

REFUGEES AND THOUSANDTHS

Demographic and economic effects

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Abstract

Assessments that nations are on the move are exaggerations; refugees coming to the EU are unfortunates to whom we, at least symbolically, destroyed their homes and forced them to flee for bare life. The demographic picture of Europe will not change significantly by them; in Germany, post-2010 immigrants have filled a hole caused by a natural cutback of the population. Yearly economic costs of three millions "lazy" immigrants would amount to only a good thousandth of the GDP of the European Union. The easiest way to cover these costs would be allocating for them one-third of the monthly amount of base money created by ECB.

1. Introduction

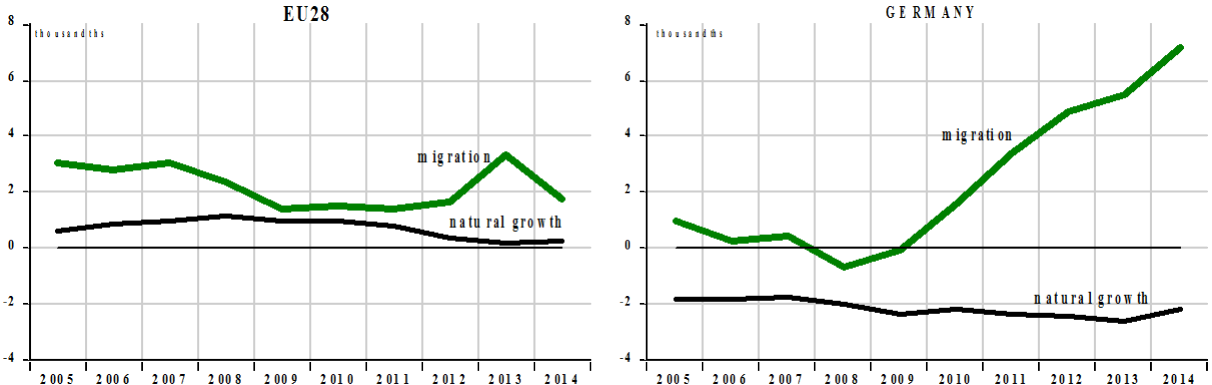
One can recently read articles talking of economic catastrophe caused by refugees. According to them, Europe would collapse by the costs to ensure their well-being as already high public debts prevent humanitarian efforts. Dissenting opinions talk about a large medium and long-term economic benefits of refugees; according to them, refugees will provide pensions for aging EU population, especially because among refugees, there is "the workforce with high added value", which will incidentally also prevent home "workforce" to demand higher wages. Like the former, this assessment is also questionable; as instead of only "labor force" and new "taxpayers", human beings come; among them there are possibly some terrorists and some who will become terrorists.

That the current migrations have relatively small demographic and economic and much larger social and political effects appears certain. However, a "war" in which is Europe, is a foreseeable result of the interventions by "the West", which, by imposing "democracy", destroyed more or less ordered and secular, though undemocratic governments in these countries. It is true that the problems can only be solved in Syria, Libya, Iraq and Afghanistan, but even good intentions of those who would be able to solve them, will take time. For now, the military interventions help only war industry and various militant groups and create new extremists. Thus, EU will continue to face crowds of refugees. Their passing now is tidy and does not remind, as at the beginning, the crowds of Jews led by the Nazi police to the concentration camps. Indeed, unlike Jews, refugees do not go to death, they flee from death and even dream of a better life in the EU. The dreams of most of them will vanish in the camps, in which they may stay for several years in forced idleness waiting for a decision, whether they can stay while European officials will investigate whether they comply with requirements of Dublin treaty and other rules. Those who will manage to stay, will be marginalized by the despised "natives" convinced that the arrivals are eating their bread. This leads to an attempt to determine what and how much economic "damage" can the refugees cause. Calculations are purely hypothetical, as the actual behavior of EU member states, is unpredictable. They could not even agree on quotas of much smaller displacement of refugees from Italy and Greece.

2. Demographic effects

Suppose that in the next two years 3 million refugees, which is considered a “black” scenario, come to the EU with population of 508 million. What does this imply? Between 2005 and 2014, that is, in a decade, the population of the current EU28 increased by 15.3 million. Natural population growth contributed 3.7 million, while net migration contributed 11.3 million. In 2014, when the EU population grew by 1.09 million, immigration contributed 928 thousand, natural growth only 162 thousand. In 2013, the EU population increased by 1.76 million, immigration contributed 1.68 million and natural growth only 80 thousand. An increase of 3 million people in two years thus does not differ too much from developments in the recent past.

Graph 1
Dynamics of the rates of migration and natural growth in the EU28 and in Germany



Source of the data; Eurostat

In the last decade, migration shaped the development of population in EU member states, as shown in Graph 1; the left-hand chart shows the rate of net migration (migration balance), and net natural growth (the difference between births and deaths) of the population in the EU28, the right-hand chart shows the rates in Germany. The graph might partly explain why German migration policy differed from those of other EU countries. By natural change German population was shrinking and demographic hole was since 2010 filled by the immigrants which restored the population to the level in 2005. In 2014, the median age of the EU population was 42.2 years, the youngest was the population of Ireland (36 years), while the oldest was the population of Germany (45.6 years). Old age dependency ratio (ratio of the population aged over 65 years and the number of the population between 18 and 65 years) in the EU was 21.8 percent; the lowest was in Slovakia with 19.0 percent, while in Germany it was 31.5 percent. The corresponding figures for Slovenia are: median age 42.5 years and age dependency 25.7 percent.

Table 1

Population change of EU28 in the decade 2005-2014

	POPULATION	NATURAL GROWTH		MIGRATIONS		TOTAL GROWTH	
	average number 000	number 000	share %	number 000	share %	number 000	share %
EU28	502446	3702	0,74	11332	2,26	15035	2,99
Belgium	10864	219	1,94	552	5,08	763	7,02
Bulgaria	7428	-370	-4,99	-116	-1,56	-486	-6,55
Czech R.	10409	45	0,44	294	2,82	340	3,26
Danmark	5529	75	1,37	182	3,30	258	4,67
Germany	81823	-1740	-2,13	1929	2,36	1899	0,23
Estonia	1332	-13	-1,02	-32	-2,40	-46	-3,42
Ireland	4479	420	9,38	94	2,10	514	11,48
Greece	11034	-23	-0,22	-133	-1,21	-157	-1,43
Spain	45878	851	1,86	2291	4,99	3143	6,85
France	62567	2281	3,65	683	1,09	3294	5,27
Croatia	4289	-95	-2,22	10	0,22	-85	-1,99
Italy	59169	-382	-0,65	3303	5,58	2920	4,94
Cyper	811	39	4,88	74	9,17	114	14,05
Latvia	2117	-88	-4,18	-175	-8,27	-263	-12,45
Lithuania	3118	-121	-3,89	-312	-10,02	-434	-13,91
Luxem- bourg	506	19	3,89	81	16,17	101	20,07
Hungary	9992	-360	-3,61	137	1,38	-222	-2,23
Malta	413	7	1,87	19	4,58	26	6,45
Netherlands	16575	443	2,68	151	0,91	595	3,59
Austria	8366	15	0,19	367	4,40	383	4,58
Poland	38092	109	0,29	-133	-0,35	-23	-0,06
Portugal	10519	-74	-0,71	-45	-0,43	-119	-1,14
Romania	20464	-474	-2,32	-1046	-5,11	-1520	-7,43
Slovenia	2036	21	1,06	59	2,91	81	3,97
Slovakia	5391	40	0,74	9	0,16	48	0,90
Finland	5351	90	1,69	144	2,71	235	4,39
Sweden	9341	196	2,11	539	5,77	736	7,88
UK	62506	2113	3,38	2471	3,95	4585	7,34

Source: Eurostat, own calculations

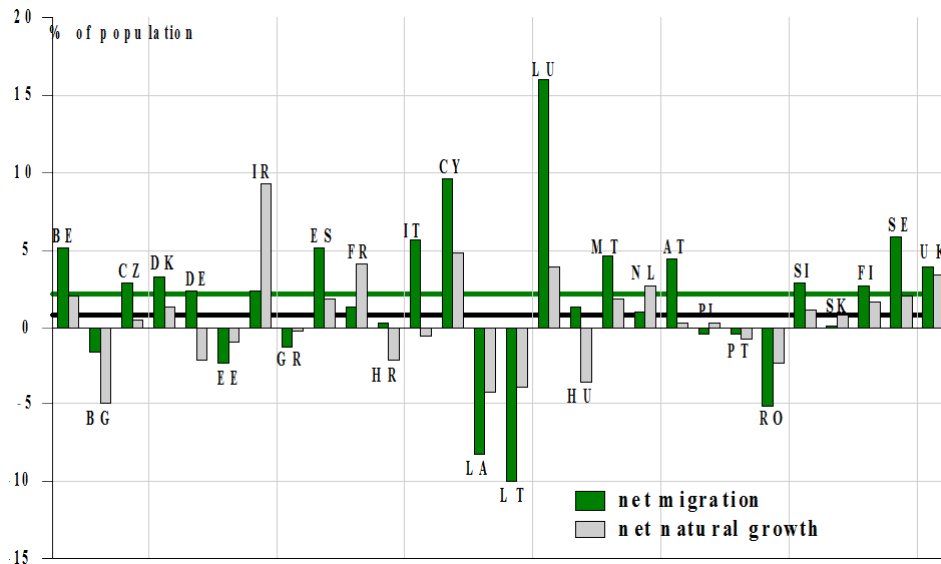
Only in Ireland and Bulgaria, the effects of natural growth in the total population growth exceeded the effects of migration; in Ireland, both effects were positive, in Bulgaria, both were negative. The population increased in almost all 'old' States, more due to migration than to births and deaths, while in the "new" states the population shrank. The largest was the contraction in the Baltic States; Lithuania lost almost 14 percent and Latvia 11.5 percent of population; in both, emigration exceeded natural change. Among “new” states only in Slovenia and the Czech Republic the population increased for 3 or 4 percent while Slovak population remained unaltered.

Detailed flows of the population within the decade reveal the effects of economic crisis. Most "northern" old member states faced a slow-down of immigration, which increased in Germany and

Austria while in the Southern periphery the pre-crisis immigration was in the crisis replaced by exodus.

Graph 2

Changes in the shares of the population of the EU countries in the period 2005-2014



Source of the data; Eurostat

3. Migrants and refugees

What will happen to the refugees depends on EU asylum policy. According to Eurostat, about half of the migrants from non-EU countries remain in EU more than a year; between 2010 and 2013 out of about 5,57 million migrants, 2,58 million stayed for more than a year. Among the newcomers, 300 thousand were from China, 282 thousand from India, 236 thousand from Morocco, more than 100 hundred thousand were from Pakistan (191), USA (130), Ukraine (125), and Russia (106). Afghans were beginning to mass coming only in 2012, Syrians in 2013.

33,5 million or 7% of EU residents have not been born in the EU. Among approximately 20 million (3.86% of population) of those who in 2014 lived in the EU but were not citizens were 1.6 million Turks, 1.4 million Moroccans, 757 thousand Chinese, 652 thousand Indians, 603 Ukrainians, 565 Russians, 521 Albanians, and 421 Pakistanis. Most, 20 percent were in Germany, 17 percent in Italy, 13 percent in Spain and France. The largest share of permanent residents who are not citizens (over 14%) continue to live in Estonia and Lithuania.

The right to stay receives more than 2 million applicants yearly; in 2013, the right of residence acquired 2.36 million applicants; the main basis for the acquisition of the right of residence are family reunification, work, and education. Citizenship was in 2013 acquired by 871 thousand applicants, more than 86 thousand were Moroccans.

There are 4 million Syrian refugees in the refugee camps in the neighboring countries, 2.2 million in Turkey. The European Commission assumes that EC solved operational problems and budgetary commitments for the enforcement of needed legislation and claims that it has done its job, but that

States do not adhere to what they agreed; from 2,35 promised billions of euro to be paid by 15 October, only 0,45 billions were paid. The proposals to "solve" the refugee problem keep changing and are together with proposals to finance new institutions increasingly remote from reality. Indeed, more and more EU Member States do not want to accept refugees let alone to accept the costs. Formally, all continue to swear on European values and asylum system. However, slow "European" rescue applications might be appropriate for "normal" circumstances, but absurd for current events.

What will happen depends mainly on Turkey and the agreement between the EU and Turkey because the war in Syria will not end soon. The EU appears to be quickly ready to "forget" the reservations on the democracy and is willing to negotiate on Turkey's accession to the EU, even though Turkey has become less democratic and persecution of the Kurds has been increasing. Now, EU wants only that Turkey does the dirty job in preventing the passage of refugees, while Turkey wants a recognition of being a democratic state, reimbursement of the costs of refugees, visa liberalization, and acceleration of the accession negotiations. The promised initial 1 billion € rapidly increased to 3 billion €, and Turkey, to maintain refugee camps, could get at least 10 billion €. Above all, because EU cannot count on the ability of Greece to halt refugees; "structural reforms", austerity measures, and other forms of lacerations imposed by European authorities, did not only lessen GDP and reduce the possibility that Greece ever repays debts, they devastated the Greek public sector.

4. The economic effects of refugees

Assume that all refugees remain unemployed. Would EU be able to take care of three million new "lazy people"? The answer can be provided by otherwise purely hypothetical calculations, which however allow determining approximate economic costs of refugees. According to these calculations, three million refugees are split among member states in proportion to their shares in the EU population, and member states use their own system of social transfers for their subsistence. The calculations are shown in Table 2. Indeed, hypothetical calculation serve only to see how justified are the arguments of an unsustainable economic burden caused by refugees.

EU would, if it used the criteria of the average annual social transfers in the EU, amounting to 7,353 € per capita, spend 22 billion € which is 1.69 thousandth of GDP. In accordance with the above rules Germany would accept 488 thousand refugees, spend 4.6 billion € which amounts to 1.68 thousandth of German GDP. The largest share of its GDP amounting to 1.92 thousandths of its GDP would be for 33 thousand refugees spent by Denmark, while Latvia would for 12640 refugees spend only 0.82 thousandths of its GDP or 19 million €. Slovenia would accept 12,157 refugees and spend 52 million € or 1,47 thousandths of GDP. In short. The costs of refugees incurred to EU member states are surprisingly low; they oscillate between 0.82 and 1.92 thousandth of their GDP.

Notwithstanding the fact that the costs are low, the question remains, where or how to get 22 billion € given that budgets should be revised and adopted by their parliaments and confirmed by Brussels officials. Indeed, there is a possibility of a simple and useful solution; money for refugees could be "printed" by ECB and distributed not only among members of monetary union but among all EU member state budgets depending on the number of refugees. In addition, it seems reasonable to use the average EU rules for social transfers. Poorer states, mainly former socialist countries, which with the exception of Slovenia, are characterized by extremely low percentage of social transfers and which are the most unwilling to accept refugees would receive more money than in the case of their own criteria. This might reduce their resistance to the refugees.

Table 2

Social transfers in EU countries needed to cover the costs for refugees

	GDP	social transfers	share in GDP	transfers/capita	Share of population In EU	refugees	Transfers to refugees	Share in GDP
	mil. €	mil. €	%	€	%	number	mil. €	tisočinke
EU28	13068601	3710189	28,6	7353	100,00	3000000	22059	1,69
Belgium	382692	110763	29,5	9953	2,16	64867	646	1,69
Bulgaria	39940	6695	16,8	916	1,48	44351	41	1,02
Czech R.	149491	30846	20,2	2935	2,07	62150	182	1,22
Danmark	248975	81129	33,1	14509	1,10	33013	479	1,92
Germany	2737600	755220	28,3	9390	16,28	488548	4587	1,68
Estonia	18613	2662	15,2	2012	0,27	7953	16	0,86
Ireland	164050	50783	31,0	11071	0,89	26743	296	1,80
Greece	182054	57954	30,0	5251	2,20	65882	346	1,90
Spain	1022988	261169	25,4	5584	9,13	273928	1530	1,50
France	2059852	652531	32,1	9975	12,45	373574	3726	1,81
Croatia	43128	8994	20,7	2107	0,85	25609	54	1,25
Italy	1560024	452504	28,9	7600	11,78	353286	2685	1,72
Cypher	16504	4009	22,6	4640	0,16	4842	22	1,36
Latvia	23372	3067	13,8	1508	0,42	12640	19	0,82
Lithuania	34631	5170	15,7	1730	0,62	18617	32	0,93
Luxembourg	45478	9850	23,0	18552	0,10	3021	56	1,23
Hungary	97948	20966	21,6	2113	1,99	59660	126	1,29
Malta	7263	1319	19,1	3144	0,08	2466	8	1,07
Netherlands	602658	188442	31,4	11247	3,30	98966	1113	1,85
Austria	313067	90076	29,3	10685	1,67	49952	534	1,70
Poland	389695	67110	17,6	1763	7,58	227439	401	1,03
Portugal	165690	42007	25,4	3995	2,09	62807	251	1,51
Romania	142245	20284	15,4	1011	4,07	122186	124	0,87
Slovenia	35275	8800	24,9	4278	0,41	12157	52	1,47
Slovakia	72134	12733	17,9	2355	1,07	32189	76	1,05
Finland	193443	58505	30,4	10806	1,06	31950	345	1,78
Sweden	420849	121648	29,8	12779	1,86	55773	713	1,69
UK	1899098	584952	30,4	9183	12,44	373210	3427	1,80

Source. Eurostat, own calculations

The effects of quantify of base money created and used for such a solution are insignificant for the ECB's monetary system. They are only one third of the monthly created base money of 60 billion € by quantitative easing. The "helicopter" monetary policy would indirectly stimulate the economy and hinder the emergence of a new financial crisis created by the current "printing money." The reason is simple. The so-called monetary policy transmission mechanism, which operates through interest rates and quantity of base money, is not functioning. According to it, the reduction of ECB interest rates which affect all interest rates is expected to accelerate investments and reduce savings. However, despite the decline in interest rates to 0 or even negative on bank deposits, mechanism is not effective,

which is an understandable consequence of the "austerity" measures. If one does not know whether he can sell his production he would not borrow. Notwithstanding the interest rate, even if it is 0 percent. Therefore, the ECB decided for quantitative easing - printing money. Again, this does not help, the money remains in the banks, or is migrating to the capital markets - modern macroeconomic casinos, which increases the "value" of shares and inflates a new financial bubble.

One third of the monthly amount of base money created by ECB would be sufficient for a year of spending for 3 million refugees. Again, these 22 billion € is in thousandths of a different monetary aggregates of the ECB; in September 2015, the amount of narrow money M1 was 6428 billion €, the amount of loans to non-financial companies and households was 10661 billion €. Of course it is an idea that is completely opposite to the rules of operation of the ECB, but also refugees do not fit the rules. Because the expenditures for and by refugees would be spent where they were, the "burden" could quickly turn into an economic incentive.