

# Europe's Untapped Capital Market

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# Financial Integration:

- The goal is to get more quality in the financial integration.
- Cross border investments, in FDI, debt and equity, should allow private risk sharing and convergence of price and returns
- As a result, more stability and growth.

# The report (1)

- ✓ Diagnostic of the problem:

Imbalance in the financial integration dominated by interbank loans

- ✓ Proposed solution:

Balance the financial system, complementing the banking integration with market-based operations.

# The report (2)

- ✓ The means to get more integration:  
Reduce barriers between countries to facilitate information and cross trading

# Removal of barriers

- ❑ To which extent the removal of barriers **guarantees** a more balanced system?
- ❑ Removal of barriers is a **necessary** condition, but is it a **sufficient** condition for financial integration?

# Other factors

- ? Are there additional factors preventing european countries financial systems for being balanced?
- European countries share:
    - oversized banking sector.
    - underdeveloped systems to fund innovation

# Companies

- Company's characteristic
  - Size and network
  - Ownership
- Stock market limited former government monopolies and big family owned companies

# Oversized Banking

- Traditional banking Capillarity for companies and consumers
- Banks as providers of loans and financial investments
- Welfare state which provides health insurance and retirement pension, therefore precautionary investment has not played the same role as in US

# New funding

- Underdeveloped PE or Crowdfunding:
  - Lack of culture?
  - Lack of technical concentration? –  
Michigan is not California