Democratic rebalancing needed

Christopher Lord argues that a reformed monetary union must include a larger role for the European Parliament

BATTLING OVER AUSTERITY Italian MPs came to blows in October. REUTERS

Even during the most hurried moments of the recent crisis, the last European Council was divided into two meetings – one on a Sunday and another the following Wednesday – so that the German parliament could be consulted.

Contrast this deference shown to the Bundestag with the ignominy suffered by the Italian parliament. The measures it adopted in the dying moments of Silvio Berlusconi's government were, by various accounts, drawn up by some combination of 'senior' members of the European Council, the European Commission, and the European Central Bank (ECB).

So, the financial crisis has increased the power of some national parliaments and decreased that of others, depending entirely on the bargaining power of the member state.

This political inequality is just one of four reasons why it would be a mistake to rely exclusively on national parliaments to secure the democratic control of a more politically integrated monetary union. A role for the European Parliament will also be needed.

Many will argue that such inequalities of influence are just a part of any relationship between states, and, as such, they are just part of the price we pay for governing ourselves in more or less distinct national political communities.

Yet monetary union means combining with others to make policies that profoundly affect the lives of individuals, and not just the fortunes of states. It is also a relationship from which there are no easy exit options. Surely this implies at least some common responsibilities for those who end up in a disadvantaged state when things go wrong.

Maybe those common responsibilities are small in relation to the responsibility of each member state to keep its house in order. But, if they exist at all, they cannot be defined by individual forms of special pleading. Only a representative body at the European level can debate and define common responsibilities.

A second reason for not wanting to rely only on national parliaments is that they can provide only individual control, and not collective control, of all those who contribute to the governance of monetary union. Do not get me wrong, even ensuring full accountability of each national government to each national parliament for its contributions to monetary union decisions would be a huge improvement.

Yet, wherever decisions are made by many hands, the control of individual decision-makers can never add up to a fully adequate system of public control.

Consider the role of Angela Merkel, Nicolas Sarkozy, Berlusconi, the European Commission, and the ECB in the crisis. Perhaps myopia, clumsiness, or negligence contributed to the crisis. What, though, if the real problem was not so much their individual (in)actions as the toxic manner in which their decisions combined?

Surely that would imply that monetary union needs a co-ordinator with sufficient powers to get all the other actors to anticipate the combined effects of their policies, who can then be held accountable for the exercise of those powers? Assuming that that co-ordinator cannot be the ECB (if it is to remain independent) or the European Council (if the sharks are not to remain in charge of the swimming pool), it can surely only be the Commission in its relationship to the Parliament.

Third, a form of accountability limited only to national parliaments could threaten the stability and effectiveness of the monetary union itself. Any one member state, and therefore any national parliament, may have incentives to work the system: to impose negative externalities on others, to free-ride on the stabilising efforts of others, or, as the economists put it, to behave in morally hazardous ways.

Fourth, research shows that parliaments are influential in proportion to their ability to overcome asymmetries of information that favour the expert and executive bodies that they need to monitor. Undoubtedly, some national parliaments have great ability to accumulate expertise in monitoring monetary-union decisions. Yet this would be additional to what they have to do to scrutinise the regular flow of EU legislation. There has to be an opportunity cost to all of this: time spent on the scrutiny of EU matters is time not spent on domestic matters.

In contrast, the European Parliament has a full-time focus on EU matters, and accumulated expertise in following Union policies and institutions.

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Clearing the path for foreign experts

A lack of common, simple rules leaves European companies struggling to find skilled workers and battling with red tape, writes Cecilia Malmström

Common sense tells us that companies must have access to the right people, with the right skills, at the right moment. In times of crisis, this logic is even more important, as highly skilled professionals can play a vital role in the EU's economic recovery.

But companies that try to bring staff to Europe from abroad currently face 27 different kinds of rules and red tape. Well over a year ago, the European Commission outlined proposals to get rid of these problems for so-called intra-corporate transferees.

The idea is fairly straightforward. Companies cannot always find the expertise that they need locally. Specialists must sometimes be recruited from outside the EU, be they ICT managers from India, agricultural experts from Argentina or environmental specialists from Japan. And multinational companies simultaneously doing business in many EU countries should be able to move their experts to the EU country where their knowledge is needed the most.

But a company that wants to bring a highly qualified foreign employee to Europe, or transfer him or her to a subsidiary in another EU country, faces a plethora of overlapping national regulations, cumbersome application processes and piles of paperwork. The methods of applying for a work permit differ greatly between countries, as do the national rules for transferring employees. As a result, it is remarkably difficult both to enter the Union and to move within it.

Last year, I proposed a common set of rules introducing a combined residence and work permit for these categories of workers – managers, specialists and graduate trainees – and a new fast-track entry procedure according to which a permit application must be processed within a month.

With these rules in place, specialists and managers would be able to stay in Europe for three years on a single permit; graduate trainees for one year. I also proposed a system for easier mobility across borders for these intra-corporate transferees. The number of people accepted each year would still be a matter for member states to decide upon.

And let me be very clear: these specialists do not grab job opportunities from Europeans. They bring knowledge and experience that would not end up here otherwise. They fill important posts, meeting a demand in situations where there are no alternatives but to recruit from abroad. They help create jobs by boosting European competitiveness, investments and exports.

The Commission proposals have been stuck in negotiations in the European Parliament and in the Council for over a year. This month, the issue will be discussed by member states in the justice and home affairs council.

I urge the Parliament, the Council and the incoming Danish presidency of the Council of Ministers to speed up the negotiations. It is high time that the Commission's proposals were adopted.

In fighting the economic crisis, we need the right tools to turn the ship around. If we are serious about strengthening our competitiveness on the global stage, bringing the right talent to Europe is an issue where we cannot afford to wait any longer.

Cecilia Malmström is the European commissioner for home affairs.