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States as Clubs
– The Political Economy of Immigration and Integration Policies

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1. Introduction

States are comprised of three main structural elements: territory, sovereignty and population. Regarding the latter element of population, states dispose of three different modes to influence or to ‘mould’ their populations, two of which concern future members of this population and one current ones (see table). Parting from the assumption that the „quality“ rather that the quantity of a state’s population determines a state’s competitiveness it will be argued that especially welfare states cannot be indifferent concerning their population and the task of population design for states gains in importance.

Table 1: Population Policy Options for States

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<thead>
<tr>
<th>Target Group</th>
<th>Policy Field</th>
<th>Examples</th>
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<td>1) Unborn/Future Members</td>
<td>2) Born/Living in the respective country</td>
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| Potential Parents | Receivers of Welfare Benefits | Parent Money (GER), Family Cap (USA)
| Family Policy     | Social Policy/Integration Policy | “Activating Welfare State”, incentives for taking up (low paid) employment |
| Immigration Policy | Green Card-Systems, Point Systems | |

1 Of course there are much more ways of ‘moulding’ the population like displacing state borders, secessions, eviction etc. (see Tietzel 1995: 118). These ways however are not acceptable and realisable in democracies and thus will be neglected for the following considerations.
2 The denomination ‘quality of population’ is not a politically correct one and a potential source for misunderstandings and thus needs to be clarified. In everyday speech quality specifies the attributes of a certain good or service or the output of production. In the work of many economists, however, the word does not refer to the output but to the input (Pies 1998, p. 10). Hence, the ‘quality of the population’ just describes the amount of (monetary, social, cultural and human capital) resources individuals are equipped with.
3 The new parent money in Germany correlates positively with the income and suggests that the parent who stops working the year following the birth of his or her child, receives for this period 67% of his/her salary in order to compensate the opportunity costs of child bearing. The measure was triggered by reports that women with an academic background (not only, but also in Germany) - being those who earn on an average more than women without an academic background - dispense with children and that fertility amongst non-working women is much higher. In the US, so-called family cap measures have been implemented by the federal states in order to stop additional payments to parents who bear another child while already receiving social assistance. Family cap measures have been initiated following the observation that social assistance payments in the USA increased the share of out-of-wedlock births to women from lower social classes who to a certain degree decided to bear children as a means of income generation. Whereas the parent money as it is known in many European countries sets positives incentives for child bearing by attempting to lower the opportunity costs in particular for high earners, the family cap measures sets negative incentives for lower social strata.
First, states influence the production of future members (children) by implementing specific family policies. France, for instance, offers a good example of a country that has introduced a ‘pronatalist’ population policy. In the face of shrinking fertility rates in nearly all European countries, increased emphasis has been placed on family policies as a strategy for influencing the population through affecting fertility patterns (for Germany see Ristau 2005). The second option aims at influencing the current resident population through targeted education, labour market and social policies. This is a major theme in current debates about welfare state reforms in Europe. These reforms target in particular the welfare-dependent sections of the population, through the requirement of increased personal contributions and through the reduction of welfare benefits in order to set incentives for taking up (even low paid) employment. The third option, which will be the focus of this article, consists of attracting new (already born) members to complement the resident population. The relevant policy field is immigration policy, which plays a very important role in determining the state population. Accordingly, this paper mainly deals with state policies influencing those parts of the population who are already born.

2. The Club Theory as a Starting Point for Discussing State Membership

For the discussion of the relationship between state population policy and immigration and integration policy an economic model, club theory, will be applied. Club theory, a branch of public choice theory, seems to be a promising analytical tool since it picks up a notion of states as clubs that exists in everyday semantics. Clubs and states both need members and in the same way that clubs compete against each other states try to attract foreign direct investments, headquarters of transnational organisations or, as in this case, highly skilled migrants. Competition therefore is a common feature of states and clubs. In the last two decades the intensity of competition between states has increased significantly. This is the result of a number of technological and political developments. The ‘microelectronic revolution’ and political events such as the collapse of socialism in Eastern Europe and the further integration of developing countries into the world economy reduced effective distances and created a competitive environment incorporating nation-states that formerly underwent a much lower degree of competition. Thus, the starting point for a comparison between states and clubs is their competition for ‘club members’. The theoretical implications of club theory will be referred back to states.

A major step has already been made in the work of Straubhaar (1992, 2002 and 2003) who indicates the parallels of states and clubs and the tasks states and clubs have to fulfil respectively. For a basic understanding of the nature of a club, however, it is useful to go back further to Buchanan’s (1965: 13) seminal work on clubs. Buchanan took the example of a swimming pool as

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4 Nearly all fertility rates in Europe are significantly below the reproduction rate. At the moment, the only exception in
a club good and was the first to introduce a theory of cooperative membership, 'a theory that includes as a variable to be determined the extension of ownership-consumption rights over differing number of persons' (Buchanan 1965: 1). The basic question in this theory is the size of the most desirable cost and consumption sharing arrangement for the maximisation of the net utility of the members. According to Buchanan, clubs for this purpose must aim at an optimal exclusion as well as optimal inclusion. As a rule of thumb this means that clubs should accept new members as long as their marginal costs equal their marginal gain, which equals the contribution to the financing or maintenance of the stock of club collective goods. For the decision about the granting membership rivalry is the basic criterion. In the case of non-rivalry (that means in the case of a forecasted net contribution to the financing and maintenance of club goods) membership will be granted to every applicant, because every net contributor contributes to a reduction of the per capita burden. In the case of crowding out or congestion costs rivalry of use emerges. Access will be limited (see also Breuer/Faist/Jordan 1994: 5). A club chooses itself the club size that maximises the utility of a representative club member. In technical terms efficient club size is reached where the collective good becomes fully rivalrous at the margin. Members whose contribution, which amounts to the average cost of the collective good, exceeds the marginal opportunity costs to the group, are admitted. Efficient clubs thus feature "equality of the marginal and the average cost" (Starrett 1988: 52).

A similar differentiation in this context is used by Olson (1965: 34-43) who distinguishes between inclusive and exclusive clubs. Inclusive clubs provide pure collective goods and do not require any limits of membership. Exclusive clubs are characterised by crowding out and congestion effects at a certain point and therefore require rules for membership restrictions. Olson’s differentiation is a rough guide for the discussion of states as clubs. According to Olson, states can be understood as exclusive clubs. It is neither rational for them to do without any membership restrictions nor is it rational to deny entry to all new applicants (see also Straubhaar 2003: 81).

3. Immigration Policy as Element of a State Membership Policy

Migration and migration policies offer a good way of illustrating the resemblance between states and clubs and the applicability of the club theory to state behaviour. As it is not rational for clubs to accept or to refuse every applicant the same basic rule of thumb is valid for states and their membership policies. They face the same problem of finding the right way to organise optimal exclusion as well as optimal inclusion. Empirical evidence for this consideration can be found in

__Europe is Ireland.__

5 Clubs collective goods differ from individual goods by their partial non-rivalry in consumption and differ from pure collective goods since non-members can be excluded. Building on Tiebout (1956), Frey and Eichenberger (1999) have
many recent debates about migration, which no longer revolve around the question of whether there should be immigration or not. Japan seems to be the only industrialised country 'that has not relied heavily on foreign labor to fuel economic growth in the postwar period' (Hollifield 1992: 15) and continues to forego any managed immigration (Thränhardt 1999). On the other hand, there is no industrialised country that still pursues a policy of open borders. The era of minimum state intervention into immigration processes ended with the nineteenth century (Moch 1992: 107). This raises the question as to why states neither accept nor reject immigrants as a rule, and why immigration policies correspondingly have become more differentiated.

Immigration advocates sometimes wonder why immigration is such a hotly debated issue and argue that in the long run labour mobility makes everyone better off (see for a critique Freeman 1995 and Hillman 1994). In the neoclassic model migration is understood as a function of mobility costs and welfare differentials (Pies 1995: 151) and thus a phenomenon of arbitrage which contributes to the correction of market imperfections. In this view migration should be generally approved by states because it contributes to increased economic efficiency (Straubhaar 2002: 52–53). This general statement loses its validity when welfare state arrangements are introduced. As the modern nation state primarily is a welfare state (Halfmann and Bommes 1998: 87) unregulated immigration may undermine the welfare state’s capacity to provide services to its populations. In particular tax-financed social aid and other benefits, where they are paid independently of previous payments, may operate as a magnet for certain groups of immigrants (Borjas 1999) who thus contribute less to the state than they receive. It is therefore in the self-interest of a state to restrict immigration for these groups (Straubhaar 2002: 84) or, in other words, welfare states must maintain an external ‘threshold of inequality’ (Stichweh 1998: 49–61). However it is worth noting that the problems linked with migration in this context are by no means specific problems of migration, but rather general problems of the welfare state (Straubhaar 2002: 60).

A second, less economic reason why all industrialised nation states abandoned a laissez-faire immigration policy is related to the reduced value attributed to the population size of a state. The move from the prohibition of emigration to the restriction of immigration mirrors the rejection of a mercantilist population policy which primarily aimed at increasing the population size. Indeed, a growing population is no longer automatically associated with a gain in power or competitiveness (Stichweh 1991). Most states allow “exit” because population quantity is neither a central determinant of military power (which in any case may be less important than in the past), nor is it a precondition for economic competitiveness. As a consequence, the main rationales for increasing the population size became less important. This indicates that the option of unrestricted

used a similar approach to argue for functional, overlapping and competing jurisdictions (FOCJ) in which the economic element of club membership would be complemented by elements of direct democracy.
immigration (pure inclusion) as a means to induce or accelerate population growth can be excluded as a realistic state option. As a general rule, states desire members who contribute more to the maintenance of the bundle of collective goods than they receive from the state in the form of welfare benefits or usage of collective goods.

If unrestricted immigration is not a realistic option, then one might expect states to aim for simple exclusion by totally prohibiting immigration. This approach, however, has not been instantiated in state policies. Even leaving aside states’ commitments to certain channels of humanitarian migration, attempts to completely prohibit immigration (pure exclusion) would cause tremendous costs, and are not pursued for this reason. James Hollifield (1992) coined the term of the ‘liberal paradox’ that states confront. Despite the existence of domestic political forces, such as the electorate, that prefer rather restrictive immigration policies and that push states towards increasing closure, international economic forces have the opposite effect and push states towards greater openness. North Korea probably is the only nation-state that still refuses any integration into the globalised economy. Open societies are indeed able to manage economic structural changes much more smoothly by allowing factor mobility and by enhancing their potential for growth through attracting immigrants who complement indigenous production factors. Translated into the language of club theory, this means that globalisation and the intensification of market relations have rendered the theoretical option of pure exclusion unaffordable for states.

Neither a policy of open-borders (pure inclusion) nor the total prohibition of migration (pure exclusion) can be serious policy options given the current and expected future international economic context. In light of this, the central thrust of current debates on immigration in most OECD countries is not the question as to whether or not there should be any immigration. Instead, debates focus on technical questions such as the kind of migration that should be allowed, the characteristics of potential members that are considered desirable, or the management of the admissions process. In this rather abstract sense, states and clubs do indeed seem to face the same problem of finding the right way to organise optimal exclusion and inclusion for their membership policies. Both need members and for none of them it is advisable to accept or reject every applicant as a matter of principle. The attempt to reach equilibrium between optimal exclusion and inclusion is the function of national immigration policies which, correspondingly, can be understood as technical decisions on the right mode of determining rivalry. In most countries, they appear to be more and more differentiated, reflecting the need to design precise schemes of rivalry assessment.

6 For a long time restrictive immigration preferences of the electorate have been demonstrated by opinion polls in many countries. See for the USA Simon and Lynch (1999, p. 455–467) and for Germany Winkler (2003, p. 33–38).
The implementation of the theoretical requirement of optimal exclusion and inclusion into the political practice is to be organised by national immigration policies. As a general trend over the last decades, access for medium or low skilled workers has been restricted in most OECD countries. In addition, countries such as Germany, France, Great Britain, Australia, Canada, the USA and even “new immigration countries” like the Czech Republic have begun actively attracting highly qualified migrants who are not supposed to be rivalling. Recent examples for the increased focus of states on highly skilled migrants have been the German ‘Green Card’ for ICT specialists, parts of the new German immigration act, the new point system in Great Britain and also the new advertisements of the Australian government for skilled immigrants (see McLaughlan/Salt 2002 for a comparative overview). The strict differentiation between migrants who are supposed to burden the respective state and migrants who are supposed to induce a positive net contribution to the financing and maintenance of club collective goods (see also Vogel 2005: 422) mirrors exactly the postulation of the club theory to organise optimal exclusion and inclusion. Thus the main task of immigration politics in industrialised countries is rivalry assessment\(^7\) aimed to organise optimal exclusion of rivalling new members and optimal inclusion of new members who are potential net contributors.

These short empirical examples should have indicated the relevance of club theory as an interesting frame of reference for the discussion of immigration policy in many western countries. Nevertheless, it cannot be denied that the application of the club theory to the explanation and analysis of immigration policy is particularly fraught with several empirical problems. The empirical limits of club theory for the explanation of immigration policies appear quite quickly when taking a closer look at the present migration streams in most western countries. In most societies family migrants and refugees constitute the quantitatively most important migratory group. Neither the number of refugees coming to Europe or the USA nor the family migrants fit the assumptions of the club model because the inclusion of these groups is not generally consistent with the recommendations of club theory. According to the principles of club theory these migrations are not optimal since they do not necessarily fit into the scheme of rivalry assessment indicated above.

The right to live with and to found a family belongs to the base rights of liberal democracies (Bommes 2003: 51) and limits the scope for state intervention. The international asylum and refugee system, which includes the 1951 Geneva Convention and the United Nations High Commissioner for Refugees (UNHCR) can be understood as a special ‘repair mechanism’ to respond to the break-down of a territorially based system of universal inclusion\(^8\), in the form of

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\(^7\) Correspondingly many recent immigration policy reforms as the German Green Card, some parts of the new German immigration act as well as the new point system scheme in the UK can be understood as more or less effective schemes to establish a legal and institutional infrastructure to assess the rivalry of a potential immigrant.

\(^8\) This universalism of inclusion can be attributed to the organisational principles of the political system. As the world population is distributed into nation states, state membership is immediate and in most cases permanent and exclusive. Every individual must be a member somewhere. In case of the violation of the universalism of inclusion by dictatorial
states’ expulsion or persecution of their members (Bommes 1999). This has important implications for the status of the club theory and also for the following line of argumentation. Both migratory phenomena, family migration and refugee migration, indicate the limits of club theory as a guide for states ‘moulding’ their population. The migration reality points out, that persons can become a member of a particular state although they have failed or not even attended the rivalry assessment procedure.

4. Integrational Engineering: Integration Policies and Welfare State Reforms

The empirical limits of the recommendations of the club theory for the explanation and analysis of immigration policies in Europe, however, do not devaluate the analytical power of the club theory. Seen in a not too empirical way the club theory remains a powerful analytical tool. As has been shown above, states have been making endeavours to reconfigure their immigration policies according to the principles of optimal exclusion and optimal inclusion. For several groups of migrants – mainly family migrants and refugees and accepted asylum seekers – the rivalry assessment procedures implemented by the national immigration policies are overruled. These migrants become members and enjoy the same security of residence as the indigenous population. When looking at state population policies in the context of immigration Hammar’s differentiation (1985) between immigration policy focussing on flows of immigration and the control of aliens and integration policies which handle matters of settlement and integration, is helpful. Related to the typology of population policies described in the first paragraph, family migrants and recognized refugees, who managed to circumvent the rivalry assessment procedures implemented for the other groups of migrants, then are subject to the second option of population policy. It is important to underline that the way population policy addresses these immigrants is very similar to the way in which the indigenous population is addressed.

Indeed, integration policies aimed at improving the language proficiency of migrants and at accelerating their integration process into the labour market belong to the standard portfolio of welfare states in Europe. Following the perception of a general “crisis of integration” in many European countries (Mahnig 2001) integration policies have been reformed according to the postulations of the activating welfare state. Many recent changes in integration policies display a shift of direction in a way that individual migrants are expected to acquire the necessary skills and to invest in their human capital in order to cope with the demands of labour markets on their own responsibility (for the Netherlands see Entzinger 1998, for Sweden Ring 1998, for Germany Michalowski 2006). Integration policy reforms thus take place in a similar way as the reconfiguration of welfare states across Europe. Well-known labels in this context are “from welfare
to workfare” and “active supporting and demanding”. If migrants live legally in the country and thus belong to the residing population, population policy affects them in a similar way as it affects the parts of the residing population without a migratory background. Integration policies as a *pars pro toto* of welfare state policies demand from migrants to show own initiative of human capital investment and labour market integration, but at the same time it provides for the integration infrastructure which supports migrants in their efforts of integration. Hence, legally residing immigrants are exposed to a similar welfare state treatment as non-immigrants: They are expected to undergo efforts in order to integrate into the labour market as soon as possible. The state provides for supportive measures like language courses and retraining which ultimately shall help to avoid enduring financial transfers. Next to policy changes in the Netherlands and Sweden the new German immigration law, which not only established new admission criteria for highly skilled persons, family migrants and refugees, but also reformed and centralised the German integration policy, is a good example for this development. On the hand migrants are provided with state-financed infrastructure for improving their German language proficiency and their knowledge of the host society, on the other hand the language courses are mandatory and refusal of participation of the migrant is sanctioned. Migrants on welfare with poor German language skills who do not take the course or who drop out can then expect sanctions as reduced social transfers or the refusal of a permanent residence permit.

Therefore, integration policies as a category of general social policy fit well into the analytical frame of the club theory. Exclusion in a physical way is impossible for legally residing immigrants as well as for citizens⁹, but the reconfiguration of integration policies and welfare state arrangements in general according to the dictum of “active supporting and demanding” mirrors the basic postulation of the club theory in a similar way: States provide a certain degree of infrastructure to gain language proficiency (in the case of immigrants) or for retraining (in the case of the unemployed without any migratory background) and thus aim at optimal inclusion as well as at optimal exclusion by enforcing measures like means testing and by demanding to take up even low paid jobs. Integration policies and welfare state arrangements in general can thus be seen as a kind of

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⁹ Brubaker (1992: 25) also raised this question in his famous book on citizenship and nationhood in France and Germany. He asks: ‘Why is territorial closure directed against noncitizens alone, although the territorial state’s interest in controlling entry and exit is a general one?’ although ‘the territorial state might seek to externalize the material and ideal costs associated with unruly, unemployed, unfit, unassimilated, or otherwise undesired residence [...] by excluding or expelling them’. Brubaker answers this question by referring to international relations and emphasises that ‘every state is embedded in a system of coordinate territorial states, each with the same vital interest in controlling migration.’ The reason why states cannot behave like clubs and therefore cannot configure their membership rules according the equation ‘marginal profits must be bigger than the marginal costs’ is the consequence of a zero-sum-game. This is because the costs successfully externalised by one must be borne to another. Thus, Brubaker mainly argues in terms of international relations. In his interpretation a non-differentiation between citizens and non-citizens would result in damages in international relations.
subordinated club policy for those parts of the population for whom the basic precondition of a club policy - excludability (in a physical way) – cannot be realised.10

5. Conclusion: The Club Policy as Reflexive Mechanism of State Membership Policies

The title of this article already suggested a certain parallel between the behaviour of states and clubs. It implied that, at least prima facie, states do in fact act like clubs. However, this claim cannot be maintained following a closer analysis, since it is overly strong and would distort the main argument of the article. The empirical limits of club theory for the explanation of immigration policies appear quite quickly when taking a closer look at the present migration streams in most western countries. In most societies family migrants and refugees constitute the quantitatively most important migratory group. Neither the number of refugees coming to Europe or the USA nor the family migrants fit the assumptions of the club model because the inclusion of these groups is not generally consistent with the recommendations of club theory. According to the principles of club theory these migrations are not optimal since they do not necessarily fit into the scheme of rivalry assessment indicated above. This has important implications for the status of the club theory and also for the conclusion of this contribution.

The application of club theory to the question of state membership should not be seen too empirically. It cannot be argued that states really behave like clubs. Club theory should rather be interpreted as an idealised construct for several considerations on practical policy and as a kind of reflexive mechanism states rely on for solving one of their basic questions. States need members and face the problem of finding a mechanism for deciding whether an individual applicant should be granted membership or not. One way of getting new members is a specific design of immigration policy according to the needs of the state. In this context club theory can be interpreted as a reflexive mechanism to make this question decidable. Club theory offers a recommendation as to how to take this decision, and states follow this to a certain extent. The recommendation however is an ideal construct and not applicable in a ratio of 1:1. Family and refugee migration indicate the limits of such a recommendation and overrule this orientation scheme. The theoretical construct of the club theory contains a hypothetical form of rationality which is not applicable to the complicated business of policy-making. This however does not entail the irrelevance of the application of the club theory to immigration policy, but instead changes the status of the theory. The club theory should not be seen as an empirically accurate description, but as an ideal construct which makes sense for considerations on practical policy. Nation states use club theory as a reflexive mechanism or orientation scheme for the observation of their population and rely on it to answer the question who should and who should not become a new member by

10 This group consists of the members who either hold the citizenship of the respective state of who immigrated and
immigration. This question is one element of the structural emergency states permanently undergo. This structural emergency concerns the permanent need of states to decide on state membership, because the “easy solutions” of closing the borders totally or granting access to everyone are not applicable. States can neither be indifferent to the composition of their population nor can they act without members. Using the categories of club theory for the principle rationalisation of the population provides a guide for states as to how to deal with this emergency. It does not imply that states can and do behave exactly like clubs. Despite these constraints the club theory proves to be powerful framework to analyse state behaviour in the context of population policy.

References


managed to circumvent the rivalry assessment procedure.


The U.S. economy is powered by immigration, and more than a million people immigrate there every year. Canada also has one of the highest percentages of immigrants: one of five residents is foreign-born. The quality of immigration is high in North America. But immigration policy differs in many ways. The United States attracts migrants through its size, tradition as a country of immigrants, and its contestable labor markets and job opportunities. Of all the immigrants coming to the United States, more than a quarter have tertiary education. But the lack of a comprehensive policy can lead to un