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EEC RELEASES STUDY ON UNIFIED CAPITAL MARKET

Washington, D. C., January 24 -- The executive Commission of the European Economic Community is studying a report on forming a unified capital market in Europe, it was reported from Brussels today.

The recently-released report, drawn up by a group of bankers and economists appointed by the EEC Commission, is commonly referred to as the "Segré Report." Claudio Segré, a representative of the Commission, headed the group who prepared the report. The 400-page study does not represent official Commission policy, but forms the basis for discussions among the Common Market's six members on measures to be taken.

One of the initial aims of the European Common Market was gradually to remove restrictions on capital movements among the six member nations. Of late, with the advance towards economic integration, the establishment of a European money market has come to be regarded as a pressing need.

The report points out that the present shortcomings of the European capital markets are not so much due to insufficient savings as to other factors: divided, overly narrow markets; differing liquidity preferences -- in that European savers prefer to hold cash or short-term assets; inadequacy of saving by institutional investors such as insurance companies, social security organizations and local savings banks; a tendency for public investment to depend on fund-raising through bond placements, which leave a small area for the play of traditional market forces.

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The report sets out detailed suggestions for improving these conditions. Among those for encouraging longer-term investment, it advocates familiarizing the public with the mechanisms of investment in securities. A continuous flow of information on company operations and detailed information on securities quoted should also be available.

Institutional investors should be authorized to invest a certain percentage of their funds even in bonds quoted only on foreign exchanges, in the group's opinion.

The report suggests it would be helpful if a higher proportion of European public investment were financed by tax receipts. Measures intended to influence investment should be based on instruments which touch entrepreneurs' demand for capital such as tax advantages, investment allowances, interest subsidies and credit guarantees rather than direct action on fund allocation. The experts indicate that the public sector would have to begin bearing some of the adjustments to be made in aggregate demand.

Harmonization of taxation, of regulations governing quotation on national exchanges and of national credit policies will be essential; otherwise, the authors feel, the play of market forces will be distorted and lead to imbalances in normal capital flows.

The report sees that such a single financial market may grow from a network of transactions which will gradually be extended to cover all the categories of financial flows and may result simply from an increase in the volume of direct international lending, from the interconnection of banking systems and from international refinancing of national credit institutions. The writers indicate these are already in progress.

A 40-page summary of the report in English is available from the European Community Information Service, Washington, D. C.

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