

EU Capital Markets Union – alluring opportunity or blind alley?

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On September 30, 2015, the European Commission (EU COM) adopted an action plan to create a European Capital Markets Union. To reduce the alleged gap to the U.S.A. as the frontier financial system in financing Small- and Medium-Sized Enterprises (SMEs) as well as infrastructures, the EU COM aims at creating a more market-based and unified financing system within the European Union. This proposal for deep structural change rests on two explicit diagnoses: (1) Europe is too bank-dependent, which impedes growth. And, (2) an integrated (de-segmented) capital market allows for more cross-regional risk sharing, as appropriate in a monetary union. Therefore, a package of measures to promote risk capital and equity financing in the EU is to be launched, and innovative forms such as crowdfunding, private placements and credit funds are to be promoted.

Core goals of the proposed CMU are (1) promoting the securitization of bank loans to SMEs as well as (2) the channeling of additional private savings directly (without involvement of banks) into capital market products. In its green paper *Building a Capital Markets Union* the European Commission holds that “stronger capital markets would complement banks as a source of financing, and would unlock more investment for all companies, especially SMEs, and for infrastructure projects. “ In addition, a CMU would “attract more investment into the EU from the rest of the world; and make the financial system more stable by opening up a wider range of funding sources.”

Our ultimate question is whether current plans for implementing a European capital markets union are capable of turning these promises into reality. In this issue of the *Vierteljahrsheft zur Wirtschaftsforschung*, we thus focus on all aspects having a bearing on this important policy issue.

Topics of interest include:

- Access to funds: How could CMU support SME financing?
- European infrastructure: Does a CMU ease funding burdens?
- Varieties of financial systems vs. Europeanization of finance?
- Does EMU require CMU?
- EMU and CMU: Risk sharing via capital markets
- CMU – a threat to the diversity in the German banking sector?
- Obstacles to a unified European capital market
- CMU and the financial infrastructure
- Pros and cons of the suggested CMU
- Policy options to improve the current CMU plans

- CMU and the financial stability promise in the EU financial sector: myth or reality?
- CMU and the European Venture Capital/Private Equity market

The goal of the *Vierteljahrsheft* is to provide policy advice and to contribute to an enlightened, fact and evidence based policy debate about the European CMU. Therefore author(s) are encouraged to submit primarily non-technical economic analyses, and targeting their manuscripts at policy makers and an interested public. Formal analyses might back up the main arguments, but should be kept to a minimum and placed in an appendix (or boxes).

Authors interested in publishing in this issue of the *Vierteljahreshefte* are invited to send in a one-page summary of their planned contribution until January 15, 2017 to the Editors Prof. Hans-Helmut Kotz (kotz@ifk-cfs.de) or Prof. Dr. Dorothea Schäfer (dschaefer@diw.de). Notifications of acceptance will be given on January 31, 2017.