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Playing the capital market? Sustainable finance and the discursive construction of the Capital Markets Union as a common good

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ABSTRACT

The Capital Markets Union (CMU) project aims to create more integrated capital markets in Europe. However, the project faces resistance, and despite ongoing efforts EU capital markets remain fragmented. Based on an analysis of European Commission documents and ECB speeches, the paper identifies and conceptualises a set of discursive strategies employed to relegitimise the stalling CMU project and mobilise market-based finance for green investments. We distinguish two periods. First, the Commission used discursive strategies to introduce sustainable finance into the EU agenda, strategically framing it 'as part of' the CMU project. The strategies aimed to attract private finance, restore trust in market-based finance and reassure that the competitiveness of European industry would not be endangered by sustainability-related regulations. Second, since the launch of the European Green Deal and amid slow progress on the CMU, the Commission and ECB have constructed the CMU as key to financing the green transition and, more recently, other common goods. The analysis sheds light on the political dimension of this strategy by showing it primarily addresses the demands of certain fractions of the financial industry and, to a certain extent, of some environmental civil society organisations, while critical objections regarding market-based finance remain largely unacknowledged.

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KEYWORDS Capital Markets Union; sustainable finance agenda; green transition; discursive strategies; European Union

Introduction

The Capital Markets Union (CMU) is a European Union initiative launched in 2015 to create deeper, more integrated, and efficient capital markets across

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member states (Braun et al., 2018; Montalbano, 2020; Montalbano & Haverland, 2023). Despite EU institutions' efforts to bring the project forward, the CMU has been facing resistance from various sides – member states, fractions of the financial industry, and civil society – and its progress has been slow (Epstein & Rhodes, 2018; European Commission, 2020a; Quaglia et al., 2016). The conflictual nature of the CMU was reflected in the need for the European Commission to strategically calibrate two different policy narratives adapted to its audiences in the period 2014–2016, namely one that focuses on the competitiveness of EU capital markets and another that stresses the provision of funding to small and medium enterprises and infrastructural projects (Quaglia & Howarth, 2018).

To date, some pieces of legislation have passed, such as a new framework for securitisation and covered bonds, the simplification of listing rules for companies that want to access public stock exchanges, the establishment of a European Single Access Point that will come into force in 2027, and measures to boost venture capital. However, rebalancing the preferential tax treatment of debt over equity, and the homogenisation of supervision, insolvency laws, and withholding tax procedures have not been achieved, rendering the CMU project far from being completed. Financial integration in Europe is still lower than before the crisis, venture capital and equity markets are just one fifth and less than half of US size respectively, and securitisation market in the US are three times larger than in Europe (Lagarde, 2023).

Against this background, based on Laclauian discourse theory (Laclau, 1990, 2005) this paper identifies and conceptualises several new articulation strategies mobilised by the European Commission and the European Central Bank to relegitimise the stalling CMU project in a changing political context, where new public policy objectives became central in the EU agenda. More in detail, the paper shows that the CMU has been constructed as a common good, associating it with the financing of the green transition and, more recently, the digital transition and defence funding. At the same time, these strategies also aim to mobilise private market-based finance for policy objectives, such as to reach the EU's ambitious decarbonisation targets. Laclauian discourse theory highlights that policy processes are conflict-ridden and characterised by attempts to universalise particular interests, presenting them as fundamental to achieve common goods. Political actors deploy strategies to build coalitions, win support and convince those opposing their project by neutralising their arguments or co-opting them. Methodologically, the articulation strategies are drawn from an extensive analysis of documents and speeches by the EU Commission and the ECB, and 8 semi-structured expert interviews.

We distinguish two periods in the attempt to relegitimise the CMU project. First, the European Commission mobilised several articulation strategies in the period 2016–2019 to introduce sustainable finance into EU politics, strategically presenting it 'as part of' the Capital Markets Union, the flagship project of the EU Commission at the time (European Commission, 2016b, 2016c). In fact, the EU sustainable finance agenda, a political project and emergent policy regime (Mertens & van der Zwan, this issue) that aims to redirect financial flows towards sustainable investments, was developed as an appendix of the CMU. The strategies aimed to 'attract', 'harness' and 'mobilise' private finance for sustainable investments, to restore trust in market-based finance after the Global Financial Crisis, and reassure that returns for investors and the competitiveness of the European industry would not be endangered by sustainability-related regulations (European Commission, 2018a, 2018c; HLEG, 2018).

Second, from 2019 onwards the discursive relation between sustainability and the integration of capital markets evolved: the ECB and the European Commission began to depict the CMU as fundamental for the financing of the green transition and, to a certain extent and more recently, of other common goods such as the digitalisation and defence. The evolution in the legitimisation strategy is related to the launch of the European Green Deal (EGD) in 2019 which puts sustainability at the heart of the EU agenda (Jabko & Kupzok, 2024a), and the stalling of the CMU due to the failure to pass some crucial pieces of legislation and the slow integration of capital markets. In this context, the large and persistent green investment gap came to be seen as arising from the small size and fragmentation of European capital markets. Indeed, while acknowledging the role of banks, ECB board members consider capital markets better suited to finance the green transition, due to equity investor's stronger risk-taking orientation (de Guindos, 2023; Lagarde, 2021b; Schnabel, 2023). Accordingly, the CMU began to be portrayed as crucial for the financing of the green transition, going as far as calling for a 'green capital markets union' (Lagarde, 2021b, 2023; McGuinness, 2021).

Crucially, EU public officials openly reflected on how to strategically relegitimise the CMU. In assessing its slow progress, Christine Lagarde, president of the ECB, emphasised that 'its stated objectives have tended to prioritise the stabilising benefits of integrated capital markets' but there was no 'unifying project around which CMU can be anchored' (Lagarde, 2023). In order to overcome its stalemate, she proposed to assign a 'common purpose', and a 'common goal' (Lagarde, 2023) to the CMU. Similarly, Mairead McGuinness, former Commissioner for Financial Stability, Financial Services and the Capital Markets Union, picked up the label green capital markets union from Lagarde (McGuinness, 2021), and pointed out that '[i]f we don't provide a narrative we will lose political support for something that is existential' (Tamma et al., 2024a).

These discursive strategies are influenced by stakeholders' demands and the socio-economic structure within which EU institutions are embedded.

The analysis of these discursive strategies sheds light on their political dimension, as it reveals that the EU institutions' discourse tends to reverberate that of certain sections of the financial industry. While EU institutions' discourse paid attention to demands of some environmental civil society organisations (CSOs) concerning the introduction of sustainability into the EU financial agenda, it left other, more critical civil society concerns – such as the need for stricter sustainable finance regulations, government support for aggregate demand and the intrinsic risks of private market-based finance – largely unaddressed. Among the member states, the strategies have resonated most prominently in Germany, the Netherlands, and France where policymakers have increasingly framed the Capital Markets Union as a common good, but less so in other member states.

This paper contributes to the literature on the CMU and sustainable finance, in particular complementing Quaglia and Howarth's (2018) analysis of discursive strategies to advance the CMU project. The findings of this paper suggest that EU institutions are 'playing the capital market', constructing capital markets as a malleable 'talisman' to advance the new European 'investor' (Lepont & Thiemann, 2024) or 'derisking' (Gabor, 2023) state. On the one hand, the paper stresses an element of continuity with Jabko's (1999, 2012) 'playing the market', a conceptualisation that highlights the strategic construction of the notion of the market as a 'talisman' to push forward the project of EU monetary integration in the period from 1985 to 2005. On the other hand, the current context is marked by a more ambivalent and contested view of market-based solutions. For example, EU institutions increasingly acknowledge the short-termism and volatility of capital markets, stressing the need to harness and steer them more actively. However, although the CMU project is being relegitimised by assigning it a broader purpose in this new political context, this ultimately reaffirms its role as a key lever in the EU's broader political economy of derisking investments.

The paper is structured as follows. Section two introduces the analytical framework and the methodological approach of the paper. Section three highlights the conflict-ridden dimension of the CMU project and of the sustainable finance regulatory agenda. Section four shows how the European Commission introduced sustainable finance in the EU agenda, highlighting the articulation strategies and the key relationship with the CMU project. Section five presents the evidence of an ongoing discursive relegitimisation of the CMU as a common good. Section six critically summarises the main findings.

Articulation strategies in policy analysis

To explore the political and policy processes surrounding the relegitimisation of the CMU and the introduction of sustainable finance in the EU agenda we ground our analysis in Laclauian discourse theory (Aguila & Wullweber, 2025;

Howarth & Torfing, 2005; Laclau, 1990, 1996, 2005). This approach rests on the assumption that policy processes are conflict-ridden and constitute struggles to universalise particular interests. Accordingly, policy processes include various strategies for persuading people, winning over the undecided in favour of the project and either convincing or co-opting critics, or invalidating their arguments. According to Laclauian discourse theory, political processes involve the constant attempt to define the common good and to fill it with particular interests and/or to appeal to a common good or a general threat to push forward political projects in which certain particular interests are privileged (Howarth, 2009; Laclau, 2000; Wullweber, 2019a, 2024).

Based on this approach, we conceptualise the relegitimisation of the CMU as a strategy to simultaneously advance the project of capital markets integration and the financing of public policy objectives such as the green transition. The term 'project' summarises various policy strategies and politico-economic interests without assuming complete or central control: '[W]e find only different subjects whose activities are more or less coordinated, whose activities meet more or less resistance from other forces, and whose strategies are pursued within a structural context that is both constraining and facilitating' (Jessop & Sum, 2006, pp. 312–313). Often it is not just one strategy and the interests of one group that promote the project. Rather, a political project is usually pushed forward by quite different interests and strategies, which can and often do lead to contradictions.

Laclauian discourse theory enables the analysis of various *articulation strategies* employed to obtain support for a political project. This does not imply that it is sufficient to merely present a project in a certain manner for it to be approved, as discourse theory extends beyond a mere linguistic analysis (Laclau, 2000). We follow Wullweber (2019a) in categorising recurring patterns of articulations under five distinct strategy clusters: (1) strategic articulation of a master signifier; (2) strategy of drawing boundaries; (3) strategy of articulating equivalence; (4) strategy of legitimate difference; (5) expansion of the equivalence chain.

The first is the *strategic articulation of a master signifier*. A master signifier represents the project and its positive relationship to the common good. It unites the different sub-projects of the overall project by placing them in a positive relationship with one another. The aim is to transform certain particularities of a political project into a universality. In this regard, a second *strategy of drawing boundaries* is important to prevent negative associations with the project from gaining the upper hand. This involves countering criticism to the project by arguing that the criticism is unrelated to and has nothing to do with the project. Third, the *strategy of articulating equivalence* between different issues and demands involves expressing similarities among various matters or requests and can also integrate potentially contradictory viewpoints and positions into the project. Fourth, the *strategy of legitimate* *difference* can address existing antagonistic positions or demands and reduce their threatening nature for the political project. This involves gradually incorporating certain counterarguments into the project. Political demands that previously opposed the project are transformed into legitimate differences within the project. Fifth, the *expansion of the equivalence chain* entails involving additional stakeholders in the project or strengthening the positive connection to the common good through attributing additional positive characteristics to the project. A summary of the different articulation strategies, and their concrete applications in our case study is presented in Table 1 in section four.

Another entry point to examine the link between capital market integration and sustainability is by focusing on the financial industry's influence over EU institutions. While acknowledging the value of studying the various ways in which the power of the financial industry (Braun, 2020; Montalbano, 2020; Pagliari & Young, 2014) permeates and shapes public bodies in the context of sustainable finance and the CMU, this paper explores the strategies employed by EU institutions. The rationale behind these strategies is that the EU has set ambitious decarbonisation objectives, and the estimated green investment gap is more than EUR 600 billion per year (Lagarde, 2023). Given the limited fiscal space available to Member States, and the lack of a proper supranational fiscal capacity, EU institutions seek to mobilise market-based finance to achieve public policy objectives, including the green transition (Braun et al., 2018; Gabor, 2023; Lepont & Thiemann, 2024). In this sense, it is important to ensure that sustainable finance measures do not alienate the support of certain sections of the financial industry. However, the viability of financing green investments through market-based finance in the EU is not a foregone conclusion, as it requires further capital markets integration to attract and mobilise investments. Given the slow progress of the CMU, EU public bodies adopted an active role in promoting the project, including mobilising discursive strategies to construct consensus.

Analysing EU institutions' discourse does not mean neglecting the influence of stakeholders' demands, including their lobbying efforts. Rather, shedding light on these public bodies' strategies reveals their political dimension, as they do not necessarily reproduce a balanced mediation of stakeholders' demands. Indeed, EU bodies incorporate in a 'strategic selective' way requests from different stakeholder groups (Jessop, 2020, p. 58; Ötsch, 2024), favouring some, while marginalising others. In addition, these articulation strategies are mobilised within a structure that privileges 'some actors, some identities, some strategies, some spatial and temporal horizons, some actions over others' (Jessop, 2001, p. 285).

The project of capital markets integration took shape in the CMU, and the project of financing the green transition in the sustainable finance agenda and the Green Deal. Crucially, one project can take shape in a multiplicity of policies, according to political struggles, actors' strategies and the sedimented structures within which they take place. For example, an alternative approach could be 'strong derisking' policies comprising a more vigorous attempt to discipline private capital or a 'public sustainable finance paradigm' (Gabor & Braun, 2025; Golka et al., 2024; Wullweber et al., 2025) that assigns a key role to public investment in financing the green transition.

To analyse the various articulation strategies relevant to this paper, we deploy a plurality of qualitative methods, including document analysis and semi-structured interviews (Wullweber, 2019b). We first examine communications by the European Commission. To this end, we build a database comprising 24 publicly available documents on the Capital Markets Union and 19 documents on the sustainable finance agenda. We focus on documents pertaining either to an official communication, such as action plans and press releases, or which contained information on the progress of the policy provided by the Commission staff. Second, we analyse public speeches by ECB board members from 2014 to 2023 available at the ECB speeches dataset (ECB, 2019). The methodology follows that of scholars studying central banks' greening strategies (Aguila & Wullweber, 2025; Deyris, 2023; DiLeo, 2023; DiLeo et al., 2023).[1] Third, we collect several documents by CSOs, financial sector organisations and national entities (such as national central banks as well as governments) that have linked the CMU to sustainability. We collected the documents from stakeholders' consultations on sustainable finance and from stakeholders' position papers on the CMU and sustainable finance. Lastly, we draw on 8 interviews conducted with financial actors, public actors (regulators and central banks) and CSOs on the topic of EU sustainable finance.

The Capital Markets Union and sustainable finance as conflict-ridden political projects

The project of integrating European capital markets has a long history (European Commission, 2015a; Segre, 1966). The latest iteration of the project began in 2015 with the CMU Action Plan, when the Juncker Commission made the integration and liberalisation of capital markets key to its agenda. The overall logic of the plan represented a significant shift away from the post-global financial crisis stricter financial regulatory approach, moving back to a market-making posture. (Braun & Hübner, 2018; Engelen & Glasmacher, 2018; Fernandez & Aalbers, 2017; Montalbano, 2023).

Building on and updating the analysis of Quaglia et al. (2016), we discuss the following stakeholders' positions on the CMU. First, small and more traditional domestically oriented banks, less competitive financial actors' incumbents, such as protected market infrastructure firms, as well as national regulatory and supervisory authorities are considered the opposing forces to the project. In addition, several European CSOs expressed concerns regarding the CMU project implications. When the project was first announced, a coalition composed of 29 CSOs led by Finance Watch questioned the emphasis on market-based financing, arguing that it could increase financial instability reviving pre-crisis trends, and divert the attention from the needed support of aggregate demand (Housing Europe, 2015). Accordingly, a public official from the European Commission stressed that one of the major obstacles to the relaunch of securitisation was the stigma it suffered in the broader public (interview 3).

Second, the supporters of the CMU – large transnational universal banks involved in securitisation activities, and non-bank investors such as insurance companies, private equity and venture capital firms – profit from the CMU's promise to increase their market shares. However, the preferences of these actors regarding the CMU are not homogenous. Bini Smaghi (2024) argues that non-EU financial institutions active in asset management, private equity, rating, and auditing could be considered a potential obstacle to capital market integration as, within the status quo, they can take advantage of the lack of a homogeneous regulatory framework, exploiting the more lenient standards of certain EU countries.

As for member states, the major supporters of the CMU project were those countries with the most developed and diversified financial sectors, such as the UK, Ireland, Sweden, Luxembourg and the Netherlands. Germany and France supported the project but were more prudent and raised several reservations, stressing the importance of EU banks and rejecting the goal of transforming the European financial system towards the US archetype. However, more recently a group composed of a dozen smaller countries led by Luxembourg, and including Ireland, Malta and Cyprus (countries with softer regulatory standards), voiced their concerns that a centralisation of capital markets supervision and a harmonisation of national insolvency and tax laws would endanger their financial systems' competitiveness (Tamma et al., 2024b). In addition, Germany and France vigorously took the lead in supporting CMU project, proposing a joint road map (Le Maire & Lindner, 2023; Villeroy de Galhau & Nagel, 2022).

Similarly, sustainable finance in the European Union is a conflict-ridden political project and emergent policy regime (Mertens & van der Zwan, this issue; Smoleńska, this issue; Seabrooke & Stenström, 2023), that comprises new regulations, budgetary instruments and a vast array of EU institutions and agencies (Mocanu & Thiemann, this issue; Siderius, this issue). The EU sustainable finance regulatory project aims not only to incorporate ESG factors into investment decisions to manage climate-related financial risk, but also to produce an impact in the productive economy (European Commission, 2018a). The sustainable finance agenda consists of several new measures:

the establishment of an EU Taxonomy, defining criteria for activities that significantly contribute to climate change mitigation and adaptation, as well as other environmental objectives (Fontan, this issue); a comprehensive disclosure regime for both non-financial and financial institutions to ensure the availability of sustainability-related information to investors; a standard for the issuance of green bonds; the development of sustainability benchmarks; and the integration of sustainability in ratings and market research (Ahlström & Monciardini, 2022; Busch et al., 2021). As argued in several interviews by representatives of the European Commission, 'there's very little in terms of really prudential rules or other kinds of rules to change the behaviour of companies […] it's all about transparency, reporting data, all of that […] we think that we want to leave it to the markets, in the end, to decide which activities to change or phase out' (interview 5, also 4, 8).

As argued by Tischer and Ferrando (2024), sustainable finance in the EU has been supported by a 'coalition of the unlikely' composed of investors, some CSOs and EU institutions. Based on an analysis of the responses to a HLEG survey on its interim report (HLEG, 2017b), and the Commission public consultation on sustainable finance (European Commission, 2020b), it is evident that financial industry associations, including the Association for Financial Markets in Europe (AFME), the International Capital Markets Association (ICMA) and the European Fund and Asset Management Association (EFAMA), played a large role in the regulatory process. Crucially, a necessary condition for the financial industry's involvement in sustainable finance is the soundness of the risk/return profiles of sustainable investments (Aguila et al., 2025). These associations were particularly vocal in asking for better data on the sustainability profiles of financial assets, as well as the introduction of classification criteria, standards, and disclosures aligned with own propositions (see also ICMA, 2021), while they did not support more intrusive regulations, especially binding prudential requirements and penalising factors for carbon intensive assets.

Moreover, CSOs played a critical role in the introduction of sustainability in the EU financial agenda, pushing for more stringent regulations and systemic change (Global Witness et al., 2017; Reclaim Finance et al., 2021). At the same time, some CSOs adopted a more pragmatic approach open to market-based measures to refine rather than challenge the regulatory agenda (E3G, 2015; E3G et al., 2016; Tischer & Ferrando, 2024; interviews 2 and 7).

Regarding member states, the launch of the sustainable finance agenda received shared consensus, especially by countries that had moved ahead in the field of green finance, such as France, the Netherlands, and Sweden. However, the position of member states on specific measures was heterogeneous and ambiguous, reflecting the complex relationship between sustainability aspirations, national energy portfolios and considerations of economic competitiveness and security (Fontan, this issue).

Articulation strategies to introduce sustainable finance 'as part of' the CMU project

Having considered the different interests at stake in the two policy domains analysed, the following section assesses how EU institutions have attempted to build consensus around their policy objectives by addressing stakeholder demands in a strategically selective way.

Strategies to attract, harness and mobilise private capital for sustainable investments

After the Paris Agreement of 2015, the European Commission's communication *Capital Markets Union: Accelerating Reform* announced in 2016 that a group of experts would be formed to develop a 'comprehensive European strategy on green finance' (2016a, p. 5). The High-Level Expert Group on Sustainable Finance (HLEG) was established 'as part of' the Capital Markets Union (European Commission, 2016c), proposing – in our terminology – a *relation of equivalence* between sustainability and the CMU project for the first time.

From the beginning, the Commission made the equivalence between the sustainable finance agenda and the CMU explicit, appearing in the titles of the European Commission's official decision document creating the HLEG and the corresponding press release (European Commission, 2016b; 2016c). Concretely, the agenda began to take shape as an appendix to the Capital Markets Union.

Against the backdrop of the United Kingdom leaving the EU, the CMU midterm review added a whole new list of actions and strategic priorities to the CMU, and sustainable finance was identified as a new priority (European Commission, 2017, p. 15). The relation of equivalence between sustainable finance and the CMU project was remarked in the HLEG statements and final report (HLEG, 2017a, 2018) and reinforced in 2018, when the European Commission (2018a) published its *Action Plan on Sustainable Finance*: 'today's Action Plan on sustainable finance is part of the Capital Markets Union's (CMU) efforts to connect finance with the specific needs of the European economy to the benefit of the planet and our society' (European Commission, 2018b).

This relation of equivalence addresses financial associations' demands trying to attract, harness and mobilise private capital for sustainable investments and 'govern through financial markets' (Braun et al., 2018; European Commission, 2018a; Fichtner et al., 2025). Indeed, in their foreword to the HLEG report (2018, p. 2, emphasis added) Valdis Dombrovskis and Jyrki Katainen stress that '[t]he scale of the investment challenge is well beyond the capacity of the public sector alone. The European Union is providing massive impetus to help *attract* the required investments'. Similarly, Dombrovskis argues that the proposals of the action plan 'are about *harnessing* the vast power of capital markets in the fight against climate change and promoting sustainability', and Katainen reiterates that '*mobilising* private capital to fund sustainable investment is essential' (European Commission, 2018c, emphasis added). As both argue 'the goal is ambitious, but realistic: to make Europe the centre of gravity for global investment in the low-carbon, resource-efficient, and circular economy' (HLEG, 2018).

A UK asset manager explained that the introduction of sustainable finance 'as part of' the CMU addressed financial industry's demands, as the 'Sustainable Capital Markets Union' manifesto published by Aviva Investors (2014) was brought to the Commissioners' attention:

> Lord Hill basically got the manifesto to his desk. […] And then it was only after Brexit that Valdis Dombrovskis came in and he looked at what was on his desk, and his civil servants proposed the manifesto to him. And within I think ten days, maybe twenty, he announced that they were going to make the Capital Markets Union sustainable and to set up the High-Level Expert Group (interview 6).

Moreover, at an event about delivering sustainability through the CMU dedicated to various CSOs that took place in June 2016 in the European Parliament (Giegold, 2017), a representative of Aviva Investors delivered a speech emphasising the need for more integrated EU capital markets and proposing the adoption of disclosures and standards for sustainability.[2] Financial industry interest groups like the European Banking Federation endorsed placing the sustainable finance agenda under the CMU project (European Banking Federation, 2017; see also Eurosif, 2015, 2016). While the above quote from the interview with a UK asset manager (interview 6) should be viewed critically as it tends to overstate the industry's initiative and commitment towards the sustainable finance agenda and its instrumental power to influence the Commission, it seems reasonable to interpret the relation of equivalence between capital markets integration and sustainability crafted by the Commision as an attempt to address industry's demands and attract and mobilise market-based finance for public policy objectives.

Finally, the discursive chain was broadened by arguing that 'taking longer term sustainability interests into account makes economic sense and does not necessarily lead to lower returns for investors' and that it can even 'boost competitiveness by improving the efficiency of production processes and reducing the costs of accessing and managing resources' (European Commission, 2018a, p. 2). Analytically, this *expansion of the chain of equivalence* aimed to reassure private financial and nonfinancial actors that returns for investors and the competitiveness of the European industry would not be endangered by the introduction of sustainability-related regulations. Indeed, a necessary condition for the engagement of the financial industry is to ensure that sustainable investments are economically viable – namely, that they have appropriate risk/return profiles (Aguila et al., 2025). In this sense, the expansion of the chain of equivalence aims to downplay the inherent tensions between economic motives and the sustainable transformation of the economy.

Strategies to address the criticism around market-based finance

Associating the CMU with a common good, sustainability, sought to relegitimise the project at a time when key measures in the package, such as the reform of securitisation, were being debated in the European Parliament and by civil society (European Parliament, 2016; Housing Europe, 2015). In addition to the use of a relation of equivalence, two other discursive strategies were mobilised to address the scepticism around market-based finance. Against the criticism on market-based finance for its short-termism and volatility, the European Commission contrasted the new proposal with the 'bad' finance that had led to the financial crisis 2007–09. In our terminology, it mobilised a strategy of *articulating a legitimate difference*. The Commission argued that the financial system was still in a process of reform and learning the lessons from the crisis, and that to steer capital flows towards more sustainable investments 'a fundamental shift in how the financial system works' was needed (European Commission, 2018a, p. 1). As stated by Dombrovskis and Katainen, 'reaching our Paris agreement goals requires no less than a transformation of the entire financial system, its culture, and its incentives' (HLEG, 2018).

The EU Commission (2018a, p. 3) acknowledged that 'current market practices often focus on producing high returns over a short timeframe', while environmental and social objectives are necessarily long-term, which can be hindered by 'undue short-term market pressures' (European Commission, 2018a, p. 11). However, it framed the regulation of sustainable finance as intrinsically linked to the CMU, reaffirming the central role of market-based finance in achieving public policy objectives, provided that certain 'fixes' were carefully implemented. In this regard, the European Commission also used what we conceptualise as a *strategy of drawing a boundary* by claiming that the short-termism and volatility of capital markets are not endemic problems of a highly financialised economic system but are related to a general lack of transparency that will be addressed through market-fixing interventions. Legitimate differences and drawing boundaries can strengthen a project in a unique way, as the positions of critical stakeholders are actively addressed, thus increasing the basis for approval.

These discursive strategies also addressed demands coming from some environmental CSOs, which saw an opportunity to introduce sustainability concerns into the EU agenda by linking it to a project that was in the spotlight at the time (E3G, 2015; E3G et al., 2016; Giegold, 2017; interviews 2 and 7). For example, the climate think tank E3G (2016) and 16 other CSOs published a policy recommendation paper entitled 'Building a Green and Sustainable Capital Markets Union', following a similar paper published in 2015 (E3G, 2015). In these papers, these CSOs adopted a pragmatic approach that does not challenge the main tenets of the CMU project but aims to incorporate sustainability considerations into the CMU. Accordingly, a representative of an environmental CSO and member of an EU consultative body on sustainable finance argues that:

> Let's go back to why this [the launch of EU sustainable finance] happened. From my perspective, it was because the capital markets union reform was happening. And if you're reforming capital markets in Europe and we've got these sustainability issues, *it's a great opportunity to wedge in*. […] So that was where the impetus came from […]. *So that's the first rule of influencing, i.e., try and leap on something that's in process already* (interview, emphasis added).

The strategic selectivity of the Commission vis-à-vis criticism on market-based finance emerged clearly during the aforementioned conference that took place at the European Parliament in June 2016. On that occasion, a representative from the environmental CSO Global Witness contested the presence of only loose references to sustainability in the initial CMU Action Plan but also proposed to introduce sticks to discipline private finance. A MEP from The Left strongly criticised the relaunch of market-based finance in the EU, stressing the risks of unregulated shadow banking and the need to reverse austerity policies. In turn, a public official from DG FISMA replied that 'sustainable finance is very very high on our agenda' (see footnote 2), addressing the demand to introduce sustainability concerns in the CMU, but not the more radical criticisms on market-based finance. Moreover, Valdis Dombrovskis delivered a speech where he discussed the EU Commission's upcoming policy initiatives to encourage green financial investments, stressing the need for transparency, clear definitions, common standards and labels (Giegold, 2017). A Green MEP argued that '[s]uddenly, it felt like years of our dedicated work finally bore fruits (…) Hearing these words from the Commissioner, I was almost left speechless. Not even two years ago, to hear these words would have been impossible' (Giegold, 2017).

The discursive construction of the Capital Markets Union as a common good

Following growing pro-climate mobilisations and the increasingly visible impacts of climate change, the European Commission presented the EGD at the end of 2019, placing sustainability at the heart of European politics.

The literature considers the year 2019 as the 'climate moment' (Jabko & Kupzok, 2024a, p. 673), marking the beginning of a new era of climate politics, where also the ECB emerges as a frontrunner in the field of green central banking (Aguila & Wullweber, 2024, 2025; Jabko & Kupzok, 2024b).

While assigning a role to public investments, the EGD highlights that most of the funding should come from private sources. In particular, it proposes to mobilise capital markets funding through leveraging relatively modest amounts of public resources (Gabor, 2023; Mack, 2023; Mertens & Thiemann, 2023). In the attempt to both relegitimise the CMU and to close the green investment gap, different European institutions increasingly began to portray integrated capital markets as key to achieving this goal, seeking to win the support from different actors. Lagarde (2023) contends that capital markets in the US became integrated in relation to the unifying project of constructing the railway system in the nineteenth century. She presents the green transition as the unifying project needed to relegitimise the CMU: 'I believe that the green transition offers us a unique opportunity to build a truly European capital market that transcends national borders – or what I would call green capital markets union' (Lagarde, 2021). Harking back to the articulation strategies, we conceptualise the Green CMU as a *master signifier*.

Concretely, Lagarde (2021) explained that the two projects could be simultaneously advanced by fast tracking some CMU measures applied only to sustainable finance, as they might face less obstacles and be an engine that generates positive knock-on effects for the CMU project more generally. For example, she mentions that the green bonds in the EU have half the home bias of conventional bonds, so that promoting them through a Green Bond Standard would benefit the integration of capital markets; in addition, the EU Green Bond Standard can entail a supranational supervision and sustainable finance products can have a harmonised tax treatment and national insolvency frameworks, with special procedures for green investments (Smoleńska, this issue). Table 1 below summarises the articulation strategies we identified in the policy field.

More recently, the European Commission and the ECB also articulated other common goods that can be achieved through the CMU in addition to the green transition, such as the digital transition and, to a lesser extent, the demographic crisis and geopolitical strategic autonomy (Cipollone, 2024; Lagarde, 2023; McGuinness, 2021; Montalbano & Haverland, 2023; Tamma et al., 2024a). However, considering the relatively larger financing needs for the green transition, this agenda has been prioritised in the construction of the CMU as a common good. Public officials coined and reiterated the term 'green CMU', whereas the term 'digital CMU' was not introduced until October 2024, when Piero Cipollone, a Member of the Executive Board of the ECB, first used it.

Table 1. Application of the articulation strategies.

Articulation strategies	Description	Application (examples)
Strategic articulation of a master signifier	Constructs a positive relationship between the political project and the common good	The Green CMU as the term that presents the CMU as key for the green transition
Strategic boundaries drawing	Claims that certain elements have nothing to do with other elements	Short-termism and volatility of capital markets are not endemic problems of market-based finance, and can be fixed imposing transparency
Strategic articulation of equivalence	Constructs a similarity between different demands and objectives	Sustainable finance introduced 'as part of' the CMU. Sustainable finance regulations shall ensure the integrity of the single market for investors and capital-raisers alike
Strategic articulation of legitimate difference	Aims at penetrating already existing antagonistic borders, neutralising certain elements of an antagonistic chain	Against the criticisms on market-based finance short-termism and volatility, the recognition that in order to steer capital flows towards more sustainable investments a fundamental shift in how the financial system works is needed (but in a different way than envisioned by some CSOs)
Strategic expansion of the chain of equivalence	Adds more particularities to the chain to include other actors' preferences	Reassures private financial and nonfinancial actors that returns for investors and the competitiveness of the European industry would not be endangered by the introduction of sustainability-related regulations

Source: Authors' elaboration.

The ECB and the green relegitimisation of the CMU

Since the launch of the CMU, the ECB has consistently offered its support to the European Commission in promoting the project of capital markets' integration (Braun & Hübner, 2018; Quaglia et al., 2016). Additionally, the ECB has been increasingly trying to green its supervisory and monetary policies (Aguila & Wullweber, 2025; Deyris, 2023; DiLeo et al., 2023). As described above, we analyse the available speeches by ECB board members to find out how the ECB frames the need for the CMU, focusing on its role to advance the green transition. From 2019 on, sustainability and the CMU were increasingly linked, with the label of a Green CMU being mentioned in a portion of the speeches delivered (see Figure 1). While until 2018 the green transition never appeared as a legitimisation for the CMU project, it consistently increases in the following years until 2022, when a green relegitimisation takes place in more than 80% of the speeches. The frequency of the green relegitimisation decreased in 2023 only relatively to the total number of speeches on the CMU delivered by the ECB Executive Board members but stayed stable in absolute terms.

ECB board members offer three different, albeit complementary, rationales for why a unified EU capital market is key to address the sustainability

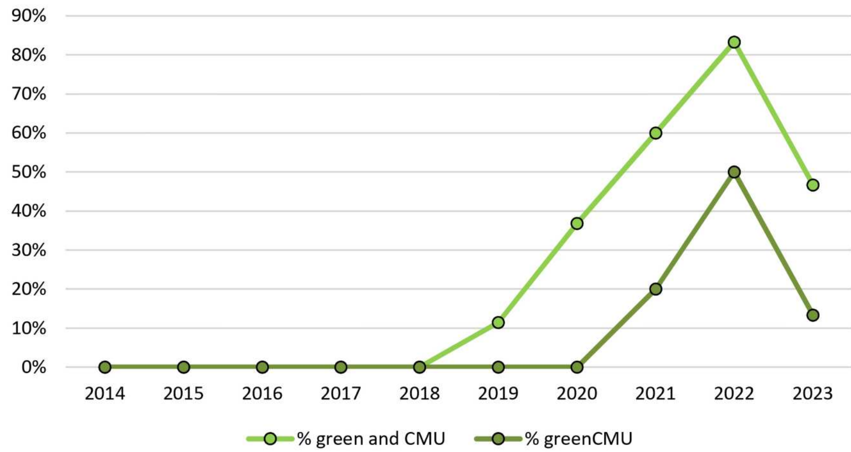

Figure 1. References to the green relegitimisation of the CMU, and the label Green CMU, as a percentage of ECB Executive Board member speeches that deal with the CMU, 2014–2023 (N = 213). Source: Authors' elaboration based on ECB speeches dataset.

challenge: First, as a means to bridge the green financing gap; second, as a driver to the internationalisation of the euro; and third, as a way to build resilience in the face of environmental and climate risks. These rationales, however, do not appear with the same weight. The first narrative is present in 29 speeches, the second and the third narrative appear in six speeches respectively.

The first narrative depicts the CMU as a source of financing for the green transition, which requires major investments (de Guindos, 2023; Elderson, 2023; Lagarde, 2021a, 2022, 2023; Schnabel, 2023). Crucially, ECB board members argue that these investments cannot come from the state alone and that consequently Europe needs private finance. While they acknowledge that banks have a role to play, they sustain that 'stock markets are more effective than banks in supporting the decarbonisation of the economy' (Schnabel, 2023, p. 4) due to equity investor's greater risk appetite (de Guindos, 2023). In support of this statement, ECB board members often quote an ECB working paper that finds that equity financing leads to lower CO_2 emissions per capita than bank lending (De Haas & Popov, 2019).

Accordingly, ECB board members argue that the fragmentation of European capital markets is the main barrier to financing the green transition: 'Fragmentation across national financial markets in Europe might constrain our ability to finance future investments in sufficient volume' (Lagarde, 2021a, p. 1). For this reason, Europe needs 'a robust, integrated and diversified EU financial sector' (Lagarde, 2022, p. 3) through a CMU.

The second narrative emphasises the development of the green segments of the capital market as an opportunity to attract international capital and internationalise the euro (de Guindos, 2023; Lagarde, 2021a, 2021b). Lagarde (2021b) highlights that Europe is the location of choice for green bond issuance and of Environmental, Social and Governance (ESG) bond funds. Thus, she claims that 'the euro has taken the lead as the global currency of green finance' (Lagarde, 2021b, p. 2). Lagarde considers that the EU should exploit this nascent advantage of European capital markets and avoid losing it by developing the Green CMU.

Finally, the third narrative presents the CMU as a mechanism to build resilience in the face of environmental and climate-related risks. ECB board members argue that climate change is a source of common, but asymmetric threats to financial stability in euro area countries (de Guindos, 2021, 2023; Lagarde, 2021b). The fragmentation of European capital markets is presented as the main issue in this regard, and their integration as a potential solution (de Guindos, 2021; Lagarde, 2021b; Martín Fuentes et al., 2023).

The speeches analysed reveal an ongoing strategic selective incorporation of demands coming from different stakeholders. Several financial industry's associations such as the European Banking Federation (2021), the Association for Financial Markets in Europe (AFME) (2022; see also Linna, 2023) and private financial actors (McElroy, 2023) stress that the EU needs a capital markets union, and instruments such as securitisation (Association of German Banks & True Sale International, 2024; interview 1), to finance the green transition. Similarly, business associations such as the French Medef (Bourgery-gonse, 2023) and Hydrogen Europe (Chatzimarkakis, 2023) reiterate the need to progress further on the integration of capital markets to unlock funding for green investments. However, the discourse does not address the demands coming from CSOs such as Reclaim Finance (2024) and Finance Watch (2024), which stress that even a fully functioning CMU would not mobilise sufficient capital for the green transition, as the risk and return profiles of the majority of green investments are not suited to attract market-based finance, and it could even increase financial instability (on this latter issue, see also Schairer et al., 2025).

These speeches also targeted member states, and especially Germany, the Netherlands and France, where the CMU is increasingly rearticulated as a common good (Le Maire & Lindner, 2023; Sleijpen, 2023; Villeroy de Galhau & Nagel, 2022), stressing the need 'to shift to a higher and more unifying purpose' (Villeroy de Galhau, 2024). As for the member states, Lagarde (2023, emphasis added) explicitly addresses the resistance of national actors, recalling that in the nineteenth century US capital markets were fragmented 'as individual states limited the chartering of banks'. However, the creation of the Securities and Exchange Commission (SEC) in the 1930s was pivotal 'in *suppressing state efforts* to fragment securities markets'. Similarly, she proposes a 'Kantian shift' and a move from a bottom-up to a top-down approach, arguing for a European SEC.

The European Commission and the green relegitimisation of the CMU

The European Commission also contributed to the green relegitimisation of the CMU, and more generally on constructing the CMU as a common good (McGuinness, 2020, 2021). Mairead McGuinness, then-Commissioner for Financial Stability, Financial Services and the Capital Markets Union, argues that 'we need huge sums of money […] The public purse of the member states is not enough, so we need private capital to be mobilised (Tamma et al., 2024a). At the press conference on the 2021 CMU package, she picks up the label green capital markets union, arguing that '[c]apital markets will help money flow towards sustainable companies and projects. And what we are doing is building a green Capital Markets Union' (McGuinness, 2021).

As shown in Figure 2, an analysis of the major documents issued by the European Commission (2015, 2015a, 2017, 2020a) on the CMU conveys a marked increase in references to sustainability from the 2015 Green Paper to the 2020 new Action Plan.[3]

The attempt to relegitimise the CMU is particularly evident in the 2020 Action Plan. This plan shares many elements with the 2015 Action Plan but, unlike the previous version which rarely mentioned sustainability issues, puts the financing of the green transition centre stage. Launched in the wake of the global Covid-19 pandemic, the plan links the project to the challenges of that time and attached policies, including the financing of the

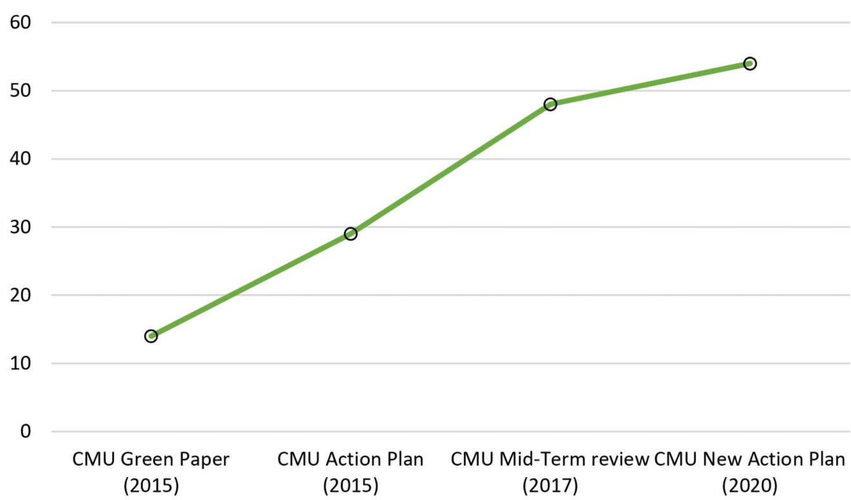

Figure 2. References to sustainability in key documents of the European Commission referred to the Capital Markets Union. Source: Authors' elaboration based on European Commission (2015, 2015a, 2017, 2020a)

digital transition and other common goods: the 'CMU is essential for delivering on all of the EU's key economic policy objectives: post-COVID-19 recovery, an inclusive and resilient economy that works for all, the transition towards a digital and sustainable economy, and strategically-open autonomy in an increasingly complex global economic context' (emphasis added, European Commission, 2020a, p. 2). The CMU is presented as a follow-up to the public funds from the Next Generation EU (NGEU) which are ought to finance the real economy: '[m]arket financing will be the lifeblood that sustains the recovery and future growth over the long-term' (European Commission, 2020a, p. 3).

As in the case of the ECB, the analysis of the European Commission documents reveals that its register aligns well with the demands of certain sections of the private industry interested in the revitalisation of market-based finance. Conversely, the discursive register appears to be distant from the claims of civil society organisations, which emphasise the crucial importance of public investment and the inherent risks associated with market-based finance practices.

Conclusion

This paper has identified and conceptualised a series of discursive strategies aimed at relegitimising the CMU project in response to its slow progress, and attracting finance towards green investments, given the interest voiced by certain financial actors and associations for sustainable finance. The paper has distinguished two periods. It has shown that already since 2016 the European Commission constructed a *relation of equivalence* between sustainability and the CMU project, introducing sustainable finance 'as part of' the CMU. The Commission also deployed a *strategy of legitimate difference* by recognising that the private financial system could be too short-term oriented and volatile, inadequate for funding sustainable investments. Furthermore, the Commission *strategically drew a boundary* between good and bad finance, arguing that short-termism can be mitigated through increased transparency. The Commission also *expanded the chain of equivalence* by arguing that the competitiveness of financial and nonfinancial actors was not endangered by sustainable finance regulations, thus trying to gain their support for the project. Following the launch of the European Green Deal in 2019 the project of financing the green transition became a top priority on the EU political agenda, while the implementation of the CMU came to a standstill. In this new context, EU institutions attempted to construct the 'Green CMU' as a *master signifier* by presenting the specific interests behind it as universal ones.

The sustainable finance agenda is composed of measures such as disclosure requirements, classification criteria, and standards. The perspective shaping these regulations, which has been framed as 'regulatory derisking'

(Gabor, 2023; Kedward et al., 2024), holds that if sufficient information and appropriate data modelling techniques are available, prices will accurately reflect true risks, including environmental and climate-related risks, and the market mechanism will correctly allocate capital towards sustainable investments (Chenet et al., 2021; Christophers, 2017). Disclosures and the other measures of the package are thus conceived as means to provide the missing information to solve market failures. However, disclosures can only work if investors are able to freely move their capital from dirty to green sectors, namely if there is an integrated and free market to begin with.

By proposing the political strategy of 'playing the capital market', echoing Jabko's (2012) conceptualisation of 'playing the market', the paper has emphasised the strategic malleability of market-related ideas by EU institutions, but also the necessity to relegitimise them in the name of a common good. Jabko warns that the strategy of 'playing the market' is unlikely to succeed in sustaining future EU integration since public discontent would grow resulting from marketisation and because the ambiguity of the strategy left many contradictions unresolved (Jabko, 2012, p. 184). Relatedly, one may ask whether the political strategy of 'playing the capital market', which puts financial capital and its logic in the driving seat, is an adequate strategy to face contemporary socio-economic challenges.

The continuous attempt to discursively rearticulate the CMU should be interpreted as a symptom of the underlying tensions and fragilities of the project. While the issue of sustainability as a 'common good' was at the core of the CMU relegitimisation, over time other common goods have been proposed, such as the digital transition and defence funding, further extending the chain of equivalence and in part blurring its green element (Cipollone, 2024; Tamma et al., 2024a). In the face of yet another attempt to relegitimise the CMU, relaunching it in the form of the 'Savings and Investment Union' (SIU), and the deregulatory turn of the Omnibus proposal that aims to water down key parts of the sustainable finance package (Mack, 2025), the relation between sustainability and financial capital is renegotiated and contested by different institutional, political and market actors. While the existing literature suggests that a heterogeneous coalition of the unlikely supported the introduction of sustainable finance in the EU (Ahlström & Monciardini, 2022; Tischer & Ferrando, 2024), and this paper has identified a sophisticated discursive strategy that aimed at diluting the contradictions among a vast range of stakeholders, future research could shed light on the drivers and implications of the ongoing contestation of sustainable finance.

Notes

1. We filtered the dataset of speeches leaving only those that contain the combination of words 'capital markets union' (CMU). We retrieved a total of 218

speeches, out of which 213 contain the CMU in their text bodies proper. We then filtered those speeches for sustainability-related words, using the lemmas (i.e. word roots formed following a dictionary approach) 'clima', 'sustain', 'carbon', 'green', and/or 'fossil'. The speeches were later manually filtered to eliminate false matches. Thus, we were left with 32 speeches held by six members of the ECB Executive Board. We coded these speeches according to two criteria: (a) a composite mention of the CMU and a green component and (b) narratives of presenting the capital markets union as an instrument to fostering the green transition, or of mentioning capital markets union in the context of climate and environmental challenges. Finally, we also filtered the dataset using the combination of words 'green capital markets union' and 'green CMU', obtaining eight speeches after manually filtering those that mention the words only in footnotes.

2. The video recording of the event is available here: https://www.youtube.com/watch?v=7es_Ink4aBM
3. Methodologically, we counted how often sustainability-related words, such as the lemmas 'green', 'sustain', 'environment', 'clima' and 'carbon' appear in the documents, and verified when their use actually related to the issue of environmental sustainability. Considering that the length of the 2020 and 2017 documents is significantly shorter than the previous ones, the result are even more significant.

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List of interviews

Interview 1: 20.9.2023 – Managing director of financial service provider, Germany

Interview 2: 11.10.2023 – Member of civil society organization, Belgium

Interview 3: 11.10.2023 – Public official European Commission (DG FISMA), Belgium

Interview 4: 26.10.2023 – Public official European Commission (DG FISMA), Belgium

Interview 5: 27.10.2023 – Public official European Commission (DG FISMA), Belgium

Interview 6: 16.1.2024 – Member of the HLEG, UK

Interview 7: 19.1.2024 – Member of the HLEG, UK

Interview 8: 22.1.2024 – Public official European Commission (DG CLIMA), Belgium

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