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Advances in Socially Responsible Investments in Resilience Finance

Julia M. Puaschunder[1, 2]

[1]*The New School, Department of Economics, School of Public Engagement, New York, NY 10003, USA, Julia.Puaschunder@newschool.edu, www.juliampuaschunder.com*
[2]*Columbia University, Graduate School of Arts and Sciences, Julia.Puaschunder@columbia.edu, http://blogs.cuit.columbia.edu/jmp2265*

ABSTRACT: Resilience finance is understood as an advancement of Socially Responsible Investments. In the wake of the COVID-19 economic fallout, unprecedented amounts of governmental rescue and recovery aid were allocated towards social and environmental causes. This paper argues that advances in Socially Responsible Investments are resilience finance pegged to noble causes but also ethics and ideologies. The COVID-19 bailout and recovery packages can potentially provide, if well-designed and properly-used, a unique opportunity to develop fairer and sustainable societies. Finance can imbue responsibility in the post-COVID-19 era in the establishment and fortification of the current Sustainable Development Goals but potentially also in negative screenings and sanction mechanisms in international law infringements. The article argues for a comparative Behavioral Law & Economics approach to understand the most contemporary international finance politics and responsible investment trends around the world.

KEYWORDS: Climate Change, Climate Stabilization, Comparative Law & Economics, Coronavirus crisis, COVID-19, Digitalization, Economics, Economics of the Environment, Environmental Justice, Environmental Governance, Equality, Law & Economics, Healthcare, Monetary policy, Rescue and recovery aid, Redistribution, Social Justice, Socially Responsible Investment, Sustainability, Sustainable Development Goals

Introduction

In the aftermath of the COVID-19 pandemic and in light of our contemporary inequality levels but also in the eye of climate change, the call for Corporate Social Responsibility (CSR) and Socially Responsible Investment (SRI) with a social justice edge have reached unprecedented momentum (Puaschunder forthcoming b; Zheng 2020). More than ever do consumers and investors increasingly pay attention to social justice, access to quality healthcare and climate justice around the world (Puaschunder, forthcoming b; Zheng 2020). Current stakeholder pressure addresses social responsibility of market actors and information disclosure of corporate and financial conduct (Zheng 2020). Legislative reforms enhance the accountability of financial market operations (European Commission Sustainable Finance Taxonomy 2022).

The COVID-19 crisis accentuated some of the existing inequalities but also accelerated novel ones, such as the finance versus the real economy performance gap in the aftermath of the COVID fallout all over the world (Puaschunder 2021a). The international governmental responses around the globe were unprecedentedly large (Puaschunder 2022). In all major economies of the world, COVID-19 alleviation rescue and recovery packages were aimed at providing financial means to overcome societal, environmental and inequality challenges (Puaschunder 2022). As never before in the history of humankind, were so many different measures taken concurrently around the world that pegged resilience finance to alleviate inequality in the domains of climate change, healthcare, digitalization and social justice (Puaschunder 2022, forthcoming b).

The modern dynamics of financial resilience markets feature a shift to attention to social, environmental and justice causes. Resilience finance is also – more than ever before – housed in online spheres. The current financialization is also used in international politics and international relations playing out in financial sanction mechanisms. To draw attention to the power of finance in the wake of modern history, positive and negative investment screening techniques have become most important political tools in the emergence of sustainable development but also in the viability of economic stability and maintenance of international markets. To an unprecedented extent in the history of Socially Responsible Investments are funds used today for the integration of environmental, social and governance criteria in investment decisions. Financial considerations as an ethical act have also become a powerful political tool. Sustainable finance has leveraged into the ultimate process of taking due account of political international relations but also environmental and social considerations in investment decision-making (European Commission 2018). Socially Responsible Investment are therefore main resilience finance mechanism tools that consider financial returns pegged to social/environmental good. Resilience finance is thus the major vehicle to bring about social change in longer-term and sustainable activities.

This article will present a theoretical comparative corporate governance analysis of the state-of-the art of finance as an international relation means but also cover responsible investment and sustainable finance with a focus on the most pressing developments of our lifetime. With the COVID-19 pandemic having changed markets and society lastingly and having heralded a call for Corporate Social Justice but also in light of digitalization encroaching workspaces and climate change arising on the horizon, the reinterpretation of the public-private sector roles in providing financial responsibility has leveraged into the most pressing topic of our times (Zhang 2020). The renaissance of attention to responsibility as a prerequisite for the functioning of economic systems portrays sustainable finance as windows of opportunity to sanction international misconduct and grant access to preventive quality care, climate stabilization as well as access to capital to alleviate rising inequality in the age of digitalization.

First, this article introduces responsible investments as investment funds (bonds or equities) that integrate social, environmental and governance criteria additionally to financial considerations (European Commission 2018). As of today, responsible investments have emerged into an *en vogue* topic for corporate executives, governmental officials, international public servants and stakeholder representatives. This article captures the positive and negative screenings of finance markets by the examples of finance politics in international relations but also rescue and recovery aid being pegged to Sustainable Development Goals.

Then this piece addresses the most recent developments of responsible investing in recent law and economics trends of our post-COVID-19 era. This article aims at providing the theoretical foundations for possibilities to make finance to a contemporary tool of politics but also as a vehicle to make the world a more responsible, sustainable and equitable home. Sustainable finance thereby clearly follows ethical imperatives and equity mandates in the wish of a democratization of finance and redistributing of global gains within society, between nations and over time (Puaschunder 2020b). Critical readers may ask how to monitor and evaluate the inclusion and social impetus of a transition of the economy. Therefore, the article will provide engaging examples of the most pressing law and economics problems of our times in light of the need for attention to politics of finance and resilience powers. Concrete examples will cover the contemporary international law tensions, climate justice and environmental equity, access to affordable quality healthcare and medical prevention around the world as well as a harmonious transition to a digitalized economy. Examples provided include the role of finance that most recently has become a highly political means in the wake of divestiture used in international relation tensions. In light of climate change, the industrialized Western world is addressing a most urgent demand for a transition to a green economy. The article will also touch on our workplace revolution in digitalized productivity but also demands for a focus on health and well-being of the human workforce. All around the world we face social equality and justice pledges in education, corporate endeavors and society at large, which have also inspired the finance world to embrace ethics of inclusion and the economics of diversity.

Socially Responsible Investments in the 21st century

Socially Responsible Investments are investment funds (bonds or equities) that integrate social, environmental and governance criteria additionally to financial criteria (European Commission 2018; Puaschunder 2013). Sustainable finance or green finance provide a broad set of financial regulations, standards, norms and products that pursue an environmental objective, and in particular to facilitate the energy transition (European Commission 2018).

Socially Responsible Investments provide the theoretical foundations for possibilities to make finance safer, more responsible, sustainable and equitable. Historical examples exist how socially responsible finance alleviated socio-economic but also humanitarian challenges prior to COVID-19 and the digital age (Puaschunder 2019a). As never before in the history of modern humankind, is finance today intertwined with politics, international relations and Sustainable Development Goals in our contemporary post-COVID-19 era.

Newest insights on how to steer finance as a crisis recovery means in resilience finance are mainly pursued in the United States Green New Deal and the European Green Deal (Puaschunder 2019b, 2021c). The United States Green New Deal started with advocacy for a co-use of carbon tax and green bonds in order to stimulate economic growth (Puaschunder 2021c). The Green New Deal thereby combines Roosevelt's economic approach with modern ideas such as renewable energy and resource efficiency.

In Europe the heart of the European Green Deal is the European Sustainable Finance Taxonomy to classify market action's carbon footprint and sustainability. The Next Generation EU targets at finding the funds for climate mitigation, adaptation and stabilization in green bonds. Drawing from a political economic and historical foundations stance, studying Socially Responsible Investment as a vehicle to drive social change provides a positive perspective of COVID-19 reforms and tries to evaluate what developments may be turned into future sustainable development assets.

Socially Responsible Investments in the international arena

Socially Responsible Investment is explicitly addressed in Western world countries, but also different regions of the world use the forces of finance to allocate funds towards the common good. A comparative Law & Economics approach helps understand the most contemporary international finance developments to rebuild the crisis-struck economies around the world. Legal and regulatory frameworks for practice and international customs of Socially Responsible Investments should feature the gap between law-in-books and actual market performance practice throughout the world. This comparative overview of the relation between law-in-books and economics-in-practice in regard to Socially Responsible Investments around the world is novel and draws from the current opening of the field of Behavioral Law & Economics. Countries appear to differ between having more of an accord in law-in-books and economics-in-practice or failure to perform due to a gap between planned legal framework conditions and practiced customs falling prey to corruption and sub-optimal collective action choices. Future Law & Economics studies should set out to study the success factors but also failure trajectories of territories because of divergence of what is written in legal regulatory books and practiced in economic terms.

A theoretical comparative corporate governance analysis of the state-of-the art of political markets and sustainable finance should draw attention to the most pressing developments of our lifetime that are meant to be alleviated by the forces of modern markets and sustainable finance. In vivid contemporary case studies, finance should be studied in its novel political and international relations role and means to make the world safer, fairer, more sustainable place, in which the economic benefits of our times are distributed more equitable. A discussion could acknowledge the most recent developments of these novel phenomena around the world with international variations and diverse implementation strategies. Besides historical examples of finance as a politics and international relations vehicle, the idea of responsible investment and sustainable finance should be introduced in a snapshot of its multiple implementation facets with international outlook of today's time.

From the international perspective, Socially Responsible Investments are currently practiced in divestiture from Russia in the wake of the Ukraine crisis. Positive attempts to steer market forces towards social common causes are foremost proposed in the United States Green New Deal pegged to COVID-19 rescue and recovery funding. The European Green Deal and the European Sustainable Finance Taxonomy are European attempts to peg COVID-19 rescue and recovery packages to social, environmental and equality causes in line with the Sustainable Development Goals. The Next Generation EU targets at bundling the European finance world to responsibility attention. Central Asian belt-and-road initiatives and recovery funds but also the UN Copenhagen Accord Asian Greening of the Economy funds after COVID-19 are similar attempts in the Asian world. The Gulf region's economic transition from oil exports to service sector industries and female participation in the workforce will likely be adjusted to the current oil and natural gas trade redistribution pattern changes in the wake of the Russia crisis. The Oceania's first recession in 30 years in the wake of the COVID-19 external shock and its implications for connected territories, such as small nation island states in light of climate change and the need for climate refugee legal status will likely be dominant topics in socially responsible finance strategies in this part of the world. Africa's natural resource wealth imply a renewed call for democratization of access to revenues for all and steering finance towards the common good. Lastly, innovative socially responsible finance in the space travel investments domain will likely include cryptocurrency's role in the invasion of Mars, which calls for being in line with the limits to growth (Pierson 2021).

Most recent developments

The extraordinary performance of the finance markets in relation to the real economy in the 2020 COVID fallout has arisen a new age of inequality, which the rescue and recovery aid around the world tries to alleviate (Puaschunder 2022, forthcoming b). In today's world the large amount of quantitative easing implies inflation in the Western world economics with record high levels in the United States and Europe. The declining value of purchasing power has led to an ascent of digitalized currencies and unprecedented financial sophistication of cryptocurrencies in the global financial flow. The contemporary use of finance as a political means in economic sanctions imposed will leave the world in a different place than it has existed since the end of World War II. Resilience financed will be redefined in its new role as an ethical international relations determinant.

The currently ongoing introduction of Artificial Intelligence (AI), robotics and big data into our contemporary society causes an unprecedented market transformation. Leadership of our contemporary introduction of AI, Robotics and Big Data will demand for understanding the changes implied by COVID-19 with special attention to the healthcare sector (Puaschunder & Beerbaum 2020). The COVID-19 pandemic is expected to create post-COVID infection long haul symptoms for a considerable amount of people, which will require massive rescaling of our health, pension and social services schemes (Puaschunder & Gelter 2022). Waves of variant-related COVID-19 outbreaks but also the chronic debilitation that may follow a previous COVID infection will drastically change the labor force and our approach to work, rest and recovery, which will likely also have a softening role for finance (Puaschunder & Gelter 2022). In the modern workplace novel corporate governance predicaments may arise between liability risks versus spending on general health and well-being of the workforce. The digitalization disruption in the wake of the pandemic will not only change our education and workforce lastingly, it will also provide the call for finance markets to help foster pandemic prevention, telemedical healthcare and as COVID-19 long haul alleviation strategies (Corlatean 2020). Digital diplomacy advancements of our lifetimes may include the voiced digital opinio iuris and how that influences finance ethics considerations.

Responsible investment of the future will likely more and more include social justice pledges. Macroeconomic analyses could outline the excellence in social justice (Puaschunder 2021b, forthcoming b). Short- and long-term losses in discrimination against social justice could be understood in economic trickling down and too-big-to-fail arguments. John Maynard Keynes' (1936) multiplier theory could be innovatively applied in endogenous growth theory. Finance considerations would thereby be seen dependent on the need of social peace and societal harmony alongside including health and societal risks. The Schumpeterian argument of the innovative pioneers' role in social transformation as a spring feather of economic growth and improved welfare could be outlined to capture our Zeitgeist of social justice (Schumpeter 1949, 1989). Overall, responsible finance is predicted to gain even higher importance in the wake of attention to human diversity. The post-COVID era may elevate attention to luxury in social justice that inspires and ennobles humankind with dignity (Puaschunder forthcoming b). In our future world to come, economic prosperity may be grounded in respect for a more just society and societal advancement in diversity and inclusion.

Future research avenues

In answering the question if international finance is equitable, one has to acknowledge that the described rescue and recovery aid developments are fairly novel phenomena around the world with international variations and diverse implementation strategies. Future research endeavors may learn how to monitor and evaluate the element of inclusion in finance and social impetus of a transition of the economy. Most novel International Law endeavors to close gaps between law-in-books and economics-in-practice should also become scrutinized when deciding how to monitor and evaluate the success of these novel endeavors. Established insights of behavioral economics that highlighted attention to the gap between plans and execution could aid homogenizing law-and-financial-in-books and finance-economics-in-practice (Puaschunder 2020a, forthcoming a).

Future investigations may also provide concrete examples what responsible investment can mean in sanction mechanisms. The role of finance international finance politics and international relations around the world has leveraged to unprecedented momentum in East and West tensions – for instance, in the current concerted action against Russia. Sustainable finance definitions may start integrating the term resilience rescue aid, foremost embodied in the Green New Deal in the US and the European Green Deal in Europe but also in rescue and recovery packages in Asia being pegged to social credit scores. Future advancements of economic growth in sustainable finance may also be captured in the current Gulf region's attempts to find a new revenue besides natural resources in tourism, education and human capital development via emancipation. Sustainable finance should also be captured in Oceania's finance dependence structures' impact on regional communities and small nation island states. Africa's wealth in natural resources could become pegged to ethical mandates of a democratization of access to revenues in resilience finance and international aid conditionalities. Sustainable investment may also be reflected upon in the hope of ethical mandates in the economic invasion of extraterrestrial land and humankind may learn from the mistakes of colonialization for the current invasion of outer space. Cryptocurrencies thereby play a major role and ethical finance imperatives may lift this market option to a more just and sustainable level.

Future contested terrains include the most pressing law and economics predicaments of our times in light of the need for attention to finance in international law, climate stabilization and environmental equity. Concrete examples of comparative Law & Economics focusing on rescue and recovery aid's potential to contribute to the common good could be used to derive historically-unique conservations of our contemporary Zeitgeist. These case studies could aid leaders around the globe how to allocate funds to alleviate and soothe inequality but also to sanction and correct international law infringements. Future Law & Economics advancements may also cover the role of finance and investments in moving customary law borders in light of rising sea levels, access to affordable quality healthcare and medical prevention around the world as well as a harmonious transition to a digitalized economy. Ethical imperatives and equity mandates may be integrated in a democratization of finance and redistributing of global gains within society, between nations and over time. All these endeavors target at solving the most pressing issues and ethical predicaments of our lifetime and imagine the power of finance to enact a better world through the forces of responsible investing and sustainable finance.

Conclusion

This article addressed the politics and international relations of contemporary finance. Responsible investment and sustainable finance matters were put into perspective of the Sustainable Development Goals. Socially responsible investments and sustainable finance in their multiple implementation facets and international angles were introduced as diverse topics that require accounting for multi-stakeholder perspectives. International case studies of the most pressing behavioral law and economics challenges of our times include the domains of international sanctions finance, negative screening divestiture, climate change, healthcare, digitalization disruption and social justice demands.

Overall, investigating the nature of international relations in finance but also sustainable development imbalances from an economics point-of-view and a legal perspective alongside a comparative Behavioral Law & Economics global governance vision helps ensure economic justice solutions for advancing global stability. The structure of increasingly-fragile environmental conditions should be captured in the future in order to derive real-world relevant implications how to improve the overall global environmental conditions for humankind on a global scale but also over time. From an understanding of the economic climate change gains and losses, climate gain redistribution strategies will follow (Puaschunder 2020b). Shedding light on fair global warming gains distribution is meant to aid market economies to be brought to a path consistent with prosperity and sustainability in line with the Sustainable Development Goals. Climate change winning countries are advised to use taxation of the gains in sectors to raise revenues to offset the losses incurred by climate change (Puaschunder 2020b). Climate change losers should issue bonds to be paid back by taxing future generations (Puaschunder 2020b). Climate justice within a country should also pay tribute to the fact that low- and high-income households share the same burden proportional to their dispensable income, for instance enabled through a progressive carbon taxation (Puaschunder 2020b). Those who caused climate change could be regulated to bear a higher cost through carbon tax in combination with retroactive billing through a corporate inheritance tax to reap benefits from past wealth accumulation that contributed to global warming (Puaschunder 2020b).

Leadership of AI, robotics and algorithm is currently becoming essential to support the newly emerging Generation COVID-19 Long Haulers (Puaschunder & Gelter 2022). Financialization of digitalization may create enormous potential for aiding impaired patients who suffer from waves of fatigue, headaches, emotional distress and/or memory changes (Puaschunder & Beerbaum 2020; Puaschunder & Gelter 2022). Future research demands for preventive medical care guided by real-time measurement of health status but also the socio-economics of rest and recovery need to be explored (Puaschunder & Gelter 2022). Sustainable resilience finance could provide solutions how to fill human gaps in rest and recovery periods.

The luxury in diversity could newly be argued to be based on the financial market literature on diversification (Puaschunder forthcoming b). John Maynard Keynes' multiplier effect and the too-big-to-fail argument can help advance the economics of diversity argument (Puaschunder forthcoming b). Macro-economic cross-sectional and time series analyses in the laboratory of modern world history outline socio-economic costs of slowing social justice movements (Puaschunder 2021b). Societal advancements are captured in the luxury moments of our times to connect historically-marginalized groups with established societal leadership.

Concluding, clear responsible investment and sustainable finance guidelines offer a pathway to steer resilience finance in international relations and politics towards the alleviation of the most pressing issues of our times in climate change, digitalization compatibility and social equity. Future outlooks should also cover the role of access to the internet for finance and the market capitalization of cryptocurrencies. The financialization of space travels and the exploration of space via cryptocurrencies (e.g., Marscoin) will prospectively become future contested terrains that may be renaissanced with ethics.

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