See Fuest, 2015; Osterloh and Frey, 2016; Osterloh and Frey, forthcoming.

<sup>10</sup> Concerning the "refugee relocation system" of EU countries until September 2016, only 9% of the promised 160,000 places have been made available by some of the participating countries, see [http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/european-agenda-migration/pressmaterial/docs/state\\_of\\_play\\_-\\_relocation\\_en.pdf](http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/european-agenda-migration/pressmaterial/docs/state_of_play_-_relocation_en.pdf), accessed on 19 September 2016.

problem.<sup>11</sup> Thirdly, she overestimated the willingness of the German population to accept the burden of integrating foreigners into their community. In economic terms, natives see immigrants as free-riders. They accept foreigners to enter their “club” or cooperative and to participate in their “club goods” for free only to a low degree.<sup>12</sup>

However, economics, in particular economic models of clubs and cooperatives, also offer a suggestion how alternatives to the present inhumane immigration policy could look like. We believe that this suggestion is politically acceptable to voters in the rich countries and at the same time takes into account the interests of the migrants and their countries of origin.<sup>13</sup>

## **2 Learning from Cooperatives**

We suggest to develop – in analogy to the model of clubs and cooperatives – a model for an immigration policy that is based on humane principles.<sup>14</sup> To become a member of a club or a cooperative a person must acquire a participation certificate. To that end, new members have to pay an entrance fee. It takes into account that a new member participates in the collective goods provided by the existing members; in the case of Switzerland the Swiss Cooperative (Switzerland, in German, is indeed called “Schweizerische Eidgenossenschaft”)<sup>15</sup>. Similarly, incoming migrants have to acquire a “participation certificate”. In exchange, the immigrants are enabled to enter the country of choice without danger. The revenue goes to the country and population of the recipient nation rather than to the human smugglers. Any airport or any refugee camp could entertain such registration and payment locations. The corresponding cost would be much lower than the present huge costs of securing the borders. Asylum seekers or war refugees would get back the money paid for the certificate if they and their asylum status have been

---

<sup>11</sup> The NIMBY “Not In My Own BackYard” problem is dealt with in Frey, Oberholzer-Gee and Eichenberger, 1996.

<sup>12</sup> Buchanan, 1965; Olson, 1965. For a philosophical discussion of the “club”-argument see Cassee, 2016.

<sup>13</sup> For a similar intention but a different suggestion see Pritchett, 2006.

<sup>14</sup> See also Osterloh & Frey, 2016 and Osterloh & Frey, forthcoming.

<sup>15</sup> „Genossenschaft“ in English means „cooperative“.

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.

This policy would make it possible to regulate immigration more efficiently than today (Freeman, 2006; Eichenberger, 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 and at the same time the cost of making Europe a “gated community” or a “fortification”.

### **3 Why the Model of Cooperatives may create a Win-Win-Situation for Countries of Immigration, Migrants and the Countries of Origin**

The application of the model of cooperatives has major advantages not only for the countries of immigration, but also for the migrants and their countries of origin. It helps the rich countries to practice solidarity, and migrants are treated as human beings who decide about their future in a deliberate, rational manner. It might also provide a better model for development aid, compared to the most inefficient one practiced today which consists in giving money to more or less corrupt regimes and at the same time stabilizing them (Deaton, 2013: 281 ff.). The use of the price system moreover transforms a categorical conflict of “yes or no” into a decision between “more or less” which is easier to solve (Hirschman, 1994). A humanitarian and monetary win-win situation could evolve while the people smugglers are disempowered.

The advantages of the policy suggested are based on the consideration that free movement of labor has the potential to double the income of the world (Clemens, 2011) and to reduce the inequality produced by the migration blocks by 75 percent (Milanovic, 2015). It makes sense to exploit this potential for mutual welfare gains. However, the liberal position that “free trade and free movement of labor is good for everyone” is restricted by several facts.

First, open economies and closed welfare states are incompatible. Free migration and differences in social welfare provision between countries cannot exist over an extended period. A country is the more attractive to immigrants of

low qualification the higher the social welfare payments are (Borjas, 2014; Stolz & Baten, 2012).

Second, free movement may produce losers in the countries of immigration, in particular with persons with low income, though this is unclear.<sup>16</sup> Losers will punish politicians and vote for extreme right or left wing populist parties, except if they receive a social compensation. But this could raise the attractiveness of a country even more (Borjas, 2015).

Third, the success and wealth of a nation depends on how good the political and economic institutions are (Acemoglu & Robinson, 2012), which constitute what is called a “social model” (Collier, 2013). Important parts of a good “social model” are not only functioning institutions, an efficient administration and an effective legal framework, but also a good working morale, punctuality, security, and – most importantly - low corruption. Good “social models” are based on mutual trust (Putnam, 2007), and the willingness to redistribute income from the rich to the poor (Alesina, Baquir & Easterly, 1999). 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 overpowers the readiness and possibilities to integrate the migrants, then failing “social models” are imported. The reason why people want to immigrate in the successful nation is therewith undermined.

Fourth, if migrants are insufficiently integrated, social problems, crime and terrorism<sup>17</sup> are likely to increase. As a consequence, solidarity with migrants and refugees will fall. Integration of migrants therefore is a precondition for a “Willkommenskultur” to be sustainable.

We will argue that the model of cooperatives helps to overcome these problems. It enables to reap the huge welfare gains by increasing labor mobility and at the same time by supporting integration and human rights. In contrast to many suggestions for dealing with the migration problem (e.g. Becker & Lazear, 2013; Eichenberger, 2015; Dustmann et al., 2016),<sup>18</sup> we consider not only the

---

<sup>16</sup> For an overview over the partly contradicting empirical evidence see Peri, 2016; Dustmann et al., 2016; see also below, section 4.

<sup>17</sup> In particular right-wing terrorism and attacks on refugee accommodations.

<sup>18</sup> For exceptions see e.g. Pritchett, 2006 and Collier, 2013.

interest of the rich countries of immigration but take the challenge of solidarity with the poor ones seriously. Doing this we try to find a balance between an ethic of ultimate ends and an ethic of responsibility. With this in mind 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.

#### **4 Advantages for Immigration Countries**

The countries of immigration are expected to gain monetary and non-monetary advantages 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 in order to facilitate the integration of the migrants.

Second, because the migrants are allowed to work and to earn money immediately after their arrival, the integration into the work process can be achieved more quickly, and not only after an often extremely slow process of registration, checking, and dealing with legal appeals. This reduces the financial strain on the social system. From the first moment of their stay immigrants are required to actively contribute to the public good of the club they joined, which has been provided by the nation’s cooperative in the form of schools, hospitals, infrastructure, and efficient administration. The incentive to try to register several times is reduced simply as it would mean that one has 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 lowered because now there exist legal alternatives which make 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, or for dealing with the migrants who nevertheless stay in the country, is reduced.

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). A minimum wage is prohibitive when it is



higher than the productivity of the migrants, which usually is lower than the one of the local low-income 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). Many well-qualified women in our countries today 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, empirically it has been shown that refugees may have a positive impact even on the wages for unskilled labor 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>19</sup> These positive consequences may even overcompensate a possible negative effect of immigration on housing prices and rental services (Ottaviano & Peri, 2006).

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, become improbable. By setting the entry price, the receiving countries can determine by themselves how many migrants they wish to have, and how the integration is to be financed, without disregarding humanitarian aspects. The NIMBY problem is considerably diminished. The neighboring countries have less reason to resist contributing to solve the migration problem. Using the cooperative model here proposed, they can decide themselves how many migrants they want to accept and on what terms.

Second, the deterioration of our social system by imported bad “social models” (Collier, 2013)<sup>20</sup> is avoided. The selective impact of the price to be paid would chill 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). This, not surprisingly, also raises the acceptance of migrants by the local population.

---

<sup>19</sup> For further discussions see Dustmann, Schönberg & Stuhler, 2016.

<sup>20</sup> See section 3.

Third, since in our model migrants are immediately allowed to work and to earn money, and not after an often extremely slow process of registration, 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 decision on their asylum the less they integrate themselves (Dustmann et al. 2016; Hainmueller, Hangartner & Lawrence, 2016).

Fourth, a better and quicker integration enables the 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. 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. The 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) because this lowers their transactions costs and the feeling of being lost. But at the same time it reduces the incentives and possibilities to integrate. Ghettoes 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 labor 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). Moreover, technological innovation may be decelerated by a larger supply of manual working migrants, 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 (Eds.), 2016; Bahnsen, Manthei & Raffelhüschen, 2016). Again, for the countries of immigration the possible disadvantages in relation to the advantages depend strongly on the conditions discussed, in particular the extent to which the model of cooperatives is put into practice.

## **5 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 (Collier, 2013). This is due to the fact that he or she can now work in a well-functioning environment in which, for instance, the trains and public buses are punctual, or in which the supply of material can be relied on. As a consequence, even after paying for the club 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. This also will enhance solidarity of the local population with the migrants. A negative example is Sweden. In this country, social welfare for the migrants used to be very generous, combined with high minimum wages. As a consequence 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).

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 “brain gain” by positive prospects might even exceed the negative “brain drain” (see section 6, for empirical evidence see Collier, 2013; Shrestha, 2016; Méango, 2016<sup>21</sup>).

---

<sup>21</sup> 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 people of these countries have the opportunity to immigrate *legally* into our countries in contrast to their mostly *illegal* migration today. 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.

Seventh, the last-minute panic inducing those wanting to emigrate as quick as possible to Europe is avoided. Many migrants today take high risks, e.g. the risk of using rotten boats across the Mediterranean Sea. 25 percent of migrants who arrived in Germany between 2013 and the beginning of 2016 had to experience a shipwreck, and thousands died (Eisenring, 2016).

## **6 Advantages for Countries of Origin**

Among the many advantages the most important one is that emigration reduces the social pressure existing in poor countries, even if in the long run poverty were not reduced. It is mostly the well-educated middle class who emigrates (Peri, 2016).<sup>22</sup>

Second, the problem of brain drain is mitigated. 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 percent), Barbados (76 percent), Mauritius (67 percent); Sierra Leone (49 percent), Ghana (45 percent), and Somalia (35 percent) (Pekkala Kerr et al., 2016; Docquier & Rapoport, 2012).<sup>23</sup> But this problem is mitigated by the remittances made by the migrants back to their country of origin. Remittances contribute six percent of the revenue of poor developing nations (Collier, 2013, ch. 9). In 2012, this amount was twice as large as the worldwide development aid (Adams, 2011; Bauer, Loser & Mustedanagic, 2013). In 2015 it was estimated three times as much as the development aid (Ratha et al., 2016). Probably the effectiveness is even much higher: Remittances empower recipients to demand more from their countries, improving governance rather than undermining it. In contrast to development aid, which is often harmful for the developing countries, remittances are highly useful (Deaton, 2013). It is important to know that the remittances of those persons willing to return are considerably higher than those who intend to remain in their new country (Dustmann & Mestres, 2010).

---

<sup>22</sup> In addition the danger remains that the people remaining will not foster democracy (Collier, 2013: 196, ch. 8).

<sup>23</sup> High skilled workers are defined as those with at least one year tertiary education, see Pekkala Kerr et al., 2016.

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. Such an effect is 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 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 improving their domestic outcomes.

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>24</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 drain is compensated. But there exist some empirical evidence that the potential for a win-win-situation is high if our proposal is put in practice.

---

<sup>24</sup> This figure excludes traditional immigration countries such as Australia or Canada and countries at war.

## **7 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, 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 that consider how to avoid support for right-wing anti-migration parties. However, it might also be the case that anti-migration parties lose 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 (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) (Kälin, 2016), which is obviously far beyond the sphere 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 taken into consideration 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 signaling 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 the people 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.<sup>25</sup> It is likely that such a credit market will evolve, comparable to the micro-credit markets. Moreover, private sponsors and humanitarian organizations can pay for the certificates, adopt a sponsorship or a debt guarantee. This would establish a direct contact to the migrants furthering integration.<sup>26</sup> The same applies to firms looking for new employees. The willingness to donate in our countries is high (Frey & Steuernagel, 2015). 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".

## 8 Conclusion

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"). Many details still have to be solved. We nevertheless are convinced that our proposal has many advantages compared to the terrible situation existing today.

## References

---

<sup>25</sup> As mentioned, today migrants pay a lot of remittances to their families in their countries of origin (section 6), thereby contributing to a most efficient development aid.

<sup>26</sup> 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 percent of these refugees earn money in the labor market, compared to only 10 percent coached by state programs (Mijnssen & Wenger, 2017).



- Acemoglu, Daron and Robinson, James Alan (2012), *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*, New York: Random House, Crown Publishing.
- Adams, Richard H. Jr. (2011), 'Evaluating the Economic Impact of International Remittances On Developing Countries Using Household Surveys: A Literature Review', *Journal of Development Studies*, **47** (6), 809–28.
- Adda, Jérôme / Dustmann, Christian and Görlach, Joseph-Simon (2016), 'The Dynamics of Return Migration, Human Capital Accumulation, and Wage Assimilation', *UCL, mimeo*.
- Alesina, Alberto / Baquir, Reza and Easterly, William (1999), 'Public Goods and Ethnic Division', *The Quarterly Journal of Economics*, **114** (4), 1243–84.
- Andersson Joona, Pernilla / Wennemo Lanninger, Alma and Sundström, Marianne (2016), 'Reforming the Integration of Refugees: the Swedish Experience'. *IZA Discussion Paper* Nr. 19307.
- Bahnsen, Lewe Christoph / Manthei, Gerrit and Raffelhüschen, Bernd (2016), 'Ehrbarer Staat? Die Generationenbilanz – Zur fiskalischen Dividende der Zuwanderung', *Argumente zur Marktwirtschaft und Politik*, Nr. 135, Berlin: Stiftung Marktwirtschaft.
- Bauer, David / Loser, Philipp and Mustedanagic, Amir (2013), 'Milliarden aus der Fremde', *TagesWoche*, accessed August 22, 2016 at <http://www.labs.davidbauer.ch/remittances/>
- Becker, Gary. S. and Lazear, Edward, P. (2013), 'A Market solution to Immigration Reform', *Wall Street Journal*, March 1, 2013.
- Beine, Michel / Docquier, Frédéric and Rapoport, Hillel (2003), 'Brain Drain and

LDCs' Growth: Winners and Losers', *IZA Discussion Paper* No. 819.

Bellino, Antonella and Celi, Giuseppe (2016), 'The Role of Migration in the Variety and Quality of Trade: Evidence from Germany', *German Economic Review*, **17** (1), 1–25.

Blau, Francine D. and Mackie, Christopher (Eds.) (2016), "The Economic and Fiscal Consequences of Immigration", *The National Academies Press*, Washington, DC.

Borjas, George J. (2014), *Immigration Economics*, Cambridge, MA: Harvard University Press.

Borjas, George J. (2015), 'Immigration and Globalization: A Review Essay', *Journal of Economic Literature*, **53** (4), 961–974.

Buchanan, James M. (1965), 'An Economic Theory of Clubs', *Economica*, **32** (125), 1–14.

Buchanan, James M. (1975), 'The Samaritan's dilemma', in Phelps (Ed.), *Altruism, Morality and Economic Theory*, New York: Russel Sage Foundation, 71–85.

Casarico, Alessandra / Facchini, Giovanni and Frattini, Tommaso (2015), 'Illegal Immigration: Policy Perspectives and Challenges', *CESifo Economic Studies*, **61** (3/4), 673–700.

Cassee, Andreas (2016), *Globale Bewegungsfreiheit. Ein philosophisches Plädoyer für offene Grenzen*, Frankfurt: Suhrkamp.

Chand, Satish and Clemens, Michael A. (2008), 'Skilled emigration and skill creation: a quasi experiment', *Working Paper Nr. 152, Center for Global Development*.

Clemens, Michael A. (2011), 'Economics and Emigration: Trillion-Dollar Bills on the Sidewalk?' *Journal of Economic Perspectives*, **25** (3), 83–106.

Collier, Paul (2013), *Exodus. Immigration and Multiculturalism in the 21st Century*, London: Allen Lane.

Cooter, Robert (1998), 'Expressive Law and Economics', *Journal of Legal Studies*, **585**, accessed August 19, 2016 at <http://scholarship.law.berkeley.edu/facpubs/624/>.

Cortés, Patricia and Pan, Jessica (2015), 'Immigration and Occupational Choices of Natives: the Case of Nurses in the United States', *CESifo Economic Studies*, **61** (3/4), 797–823.

Deaton, Angus (2013), *The Great Escape. Health, Wealth, and the Origins of Inequality*, Princeton: Princeton University Press.

Docquier, Frédéric / Özden, Caglar and Peri, Giovanni (2014), 'The Labor Market', *Economic Journal*, **124** (579), 1106–45.

Docquier, Frédéric and Rapoport, Hillel (2012), 'Globalization, Brain Drain and Development', *Journal of Economic Literature* **50** (3), 681–730.

Dupas, Pascaline / Hoffmann, Vivian / Kremer, Michael and Peterson Zwane, Alix (2016), 'Targeting health subsidies through a nonprice mechanism: A randomized control trial in Kenya', *Science*, August 26, 2016, 889–894.

Dustmann, Christian and Görlach, Joseph-Simon (2016), 'The Economics of Temporary Migrations', *Journal of Economic Literature*, **54** (1), 98–136.

Dustmann, Christian / Fasani, Francesco / Frattini, Tommaso / Minale, Luigi and Schönberg, Uta (2016), 'On the Economics and Politics of Refugee Migration', *CESifo Working Paper* Nr. 6111.

Dustmann, Christian / Vasiljeva, Kristine and Damm, Anna Piil (2016), 'Refugee Migration and Electoral Outcomes', *CReAM DP* 19/16.

Dustmann, Christian / Schönberg, Uta and Stuhler, Jan (2016), 'The impact of Immigration: Why Do Studies Reach Such Different Results?', *The Journal of Economic Perspectives*, **30** (4), 31–56.

Dustmann, Christian and Mestres, Josep (2010), 'Remittances and Temporary Migration', *Journal of Development Economics*, **92** (1), 62–70.

Eichenberger, Reiner (2015), 'Zuwanderung - Königsweg Abgaben', *Finanz und Wirtschaft*, 14. November 2015, **89**, 3.

Eisenring, Christoph (2016), Was die Flüchtlinge mitbringen, *Neue Zürcher Zeitung*, November 16, 2016.

Ellis, Stephen (2016), *This Present Darkness: A History of Nigerian Organised Crime*, London: Hurst & Company.

Foged, Mette and Peri, Giovanni (2015), 'Immigrants' Effect on Native Workers: New Analysis on Longitudinal Data', *IZA Discussion Paper* Nr. 8961.

Freeman, Richard B. (2006), 'People Flows in Globalization', *Journal of Economic Perspectives*, **20** (2), 45–170.

Frey, Bruno S. / Oberholzer-Gee, Felix and Eichenberger, Reiner (1996), 'The Old Lady Visits Your Backyard: A Tale of Morals and Markets', *Journal of Political Economy*, **104**, 193–209.

Frey, Bruno S. and Steuernagel, Armin (2015), 'Baut aus Spenden ein Sozialsystem für die Flüchtlinge', *Frankfurter Allgemeine Sonntagszeitung*, September 27, 2015, Nr. **39**, 26.

Fuest, Clemens (2015), 'Standpunkt: Die Tücke des Samariter Dilemmas', *Frankfurter Allgemeine Zeitung*, October 10, 2015, 20.

Hainmueller, Jens / Hangartner, Dominik and Lawrence, Duncan (2016), 'When lives are put on hold: Lengthy asylum processes decrease employment among refugees', *Science Advances*, **2** (8), e1600432.

Hanson, Gordon and McIntosh, Craig (2016), 'Is the Mediterranean the New Rio Grande? US and EU Immigration Pressures in the Long Run', *The Journal of Economic Perspectives*, **30** (4), 57–82.

Hirschman, Albert O. (1994), 'Wieviel Gemeinsinn braucht die liberale Gesellschaft?', *Leviathan*, **22** (2), 293–304.

Kälin, Christian H. (2016), 'What is the Quality of your Nationality?', *The Global Residence and Citizenship Review*, 3<sup>rd</sup> Quarter 2016, 19–24.

Lewis, Ethan (2011), 'Immigration, Skill Mix, and Capital Skill Complementarity', *Quarterly Journal of Economics*, **126** (2), 1029–1269.

Méango, Romuald (2016), 'What makes Brain Drain more Likely? Evidence from Sub-Saharan Africa', *CESifo Working Paper* Nr. 6209.

Milanovic, Branko (2015), 'Global Inequality of Opportunity: How Much of Our Income is Determined by Where We Live?', *The Review of Economics and Statistics*, **97** (2), 452–60.

Mijnssen, Ivo and Wenger, Karin (2017), 'Die Spannungen nehmen zu', *Neue Zürcher Zeitung*, January 31, 2017, 7.

Müller, Ruth / Sievert, Stephan and Klingholz, Reiner (2016), 'Krisenregion Mena: Wie demografische Veränderungen die Entwicklung im Nahen Osten und

Nordafrika beeinflussen und was das für Europa bedeutet', Berlin: Berlin-Institut für Bevölkerung und Entwicklung.

Nowrasteh, Alex (2015), 'Do Refugees Need Welfare? Or Do they Need To Escape?', *Foundation for Economic Education*, July 27, accessed 20 August 2016 at <https://fee.org/articles/do-refugees-need-welfare-or-do-they-need-to-escape/>

Olson, Mancur (1965), *The Logic of Collective Action*, Cambridge MA, London: Harvard University Press.

Ortega, Francesc and Peri, Giovanni (2015), 'Migration Policies: Recent Advances on Measurement, Determinants and Outcomes', *CESifo Economic Studies*, **61** (3/4), 521–26.

Osterloh, Margit and Frey, Bruno S. (2016), 'Migrationswege für Flüchtlinge legalisieren', in: Abbt, Christine and Rochel, Johan (Eds.), *Migrationsland Schweiz*, Baden: Hier und Jetzt, Verlag für Kultur und Geschichte, 135–147.

Osterloh, Margit and Frey, Bruno S. (forthcoming), 'Social Responsibility of Nations Toward Refugees', in: Sacconi, Lorenzo and Degli Antoni, Giacomo (Eds.), *Handbook of The Economics of Social Responsibility: Individuals, Corporations and Institutions*, Cheltenham: Edward Elgar Publishing.

Ostrom, Elinor (1990), *Governing the commons: The evolution of institutions for collective action*, New York: Cambridge University Press.

Ottaviano, Gianmarco I. P. and Peri, Giovanni (2006), 'The Economic Value of Cultural Diversity: Evidence from US Cities', *Journal of Economic Geography*, **6** (1), 9–44.

Pekkala Kerr, Sari / Kerr, William / Özden, Caglar and Parsons, Christopher (2016), 'Global Talent Flows', *The Journal of Economic Perspectives*, **30** (4), 83–106.

Peri, Giovanni (2016), 'Immigrants, Productivity, and Labor Markets', *The Journal of Economic Perspectives*, **30** (4), 3–30.

Pritchett, Lant (2006), *Let Their People Come. Breaking the Gridlock On Global Labor Mobility*, Washington D.C.: Center for Global Development.

Putnam, Robert D. (2007), 'E Pluribus Unum: Diversity and Community in the 21st Century: The 2006 Johan Skytte Prize Lecture', *Scandinavian Political Studies*, **30** (2), 137–74.

Ratha, Dilip / De, Supriyo / Plaza, Sonia / Schuettler, Kirsten / Shaw, William / Wyss, Hanspeter and Yi, Soonhwa (2016), 'Migration and Remittances – Recent Developments and Outlook', Migration and Development Brief 26, April 2016, World Bank, Washington, DC. Doi: 10.1596/ 978-1-4648-0913-2

Rossi, Angelo A. and Schiltknecht, Kurt (1972), 'Übernachfrage und Lohnentwicklung in der Schweiz – Eine neue Hypothese', *Kyklos*, **2**, 239–254.

Sachs, Jeffrey D. (2016), 'Toward an International Migration Regime', *American Economic Review. Papers & Proceedings*, **106** (5), 451–455.

Schlegel, Stefan / Lutz, Philipp and Kaufmann, David (2016), 'Migration mit einer Gebühr schrittweise liberalisieren', in: Abbt, Christine und Rochel, Johan (Eds.) *Migrationsland Schweiz*, Baden: Hier und Jetzt, Verlag für Kultur und Geschichte: 149–162.

Shrestha, Slesh A. (2016), 'No man left behind: Effects of Emigration Prospects on Educational and Labour Outcomes of Non-Migrants', *The Economic Journal*. doi: 10.1111/ecoj.12306

Signer, David (2016), 'Postkoloniale Fixierung', *Neue Zürcher Zeitung*, July 14, 2016, 12.

Stolz, Yvonne and Baten, Joerg (2012), 'Brain Drain in the Age of Mass Migration: Does Relative Inequality Explain Migrant Selectivity?', *CESifo Working Paper* No. 3705.

Tinti, Peter and Reitano, Tuesday (2016), *Migrant, Refugee, Smuggler, Saviour*, London: Hurst & Company.

Weber, Max (1918), 'Politics as Vocation', retrieved from <http://anthropos-lab.net/wp/wp-content/uploads/2011/12/Weber-Politics-as-a-Vocation.pdf>

Winter-Ebmer, Rudolf and Zweimüller, Josef (1999), 'Do immigrants displace young native workers: The Austrian experience', *Journal of Population Economics*, **12** (2), 327–40.