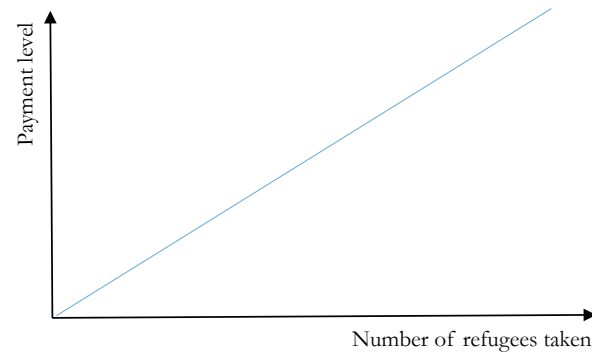


### (a) The Status Quo

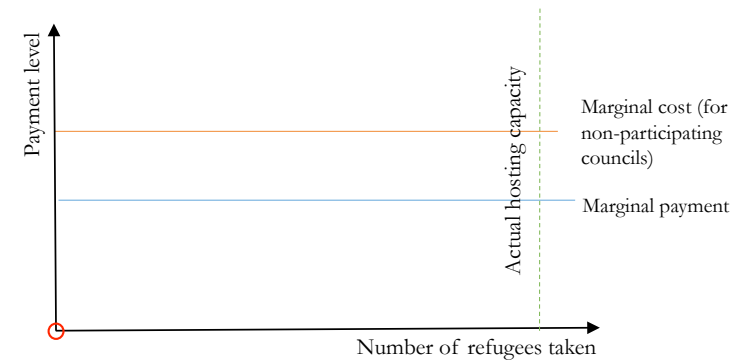
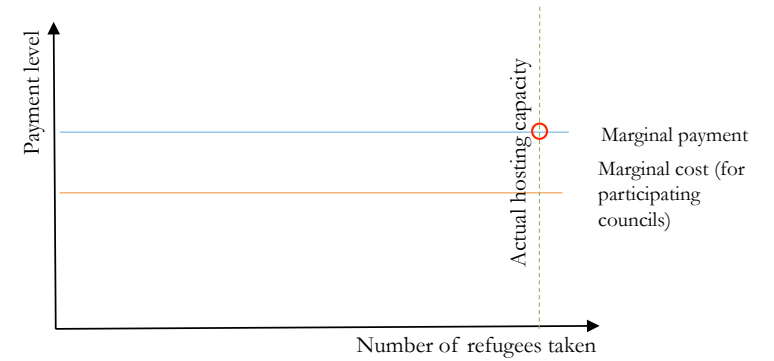
Payments determined by a linear function.

Local authorities either take the maximum compatible with their capacity (if the marginal cost is below the marginal payment) or none at all (if the marginal cost is above the marginal payment)

#### 1. Payment per Refugee:



#### 2. Marginal Benefits and Costs:



### (b) Refugee Number Target

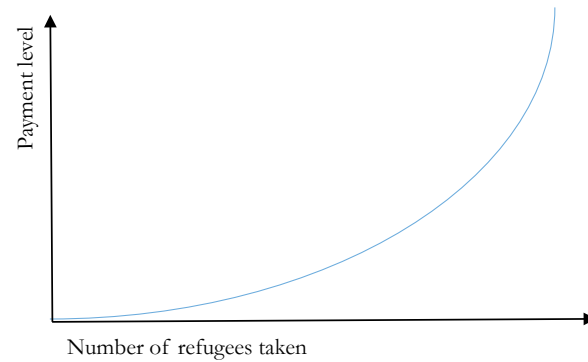
Payments determined by a convex function.

Local authorities announce a minimum they would be willing to accept (their 'break-even' point), and are willing to accept further refugees up to their actual total capacity.

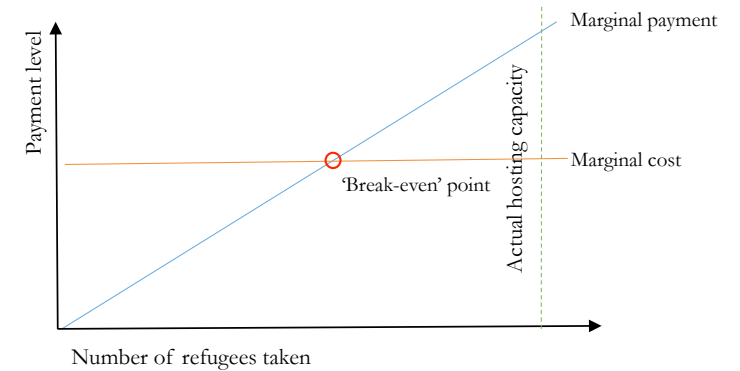
Here, the central state sets a number of refugees it wishes to resettle, and the system determines the cheapest allocation which delivers that.

In this case, a smaller number of authorities are likely to host large numbers of refugees.

### 1. Payment per Refugee:



### 2. Marginal Benefits and Costs:



### (c) Spending Target

Payments determined by a concave function.

Local authorities announce a maximum they would be willing to accept (their 'break-even' point), and would be willing to accept any number of refugees below that point.

Here, the central state can set an amount it is willing to spend, and the system determines the most refugees which can be allocated within that constraint.

In this case, a larger number of authorities are likely to host small number of refugees.

