

Can market mechanisms solve the refugee crisis?

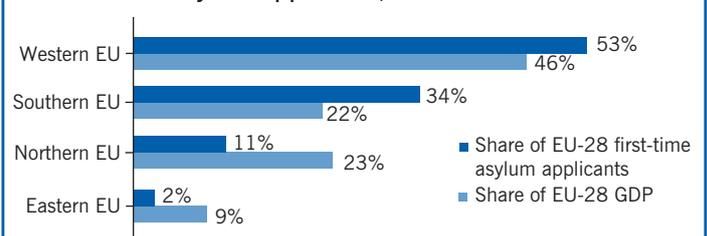
The combination of tradable quotas and matching would benefit host countries as well as refugees

Keywords: international migration, refugees, EU asylum policy, tradable quotas, matching, public goods

ELEVATOR PITCH

Ever since the major inflow of refugees (the “refugee crisis”) in 2015 and 2016, there has been heated debate about the appropriate distribution of refugees in the EU. Current policies revolve around mandatory quotas, which disregard the preferences of EU members and refugees alike. This problem can be addressed with two market mechanisms. First, tradable quotas minimize the cost of asylum provision for host countries. Second, a matching system gives refugees more discretion over where they are sheltered. While this proposal is theoretically appealing, it has yet to be tested in practice.

Unequal distribution of EU’s 1.9 million first-time asylum applicants, 2017–2019



Note: Western EU = AT, BE, FR, DE, LU, NL; Southern EU = CY, GR, IT, MT, PT, ES; Northern EU = DK, FI, IE, SE, GB; Eastern EU = the rest.

Source: Authors’ own calculations based on Eurostat data. Online at: <https://ec.europa.eu/eurostat/data/database>

KEY FINDINGS

Pros

- + Initially, quotas are assigned to countries according to fairness or other criteria.
- + The market reallocates the quotas to the countries with the lowest costs of hosting refugees.
- + By reducing their costs, countries have more incentives to participate.
- + The matching system respects both refugees’ and countries’ preferences as much as possible.
- + The introduction of trade and matching makes mandatory quotas more flexible.

Cons

- The proposed system is theoretical and has not yet been implemented in practice.
- Some countries may still prefer the status quo and thus refuse to participate.
- The quota market may raise ethical concerns about the commodification of refugees.
- Allowing refugees to choose their destination is a tough sell to some EU member states.
- The mechanism is static and thus better suited for emergency situations than for permanent responsibility sharing.

AUTHOR’S MAIN MESSAGE

Although the EU’s asylum system needs reform, there has not yet been much progress. Most proposals involve mandatory quotas, which distribute refugees according to GDP, population size, and other measures of reception capacity. More flexibility can be achieved through two market elements: tradable quotas and matching. The opportunity to trade quotas minimizes countries’ overall costs of providing asylum. The matching system improves refugees’ integration outcomes by respecting their preferences over host countries, and vice versa. Beyond the EU, the proposal can be applied to other international efforts, such as refugee resettlement via the UNHCR.