

## Finance for Peace Short version ENG.

### Economy and Peace: a possible alliance

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### Anna Maria Tarantola: “The Economy of Peace: The Role of Banks”

I thank Father Bertuzzi for having invited me to participate in this meeting which addresses a very current and complex topic.

Speaking after Governor Panetta and in the presence of His Eminence Cardinal Zuppi makes me feel a bit embarrassed... Furthermore, the topic that has been entrusted to me is not easy: connecting peace and finance is truly arduous, let me tell you, considering the large amount of financing provided by banks to the world of arms production and trade.

Before delving into the relationship between banks and peace, I would like to start from the definition of the term **peace** to which I will refer.

Pope Francis in his Preface to the book “Justice and Peace Will Kiss Each Other”, published by LEV and l'Arena in 2024, writes that **peace** indicates “not so much the absence of war but rather the **fullness of life and prosperity** ” and that the fundamental condition for this type of peace to be achieved is that of “fighting one’s own selfishness”, activating small gestures, words, habits, “small pieces of peace” that “if they are welded together, build a great peace”.

So to pursue peace we must change the way we act, as individuals, fighting against our selfishness, but we must also pursue a **fullness of prosperity** and this involves economics and finance.

What does the expression “Fullness of Prosperity” mean? I will refer once again to the Holy Father who, in his speech to the Centesimus Annus Pro Pontifice Foundation (FCAPP) in May 2016, expressed the hope that the Foundation's work would be oriented towards “ *contributing to generating **new models of economic progress** more directly oriented towards the common good, inclusion and integral development, increased employment and investment in human resources.* ”

I would like to point out that the Pope speaks of **economic progress** , not of growth, but of a development that has at its center the well-being and happiness of all people, no one excluded, and the protection of Creation by activating an epochal change not only in our lifestyle, but also in the strategies and organization of businesses and banks, institutions, politics, creating a new model of capitalism with a human face.

It seems significant to me that a conference that deals with peace also deals with what finance can do to facilitate peace. Finance is a powerful tool, with its funding it can truly contribute to the creation of an economy and a society at the service of people and the planet.

In concrete terms, through their choices in allocating resources, Banks can contribute to avoiding wars and promoting peace by deciding, as organizations, not to finance the production and trade of weapons and, as organizations operating in the broad economic and geopolitical context, to activate their power in the institutional and social sphere by promoting initiatives at a national and international level in favor of peace.

Unfortunately, financing of the production and trade of weapons is significant. According to the report “Peace Finance, War Finance” these financings would be in the order of a trillion dollars. These numbers could underestimate the phenomenon. In fact, the wars in Ukraine and Palestine have increased the production and trade of weapons and increased the value of the shares of companies producing weapons, making investment in companies operating in the sector even more profitable. Large investment companies continue to purchase and propose to their clients the investment of securities issued by weapons producers.

Perhaps we all remember that in 2019, the media gave particular importance to the “ **Statement on the Purpose of a Corporation** ” of the *Business Roundtable*, the contents of which highlighted an important change of pace. The 181 CEOs of large and influential US companies, including large banks, committed in writing to set as their objective the creation of value for all those who directly or indirectly contribute to the success of the company's business (employees, suppliers, customers, communities, territories) and the protection of the environment. In this way, even if indirectly, they committed to not creating and not financing the production and trade of weapons that kill people and destroy creation.

In reality, the world's large organizations continue to produce, trade and finance weapons and therefore wars. Recently, some of the signatories of the **Statement** (BlackRock, Goldman Sacks, Wells Fargo, Citi, Bofa , Morgan Stanley, JP Morgan Chase) have abandoned Net Zero Asset Managers in relation to changes in politics and fears

of lower profits, thus weakening their commitment to decarbonization. This is not a good sign.

So there is no prospect of change?

In reality, there are some initiatives for change that are worth highlighting.

The **Vatican Investment Committee** two years ago dictated some guidelines that Vatican entities must follow in their investment decisions prohibiting the financing of the production and trade of weapons, similar indications are found in the document **Mensuram bonam** published in 2022 by the Pontifical Academy of Sciences providing faith-based investment advice for Catholic entities and faithful.

**The Global Alliance for Banking on Values (GABV)**, which brings together 70 banks from various parts of the world, on the occasion of the 16th Annual Assembly held in Italy in February 2024, signed **the Milan Declaration** in which the members of the GABV commit to adopting a humanitarian perspective in their activities and to firmly condemn any type of violence, combat or war, under any circumstances and wherever it occurs.

Unfortunately, the percentage of savings managed by the 70 banks adhering to GABV is still a minority in the world (we are talking about just over 200 billion dollars, equal to approximately 0.20% of the total assets under management in the world).

Positive signals also emerge from an experience that we as FCAPP, in collaboration with Prospera-Progetto Speranza, are doing in Milan and which arises from a stimulus from Pope Francis who, during the private audience granted to the ***Centesimus Annus Pro Pontifice Foundation*** on 23 October 2021, invited the Foundation to think about how to create a dialogue between finance, humanism and religion.

In 2022 we managed to launch in Milan, the main Italian financial centre, in collaboration with Prospera-Progetto Speranza, the **Dialogues for a Fully Sustainable Finance** which were joined by around thirty representatives of the Italian economic-financial world, including the Presidents of the five largest Italian banks and of the two most important foreign banks operating in Italy.

The meetings are held at the Archbishopric of Milan, also supported by the active support of the Archbishop, His Excellency Monsignor Mario Delpini .

**The primary objective** of the Dialogues is to reason **about the ultimate purpose of finance which, let us remember, is a tool not the end, about the underlying values and the possibility of pursuing together on the one hand effectiveness and efficiency and on the other integral sustainability, inclusion, ethics; to evaluate how to ensure**

**that financial returns and positive social and environmental externalities can become complementary; how to act so that finance is a positive sum tool.**

Some positive seeds emerged from the meetings:

- the **willingness** of company leaders to **discuss** these issues, sometimes with a little modesty, and **to analyse the ways in which it is possible to adopt the configuration of "good finance"** indicated by the Social Doctrine of the Church and in particular by the Holy Father ;
- the orientation towards **a new long-term corporate vision and the achievement of the common good** as relevant elements of corporate strategies ;
- Awareness of the **need for** change, as well as strategies, organizational, operational and evaluation models, and to address complex sustainability issues in an integrated manner with the digital transition;
- The already completed **implementation** of concrete sustainability actions, especially environmental and women's inclusion, and the planning of others in the social field;
- The ambition of many of the participants is to be **a point of reference for the economic, social and cultural development of the country.**

The consideration that the transition must concern the entire economic, social and political system with a socially tolerable process (just transition) in each of its steps has been widespread.

The results of the first round of meetings were brought to the attention of the Holy Father who received the participants in the Dialogues in a private audience on 3 June 2024.

**The path towards sustainability that emerged from the Dialogues** – although largely imposed by the **regulation** that introduced the obligation for banks to adopt Environment, Social, Governance (ESG) criteria in their management – **gives hope** that even the phenomenon of financial support for weapons producers and sellers may be subject to rethinking because these loans are not sustainable from an environmental, social and governance perspective. **The financing of weapons cannot be included in any way, and indeed is in conflict with any definition of sustainable finance .**

To make the change **solid and lasting** it would be important to be able to evaluate the achievement of integral and sustainable development by measuring the progress made: to be able to do this, **new indicators** are needed at corporate, national and international level. Profit and GDP, for example, do not capture the costs of replacing

natural resources, pollution and the destruction of biodiversity, the social impact of many corporate and political choices. Robert Kennedy, already more than fifty years ago denounced the inadequacy of GDP.

There are already indicators aimed at capturing the multidimensionality of the economy: I only remember **the Development Index Human Intensity Index (HDI)** introduced by the United Nations in 1990 which has become a fundamental tool for measuring the progress of nations and guiding their development policies and the **Better life index ( Bli )** instrument created by the OECD, inspired by the Stiglitz-Sen-Fitoussi commission, established in 2008 by the French government to measure economic performance and social progress.

Since 2015, the **17 United Nations Sustainable Development Goals** , which include **169 measurable targets** , have been a key reference point for guiding policies and evaluations in many countries.

However, none of these indicators have the relevance of GDP as an indicator of growth and comparison between countries. It would be necessary to calculate a GDP that includes environmental and social impact.

In terms of evaluating company performance, profit continues to be the reference indicator: there is still no single global metric but different criteria created by various rating agencies that do not allow for a fair comparison between different banks and companies. Indeed, some studies have shown that using the criteria of different auditing firms produces diametrically different results with devastating effects on investment choices.

## **Conclusions**

In conclusion, something is moving even if much remains to be done because the tension towards profit and short-term gains is strong and widespread.

However, we must not underestimate the changes underway that must be known and disclosed. Above all, they must be monitored and evaluated for their actual scope.

There is a timid orientation towards a human and inclusive capitalism but the difficulties of its realization are many. Italy, which has been the cradle of the civil and sustainable economy and of corporate social responsibility, could play an important role as a pioneer in the path towards a better world, without wars.

We should proudly recover the ancient teachings, implement them and spread them. I am pleased to remember, with a hint of pride:

- the Renaissance merchant and humanist **Benedetto Cotrugli** who in 1458 wrote “The Book of the Art of Mercaturing”, published a century later, in which he highlights the moral, cultural, professional, ethical, political virtues and the correct lifestyle that must characterize the “perfect merchant” so that he can achieve good results in his business and at the same time take care of all the subjects directly or indirectly involved in it. Cotrugli actually anticipated by over five hundred years many of the principles of the so-called entrepreneurial humanism and corporate social responsibility;
- the economist **Antonio Genovesi** , Neapolitan, who, in the second half of the eighteenth century, theorized the civil economy. As Prof. Zamagni has said several times, in Italy few people know him but Adam Smith and John Maynard Keynes knew him well.
- The enlightened entrepreneur **Adriano Olivetti** , but also many other lesser-known entrepreneurs who have shown interest in the social impact of their work, have been sensitive to the needs of the communities and territories in which they operate, combining social responsibility and profit.
- **Carlo Maria Cipolla** , a great Italian economist who emigrated to the USA and died prematurely, who knew well the importance of caring for the community and the environment and remembered that Italians since the Middle Ages have been accustomed to doing beautiful things in the shadow of bell towers.

We can treasure these teachings, have the courage, forgetting the Anglo-Saxon *mainstream* of profit at all costs, to return to incorporating the values of justice, respect, inclusion, and integral sustainability into companies and the development model.

A few years ago I attended a conference where a speaker recalled a dialogue that took place in the 1990s between Cesare Romiti and Cardinal Carlo Maria Martini: the former argued, in the style of Friedman, that the sole purpose of business is to make a profit for shareholders, the latter that business must be the leaven of general development and the well-being of all.

A finance capable of being the leaven of general development and the well-being of all is a finance for peace.

This is my hope, I know it is a difficult goal but it is possible.

Anna Maria Tarantola

