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CMU and competitiveness: unlocking EU investment potential

In March 2025, the European Parliament's Committee on Economic and Monetary Affairs (ECON) published its draft report on boosting EU competitiveness and advancing the Capital Markets Union (CMU). While it rightly highlights the role of public investment, it still leans too heavily on deeper capital markets as the main driver of growth. A more realistic strategy should focus on tangible investments and better use of existing EU tools. Below, Positive Money outlines our key concerns and recommendations.

Key concerns

- **Ensure that productive investment is actually incentivised**
  The report suggests that encouraging people to shift their savings from their bank accounts into capital markets will boost real investment in the economy. In practice, this will only be the case if clear mechanisms are established, the design of which is currently lacking in the report. On the one hand, venture capital financing would indeed be positive for productive investment. However, that would not necessarily be the case if savings were directed to equities, where most of the trading happens in secondary markets. The latter would have little direct effect on funding new projects in areas like energy independence, affordable housing, and the roads and railways that we all rely upon. Clear guidelines need to be set to ensure that the shift of savings to capital markets does in fact increase productive and green investment.

- **Distraction from real solutions**
  By focusing so much on private capital markets, we risk ignoring the tools we already have — such as public banks, EU-level financing instruments, and monetary policy — to drive and steer investment. This creates a dangerous illusion that financial "fixes" alone can solve long-term underinvestment. Added to that, certain investments that are needed for green transitions, like adaptation costs, do not comply with the necessary profitability that private financing tools require.

- **No clear path on how to achieve reforms**
  Many CMU proposals, such as empowering EU supervisory bodies with more powers and pushing for repatriation of clearing houses to the EU, are useful but find themselves blocked politically or technically limited in impact. The main issue is the absence of a clear roadmap on how to achieve the proposed reforms and fulfil the objectives.

In general, while some of the proposals are desirable, the narrative behind the power of these reforms could be seen as simply wishful thinking if there is not a deeper debate on reforming the EU's macroeconomic policy mix.

Positive elements

- **Clearer focus on public investment**
  Compared to the European Commission's recent communication on the Savings and Investment Union, this EP draft gives more weight to the need for public investment. This reflects a growing recognition that private finance alone is not enough to meet the EU's strategic needs.

- **Support for European safe assets**
  The report mentions the importance of safe assets such as those guaranteed by the European Investment Bank (EIB). These instruments help stabilise markets and provide long-term, low-cost funding for green and social infrastructure.

- **Repatriating clearing activities to the EU**
  Clearing infrastructures are systems that facilitate and process the finalisation of financial transactions. Therefore, despite being technical, the repatriation of clearing houses to the EU would help to reduce reliance on third-country infrastructure (mainly in the UK), enhancing the EU's financial sovereignty and stability. We shouldn't rely on infrastructure outside the EU for such crucial functions.

- **Empowering ESMA with direct supervisory powers**
  Strengthening the European Securities and Markets Authority (ESMA) could improve oversight of cross-border financial actors. However, the goal is a more transparent and accountable financial environment that could benefit everyone.

What's really needed: a common-sense agenda for European prosperity

To deliver sustainable and strategic investment across Europe, we need to:

- Mobilise our **supranational institutions** like the ECB, EIB, and national promotional banks to directly fund the projects that matter most to our citizens and businesses.
- Create a **permanent EU-level investment instrument**, such as a Climate and Energy Fund financed through common European borrowing.
- Rethink the EU's **macroeconomic policy mix**, with a bigger role for fiscal and regulatory coordination and public spending to benefit our industries and people.
- Recognise that **private financial markets, while having a role, cannot be a substitute** for public investment.

Next steps for the EP ECON Committee

- **Amend the report** to better reflect the need for public investment and challenge overreliance on private capital markets
- **Strengthen language** supporting EU-level financing instruments (e.g. Eurobonds, EIB expansion).
- **Request clarification from the Commission** on how CMU reforms will support — not replace — public investment.
- **Remain realistic** about the political feasibility of technical proposals (like ESMA reform) and avoid over-promising.