Recommended
by LECH WAŁĘSA

PROFITS AND PRINCIPLES

How Global Finance Can Prevent War

Centrum Myśli Strategicznych

Profits and Principles
How Global Finance Can Prevent War?

SOPOT 2026

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Marta Penczar is the Vice President of the Board at the Centrum Myśli Strategicznych and Director of EKF Research, the analytical unit of the European Financial Congress. Her expertise lies in financial system stability in Poland and the European Union, with a particular focus on bank funding structures, responsible creditworthiness assessment,and the development prospects of financial markets. She coordinates the EKF Macroeconomic Consensus—an expert initiative gathering forecasts and opinions from leaders in the financial sector.She holds a PhD in Economics and is the author of a doctoral dissertation on the impact of consumer protection on the integration of the EU consumer credit market. Dr. Penczar graduated from the Faculty of Management at the University of Gdańsk and completed Postgraduate Studies in Investment Banking. She is affiliated with the University of Gdańsk as an assistant professor at the Department of Banking and Financial Markets, Faculty of Management.

Marta Penczar

Preface

In line with the ideas and debates initiated by the first edition of *Profits and Principles: When Global Finance Meets Democratic Values*, we are pleased to present this subsequent volume: *Profits and Principles: How Global Finance Can Prevent War?* This publication is grounded in the strong conviction that the contemporary world stands at a critical crossroads. Although globalization has created unique interdependencies in the economy, technology, and finance, it has not succeeded in eliminating the sources of conflict, social inequalities, and political instability. In the face of renewed wars, rising geopolitical tensions, and increasingly intense populism within democratic societies, the question posed in the title of this book—*How Global Finance Can Prevent War?*—is becoming not only a subject of academic inquiry, but a key issue for the future of the international order.

For decades, the prevailing belief has been that the expansion of trade, market integration, and capital flows naturally leads to peace and development. However, history demonstrates that economic growth alone does not guarantee either stability or justice. Capital, while capable of supporting democracy and cooperation, also has the potential to deepen inequalities, destabilize states, and weaken social trust. Global finance is not morally neutral; the way it is organized, regulated, and deployed has a direct impact on the quality of democracy, social security, and the durability of peace.

Accordingly, we have invited contributors from diverse fields, including politics, economics, finance, and diplomacy, to co-author this publication. They are united by the belief that the future economic order must be built not only on economic efficiency, but also on social responsibility, human rights, and solidarity among nations. The contemporary world requires

a new language of cooperation that can harmonize the relationship between markets and democracy, capital and society, and globalization and the dignity of human labor.

A particularly important role in this volume is played by the voice of Lech Wałęsa—a person whose life and political experience have become a symbol of peaceful transformation in the twentieth century. His reflections remind us that lasting peace does not arise solely from political agreements or economic calculations. Peace requires justice, dialogue, and moral foundations in public life. "Solidarity" was not merely a social movement, but also an attempt to reconcile economic freedom with human dignity and collective responsibility. This experience remains profoundly relevant today, in an era of global capital flows, digital monopolies, and widening social inequalities.

This book does not propose a single ideological answer, but rather invites reflection on how to build a world in which finance serves people, rather than the other way around. A world in which investment supports social stability, democratic development, and international security. A world in which economic interdependence becomes an instrument of peace rather than a source of new tensions.

We believe that the twenty-first century requires a new social contract—both within states and in relations between them. Lasting security cannot be built on exclusion and inequality. A guarantee of global peace is impossible without rebuilding trust in democratic and economic institutions. Therefore, a new balance is needed between economic efficiency and fairness.

We hope that the ideas, experiences, and proposals contained in this publication will make a meaningful contribution to the debate on how to preserve peace, democratic stability, and human dignity in an increasingly divided and uncertain world. History teaches us that peace is not a permanent condition—it must be continuously built by people, institutions, and values capable of combining freedom with solidarity.

On behalf of the editorial team, I would like to thank all the authors for their contribution to this book, and the readers for engaging in a shared reflection on one of the most pressing challenges of our time.

Lech Wałęsa is a Polish statesman, dissident, and Nobel Peace Prize laureate who served as the president of Poland between 1990 and 1995. After winning the 1990 election, Wałęsa became the first democratically elected president of Poland since 1926 and the first-ever Polish president elected by popular vote. An electrician by trade, Wałęsa became the leader of the Solidarity movement and led a successful pro-democratic effort, which in 1989 ended Communist rule in Poland and ushered in the end of the Cold War.

Lech Wałęsa

Solidarity, the Free Market, and Peace

The order built after the Second World War has exhausted its possibilities. But that does not mean it had to be destroyed in order to build a new world. On the contrary—it was possible to move from the old to the new wisely, peacefully, through dialogue and agreement. Today, this is exactly the task before us. We must discuss what the new world order should look like, because one era has ended while the next has not yet been born.

I see three great problems facing our generation.

The first problem is the question of the foundation of the new world. In some areas we must move toward continental governance, and in others toward global governance. Yet Europe and the world remain divided. When I ask people what foundation can unite Europeans with different traditions, different interests, and different levels of development, I hear two answers.

Some say: let us build on freedom, the free market, and the rule of law. Others reply: no, first we must agree on values, including religious values, and only then can we build economic systems and institutions. And the world has become stuck between these two positions. Both sides have entrenched themselves.

But without a common foundation, we will not build peace.

My life experience tells me one thing: peace is not born from violence or fear. It is born from human dignity, dialogue, and justice. "Solidarity" was not merely a trade union. It was a great moral movement. People liberated from fear and passivity wanted to live in truth, dignity, and freedom. And that is why we won.

The second problem is the question of what economic system we should propose for this new world.

I lived through communism, and I understand why many young people today are seduced by its slogans. When I meet students in the West, they tell me: "Communism promises justice, equality, and honesty." I answer them: "It sounds beautiful on paper, but it cannot be implemented. I tried it myself."

Communism failed because it was contrary to human nature. Human beings desire freedom, responsibility, and the opportunity to develop. That is why capitalism remains our only path. But capitalism also requires correction.

I propose that we preserve the free market while improving everything around it. We cannot build a world in which working people feel rejected and unnecessary. We cannot build peace on unemployment, humiliation, and injustice. The working person is not a tool of production. He is the subject. Capital must serve human beings—not human beings serving capital.

That is the great lesson of "Solidarity."

In 1980, Polish workers were not fighting only for money. They were fighting for dignity. For the right to speak the truth. For the right to participate in decisions. For the right to be treated as human beings.

And it was then that something extraordinary happened. Both sides recognized that agreement had to be reached so that blood would no longer be spilled. The Gdańsk Agreements showed the world that even the most difficult conflicts can be resolved peacefully.

That is why I believe global finance can serve peace—but only if it is subordinated to humanity and morality. Capital without conscience becomes dangerous. If great wealth leads to the exclusion of millions of people, to deepening inequality, and to the destruction of the sense of justice, then social anger is born. And social anger becomes fuel for populism, nationalism, and war.

And here emerges the third great problem of the modern world: how do we deal with demagoguery, populism, and the deception of politicians?

Until the end of the twentieth century, societies possessed certain moral restraints. People believed in something greater than themselves. Today, those restraints are increasingly disappearing. Human beings fear nothing anymore—neither God, nor history, nor responsibility. And a world without values easily descends into chaos.

That is why wealth alone is not enough. Investment alone is not enough. Financial institutions alone are not enough. A moral order is also necessary.

I once said that "only peace built upon justice and moral order can endure." Today, I am even more convinced of this.

The history of my nation taught me that violence creates more violence. Poland experienced wars, partitions, and totalitarianism many times over. And yet it was from Poland that the experience of the peaceful revolution of "Solidarity" emerged. It was not a path of revenge. It was a path of dialogue.

I will never believe that force is better than conversation.

That is why the modern world must also continue to speak with one another. We must not slam doors shut. We must not build new walls. We must not create situations in which nations see one another only as competitors or enemies.

Globalization has created a world of mutual interdependence. And that is a good thing. Because when people cooperate economically, when they invest together, trade together, and build prosperity together, it becomes harder to reach for weapons. But this cooperation must be just. It must give people a sense of participation and hope.

Peace cannot be built on exhaustion, bitterness, and helplessness.

That is why I believe the future of the world depends on whether we can combine three things: freedom, solidarity, and responsibility. A free market

without solidarity will lead to rebellion. Solidarity without freedom will end in dictatorship. And both without moral responsibility will lead to chaos.

Yet I still believe that human beings are capable of wisdom.

I believe a world is possible in which capital serves peace rather than war. A world in which the economy helps people live with dignity. A world in which dialogue triumphs over violence.

Wiktor Babiński is a PhD Candidate in modern Eastern European history at Yale University. He is working on a dissertation about Polish grand strategy in Eastern Europe in the 20th century. From 2024 to 2025 he served as advisor at the Chancellery of the Prime Minister of Poland, where he wrote Poland's official report on aid to Ukraine titled *Polish Aid to Ukraine 2022–2023*.

Wiktor Babiński

Capital and Empire: On the Tension between Profit and Peace

The question of whether profit and peace are in tension assumes they are separate forces which reinforce or undermine each other. The historical record suggests something worse. The most powerful and pernicious type of large-scale arrangement of human affairs that history has known, the Empire,[1] creates conditions in which the costs of conflict rise beyond imagination, while at the same time peace becomes more fragile.

An empire needs to expand, subdue and integrate. Profit demands seeking advantage wherever it may be found. When combined, the logics of empire and profit lead us down a spiral which results in the destruction of both.

An empire folds the periphery into the center on its own terms. The periphery develops, sometimes spectacularly, but it develops for the center. This reinforces the center's control and creates the conditions binding the periphery closer to the center's political core. The economic arrangement cannot be separated from the political one, and the political price may entail accepting unfreedom. An empire excelling in tethering the forces of economic profit-making to its machine of political control is, and was, Russia.

1 I am using "empire" here as a general analytical category—a type of large-scale arrangement, not the specific empire. That's a common noun and takes lowercase, just like "the nation-state" would. You'd write "the city-state creates conditions...," "the nation-state creates conditions..."—so "the empire creates conditions..." follows the same rule.
The Chicago Manual is explicit on this: generic uses of empire, kingdom, republic, etc. are lowercase; only the full proper name capitalizes. The same goes for the State vs. the state—a recurring temptation in political theory writing that Chicago consistently knocks down to lowercase unless naming a specific entity.

After the defeat of 1863, in which the nations of the former Polish-Lithuanian Commonwealth stood together for the last time against the empire which enslaved them seven decades earlier, Petersburg abolished the last vestiges of Polish self-governance that had existed in the truncated Congress Kingdom of Poland since 1815. What followed, among countless abuses and general repression, was a tightening economic stranglehold that employed not just brute force, but deception. Russian tariff policy incorporated Congress Poland into the imperial customs zone, giving Polish manufacturers access to a vast internal market while closing off the West. Łódź became the "Manchester of the East," its population exploding from some 30,000 in 1860 to over 300,000 by the 1897 census. By every economic metric a contemporary investor would recognize, the business worked brilliantly. It also worked politically.

The economic coupling erected powerful barriers to imagining a future without Russia, or rather its vast eastern markets, which provided profits for entrepreneurs and jobs for thousands of former peasants moving into the cities like Łódź, Warsaw or Żyrardów. The apogee of its success came in the 1870s and 1880s, when it became utterly beyond mainstream Polish thought to imagine a completely independent future. Meanwhile, conformity meant accepting the suffering, indignity and absurdity of life under the boot of the Russian Empire, from lack of civil rights to cultural repression and moral decay of a society not fully in control of its destiny.

However, this imperial integration also created the social forces that would shatter it. Industrialization concentrated workers in factory towns, generated a demand for new cultural and political ideas, and inadvertently sheltered the political movements that would challenge the empire. The result was a closed circle. The imperial center could not reform the system, because it would eat into the profits on which political control over Poland rested and unleash the genie of civil rights into the repressed populace. Neither could it maintain the status quo, because the development it sponsored produced new actors who demanded change. The only outcomes were continued repression at mounting cost, a leap

of faith into liberalization, or violent rupture. When imperial control shattered shortly after 1914, the returns of half a century of commercial symbiosis were annihilated in four years of total war and three years of revolution and interethnic struggle.

This is not just a historical case study. It is also a mirror of Europe's relationship with Russia before February 2022. German industry built its energy infrastructure around Russian gas: pipelines, long-term contracts, joint ventures. By 2021, Russian gas accounted for over half of Germany's imports. That arrangement was, in precisely the same sense, unreformable. Partial disengagement after the annexation of Crimea in 2014 would have meant writing down investments, breaking contracts, absorbing higher costs, and the corporate lobby that would have borne those costs blocked it. Nord Stream 2 proceeded ahead despite the increasingly obvious vulnerabilities it exposed for the whole of Europe. Warnings from pundits and politicians alike were overridden because the logic of profit was compelling and the political costs were not obvious on the balance sheet.

There was no evolutionary path from dependence to diversification for Germany, for the same reason there was no evolutionary path from imperial integration to Polish independence. The profits required the political arrangement of empire, and the political imperatives of the Russian empire dictated making those profits possible, and then locked in.

The only options that emerge from this pernicious interaction between the logics of profit and empire are continued dependence or sudden rupture. Europe got the rupture, and the bill dwarfed the commercial returns of the preceding decades many times over. This is not an argument against international investment. It is an argument against a particular structure of investment: one in which the economic relationship reinforces a secondary political agenda that we as a society find unacceptable. Of course, corporations driven by the brutal logic of profit cannot be expected to bend to such far-sighted and immaterial considerations completely on their own. On the intersection of political and economic grand strategy, governments need to take a lead.

Capital fosters peace when it flows between actors with genuine institutional reciprocity: shared legal frameworks, mutual market access, and political relationships that permit renegotiation short of war. Such a relationship did not exist between Russia and Europe, not in the late 19th century, not today. It was instead guided by the logic of imperial control and profit-seeking, blind to geopolitical risks.

The European Union will have a second chance to build political stability and economic growth in Eastern Europe based on embedding the logic of profit into the engine of democracy and national coexistence, not empire. This chance will be the reconstruction of Ukraine. This time around, we might not be able to afford to blunder.

Martin Boer is the General Manager and Chief Representative, Europe at the Institute of International Finance (IIF), where he leads and represents the Institute's work across Europe on global financial regulation, policy, and strategic industry priorities. The IIF comprises more than 400 member institutions across over 60 countries.

In this role, he is responsible for advancing the IIF's engagement with European policymakers, regulators, and market participants, with a particular focus on regulatory coherence, market integration, and the financial system's role in supporting economic resilience and security. His work centers on defense finance and cybersecurity, including mobilizing private capital for security and resilience, addressing regulatory and market barriers to defense-related financing, and strengthening the financial sector's response to growing geopolitical and non-financial risks.

He holds a B.A. in Philosophy from the University of California, Santa Barbara, studied European Politics at the University of London, and has an M.A. in International Political Economy from Columbia University in New York.

Martin Boer

Finance is Not Neutral: Global Markets, Peace, and Hard Choices

For decades, global finance has been built on a powerful assumption: that economic interdependence makes conflict irrational. That assumption has underpinned the post-Cold War order—and, for a time, it held. Today, it no longer does.

The defining question is no longer whether finance can drive growth. It is whether finance is structured—and able—to support stability in a world where geopolitical conflict has returned as a central risk. Framed this way, the challenge is not simply economic performance, but whether financial systems can adapt to a security environment in which stability can no longer be taken for granted.

Global finance has undeniably contributed to peace by binding economies together. Cross-border banking, capital flows, and deep financial markets have increased the cost of disruption and reinforced incentives for cooperation. As we often emphasize in our research at the Institute of International Finance (IIF),[1] financial integration promotes interconnectedness that supports stability and growth.

1 The Institute of International Finance (IIF) is the global association of the financial industry, with about 400 members from more than 60 countries. The IIF provides its members with innovative research, unparalleled global advocacy, and access to leading industry events that leverage its influential network. Its mission is to support the financial industry in the prudent management of risks; to develop sound industry practices; and to advocate for regulatory, financial and economic policies that are in the broad interests of its members and foster global financial stability and sustainable economic growth. IIF members include commercial and investment banks, asset managers, insurance companies, professional services firms, exchanges, sovereign wealth funds, hedge funds, central banks and development banks.

But interdependence has limits. The re-emergence of geopolitical rivalry—and the sharp increase in active conflicts—underscore a more uncomfortable reality: economic integration alone does not prevent escalation. Markets do not automatically price geopolitical risk. Capital can flow freely even as tensions rise. Integration can coexist with fragmentation. Interdependence may reduce incentives for conflict, but resilience reduces the opportunity for it; without both, stability is increasingly fragile.

The most serious tension today is not between profit and principle—it is between outdated frameworks and new realities. Financial markets are often treated as neutral allocators of capital, guided by efficiency and risk-adjusted return. But in the current environment, that neutrality has become a constraint.

Banks, insurers, and investors operate under regulatory, fiduciary, and ESG frameworks designed for a different era. The IIF has shown that these frameworks frequently discourage financing for defense and security—even as governments seek to expand it.

The contradiction is structural: strategic autonomy has become a political priority, particularly in the European Union, where recent initiatives such as the European Defence Industrial Strategy and the broader Readiness 2030 agenda reflect a growing recognition that security can no longer be treated as external to economic policy. Yet defense financing remains an area of persistent market hesitation. The result is underinvestment where it matters most, even as governments and institutions increasingly acknowledge the need for greater security capacity.

That tension is reinforced by prudential regulation. Under Basel III, bank exposures to corporates without external credit ratings—common across the defense ecosystem, especially among SMEs—typically carry higher capital charges through standardized risk weightings. These rules were designed to ensure resilience in bank balance sheets, but in practice they can disincentivize lending to precisely the types of firms that are central to modern defense supply chains. In a sector that is already fragmented, often privately held, and characterized by limited transparency, the interaction

between prudential requirements and market structure becomes a material constraint on capital mobilization.

The problem is compounded by the evolving nature of the sector itself. Defense ecosystems are increasingly SME-heavy, innovative, and less aligned with traditional financing models. The war in Ukraine illustrates this vividly: cutting-edge capabilities—particularly in areas such as drones and dual-use technologies—are often developed by smaller, agile companies, rather than the large, established members of the global defense industry that financial institutions are used to serving. This shift exposes a growing mismatch between how security is produced and how finance is structured.

At a deeper level, the issue is structural: peace and security are public goods that financial markets do not naturally price. Profit is immediate and measurable, while stability is diffuse and long-term. Unless frameworks change, this gap will persist—and with it, the underfunding of resilience.

The most critical reform is straightforward in principle but difficult in practice: financial systems must explicitly recognize defense, security, and resilience as legitimate, financeable priorities. Across jurisdictions, institutions face uncertainty over how defense-related activities are treated, whether in prudential rules, societal and governance considerations, or supervisory expectations. This lack of clarity directly constrains capital mobilization.

What is needed, then, is alignment across policy, regulation, and market design. In the European context, that also means ensuring that political ambition is matched by workable financing channels—through clearer rules, more consistent supervisory treatment, and instruments capable of mobilizing long-term capital for security and industrial resilience, which would be supported by a deep and liquid Savings and Investments Union.

Recent EU efforts to expand common financing capacity and joint procurement point in that direction, while Poland has emerged as one of the strongest advocates of this shift—combining sustained political support

for a stronger European defense posture with some of the highest levels of defense spending in both the EU and NATO. But ambition must be matched by architecture: egulatory consistency across jurisdictions, credible public-private risk-sharing mechanisms, and market infrastructure capable of operating at scale.

This is not about privileging one sector over another. It is about recognizing that economic security and geopolitical stability are now inseparable. Without credible financing for resilience, vulnerabilities deepen. In a more contested world, vulnerability is not just a risk, it is a driver of conflict.

The post-Cold War model relied on a "peace dividend"—the assumption that growth and integration would gradually displace conflict. That era has ended.

What replaces it is a more demanding equilibrium: one in which finance must actively support the conditions for stability—not merely assume them. Global finance remains a powerful force for integration. But integration alone is no longer sufficient.

The next phase therefore requires a shift: from neutral finance to alignment, from efficiency to resilience, and from the logic of a peace dividend to the discipline of peace investment.

In this new framework, finance is no longer a passive beneficiary of geopolitical stability; it becomes an active participant in sustaining it. The question is not whether finance has a role in preventing conflict—but whether it is supported, enabled and has the room to adapt quickly enough to play that role effectively.

Christian Breuer is head of the “National Accounts” division at the Macroeconomic Policy Institute (IMK) at the Hans Boeckler Foundation and honorary professor for Economics at Chemnitz University of Technology. Before joining the IMK, he worked as a senior economist at the German Council of Economic Experts and has been editor-in chief of the journals “Wirtschaftsdienst – Zeitschrift für Wirtschaftspolitik” and “Intereconomics – Review of European Economic Policy”. His main research work is on applied economic forecasting and fiscal policy.

Christian Breuer

Global Imbalances, Conflict, and the Missing Adjustment Mechanism

"In recognising that the creditor as well as the debtor may be responsible for a want of balance, the proposed institution would be breaking new ground."
Keynes (1943), *Proposals for an International Clearing Union*

It is a widely accepted proposition in economic theory that trade generates welfare gains and can be mutually beneficial. According to modernization theory, economic development associated with increasing trade is often linked to a higher likelihood of democratization. Moreover, both trade interdependence and democratization are theorized to contribute to peace, as suggested by the commercial peace theory and the democratic peace theory. At the end of the Cold War, this convergence of prosperity, democracy, and peace through globalization appeared to signal "the end of history," as famously argued by Francis Fukuyama.

Today, however, in the twenty-first century, international tensions appear to be increasing again. Tariffs and sanctions have reduced trade flows, while global economic development has become increasingly uneven. At the same time, armed conflicts as well as trends toward autocracy and political polarization have intensified. This raises the question of what explains the apparent reversal of earlier expectations regarding globalization, prosperity, and peaceful development.

The Proposal

Institutions determine how the gains and tensions of trade are managed. International monetary and financial institutions shape the emergence and adjustment of external imbalances, thereby influencing economic tensions, crisis dynamics, and political conflict. Historical experience provides

numerous episodes in which such imbalances were either managed effectively through appropriate institutional arrangements or, conversely, mismanaged in ways that intensified economic and political instability. Moreover, historical experience suggests that unresolved trade conflicts and economic fragmentation can contribute to broader geopolitical and even military confrontations.

A central lesson from these experiences is the need to avoid deflationary competitive dynamics driven by persistent trade surpluses, as well as mercantilist prisoner's-dilemma outcomes in which adjustment pressures fall unilaterally on deficit countries through austerity. Above all, persistent external imbalances require institutionalized frameworks of negotiation and coordination in which surplus countries are also obliged to adjust. At the same time, the social costs of trade and structural transformation must be mitigated through redistributive welfare institutions.

The Ideas of Keynes

The proposal to overcome the asymmetric adjustment burden of international payment imbalances was most prominently developed by John Maynard Keynes in the context of the Bretton Woods Conference. Keynes criticized the fact that in international crises adjustment pressure falls disproportionately on deficit countries, often with severe socio-economic consequences such as deflation, unemployment, and recession.

Instead of a system centred on the US dollar, Keynes proposed an international clearing unit—the "Bancor"—and an International Clearing Union. This institution was designed to monitor current account imbalances and to impose symmetric adjustment obligations on both deficit and surplus countries, with the aim of ensuring that the costs of adjustment would not fall exclusively on deficit economies.

This proposal was ultimately not adopted. The United States opposed it, in part because it would have implied adjustment obligations for themselves as a major surplus country, and more broadly due to its implications for the emerging dollar-centred international monetary order. Instead,

a system emerged characterized by asymmetric adjustment pressure on deficit countries, dollar centrality, and the absence of binding enforcement mechanisms for surplus countries.

This asymmetry later became a central point of critique in the literature on international monetary relations, echoing earlier concerns raised by John Maynard Keynes. A later reform proposal in the tradition of Keynes's 1943 Clearing Union framework was developed by the United Nations Commission of Experts on Reforms of the International Monetary and Financial System in 2009 (the so-called Stiglitz Commission).

Historical Context

The historical background to Keynes's idea lies in the disruptions of the world economy following the Great Depression of 1929. The US tariff increase of 1930—the Smoot-Hawley Tariff Act—was introduced to protect employment in the early stages of the Great Depression. While intended as a domestic stabilization measure, it contributed to retaliatory tariffs abroad and further aggravated the collapse in global trade during the Great Depression.

Following the United Kingdom's exit from the gold standard in 1931, a chain reaction emerged in which countries sought to boost exports and reduce unemployment through currency devaluation. This led to competitive devaluations, rising trade barriers, and increasing fragmentation of the international economic system.

The devaluation of some countries' currencies imposed imported deflationary pressure on those that remained committed to the gold standard. Although Germany effectively left the gold standard in 1931, it refrained from external devaluation due to severe external debt constraints and the risk of immediate capital flight. It underwent internal adjustment through deflation, forcing adjustment to occur internally through falling wages, declining prices, and fiscal austerity—a classic deflationary spiral.

This process resulted in a severe economic depression accompanied by sharply rising unemployment. The economic crisis contributed significantly to the

erosion of confidence in the institutions of the Weimar Republic, the rise of extremist political forces, and ultimately the Nazi seizure of power in 1933.

In the aftermath of the Second World War in Europe, it therefore appeared necessary to design institutions aimed at preventing the recurrence of competitive devaluations and procyclical adjustment processes.

Design Flaws of the European Monetary Union

The creation of the European Monetary Union marked a decisive institutional shift by eliminating intra-European exchange rate flexibility. While monetary integration deepened financial and trade interdependence, fiscal and wage adjustment remained largely national, creating structural asymmetries within the system.

These design features became particularly visible in the aftermath of the global financial crisis and the subsequent euro crisis, when external imbalances within the monetary union translated into highly asymmetric adjustment pressures. Deficit countries in Southern Europe were forced into internal devaluation through wage cuts and fiscal consolidation.

The austerity and internal devaluation policies implemented during the euro crisis were accompanied by significant social and political tensions. Adjustment through wage compression and fiscal consolidation triggered widespread public protest and contributed to rising political polarization as well as the electoral success of anti-establishment and Eurosceptic parties across Europe.

As emphasized in the work of Paul De Grauwe, these dynamics reflect a fundamental design flaw of the monetary union: the absence of a central fiscal stabilization capacity and of symmetric adjustment mechanisms.

US-Imbalances and Trump

A contemporary example of persistent external imbalances can be observed in the asymmetric trade relationship between the United States and China. The rapid expansion of trade integration in the early 2000s—accelerated

by China's accession to the World Trade Organization in 2001—has been widely associated in the literature with the so-called "China Shock." Although China's external surpluses narrowed somewhat after the global financial crisis, they remained structurally persistent and increased again to approximately 3.5 percent of GDP by 2025, with significantly larger surpluses in goods trade.

Trade exposure contributed to significant deindustrialization pressures in the US, particularly in manufacturing-intensive regions of the Midwest and the so-called Rust Belt states. Politically, these adjustment pressures became increasingly salient in electoral dynamics. Several swing states affected by industrial decline—such as Michigan, Pennsylvania, and Wisconsin—played a decisive role in the election of Donald Trump in 2016 as well as in 2024. The economic narrative of trade imbalance, industrial decline, and unfair competition formed a central component of his political platform. His economic program explicitly emphasized protectionist trade measures and the renegotiation of international trade relationships.

Protectionism in the Absence of an Adjustment Mechanism

Within this context, debates on exchange rate adjustment also re-emerged. Critics of the bilateral US-China imbalance frequently argued that persistent Chinese surpluses were linked to an undervalued renminbi. Although China gradually allowed for greater exchange rate flexibility after 2005, the pace and extent of adjustment remained contested in US political discourse. The Trump administration ultimately translated these political and economic concerns into an explicit protectionist strategy. Beginning in 2018, the United States imposed a broad range of tariffs on Chinese imports. In 2025, these measures were expanded and rhetorically framed in terms of economic sovereignty and reindustrialization, culminating in what was described as "Liberation Day," signaling a more confrontational approach to global trade governance.

The US tariff measures affected not only China but also European trading partners. In addition, the trade conflict and associated exchange rate movements, including fluctuations in the US dollar and the closely linked

renminbi, increased competitive pressure from Chinese exports in Europe. Rising competition from China, particularly in the automotive sector, is now also challenging Germany's export model. Following the energy price shock triggered by the war in Ukraine, Germany entered a period of economic weakness from 2022 onwards, with energy-intensive industries being particularly affected. At the political level, support for right-wing populist parties in Germany has increased. The Alternative for Germany (AfD), founded during the euro crisis, has reached high levels in opinion polls, a development frequently discussed in relation to broader patterns of political polarization in episodes of economic stress.

From a historical perspective, these developments exhibit notable parallels to earlier episodes of trade fragmentation, particularly the interwar period following the Smoot-Hawley Tariff Act, when trade conflicts and competitive policy responses contributed to global economic contraction.

Lessons

A central lesson of both the interwar period and more recent crises is that large and persistent surpluses and deficits can become sources of economic and political instability if adjustment pressures are distributed asymmetrically. In the current international and European monetary order, the burden of adjustment continues to fall disproportionately on deficit countries. Even the United States—despite benefiting from the dollar's "exorbitant privilege" and therefore facing fewer external financing constraints than other deficit economies—has experienced significant socio-economic tensions associated with long-term deindustrialization and regional decline.

At the same time, the escalating trade conflicts between major economies, are unlikely to provide a sustainable foundation for long-run prosperity or international stability. Rather than relying on austerity or protectionist escalation, persistent imbalances should therefore be monitored and gradually reduced through cooperative institutional mechanisms that require adjustment from both deficit and surplus countries.

If the recent trade conflicts initiated under the Trump administration have had one potentially constructive effect, it may be that major surplus economies such as China and Germany have become increasingly aware of the political and geopolitical limits of growth models heavily dependent on persistent external surpluses. Eighty years after the Bretton Woods Conference, the United States itself may now have a stronger strategic interest in a more balanced international adjustment architecture. Under such conditions, the possibility of renewed discussions about institutional mechanisms resembling those originally envisaged by John Maynard Keynes no longer appears entirely implausible.

Antonio Cavarero is the Head of Investments at Generali Asset Management, part of the Generali group and one of the largest asset managers in Europe. In this role, he supervises investments across public and private asset classes for institutional clients.

Prior to joining Generali in 2014, Antonio held positions on the trading side at several major investment banks, including Deutsche Bank, Citigroup, Societe Generale and Banca IMI.

He earned a degree in Economics and Commerce from the University of Pavia and an MBA from the Scuola di Amministrazione Aziendale of the University of Turin.

Antonio Cavarero

Finance as a Force for Stability

The idea that commerce promotes peace is old and, within limits, sound. But the world in which that idea must now operate has changed. Global peacefulness stands at its lowest recorded level, the economic cost of violence approaches $20 trillion a year (Institute for Economics and Peace, 2025) and the international system is no longer defined primarily by the contest between openness and protectionism, but by the weaponisation of economic interdependence itself. **In this environment, the role of global finance in relation to conflict requires a more precise articulation than the liberal tradition has typically offered**. Finance does not prevent war merely by raising the cost of disruption. It does so, when it does, through two distinct and equally essential functions: it underwrites inclusive development and it finances the resilience of democratic economies against external coercion. Both are necessary, neither alone is sufficient. What follows is an attempt to think through this double vocation, structured around three questions that sit at the intersection of finance, democracy and the international order.

Finance and the Prevention of Conflict

The conventional argument rests on opportunity cost: financial interdependence makes war irrational because it makes disruption expensive. However, the **deeper contribution of finance to peace doesn't lie only in a mere "opportunity cost analysis," but also and foremost in the institutional and legal architecture that a well-functioning financial system both requires and promotes**.

A legal order that upholds the rule of law, that protects all investors against arbitrary expropriation, that enforces contracts impartially and that mandates transparency in the use of public resources does several things at once. It lowers risk premia, attracting capital that would otherwise seek

safer jurisdictions. It enables the development of local capital markets capable of channelling household savings toward infrastructure, housing, and enterprise, the obvious building blocks of broad-based growth. And it creates a web of reciprocal obligations between the state and its economic agents that constrains arbitrary governance and strengthens the social compact. There is a chain linking investor protection to the depth of capital markets and the availability of economic opportunities, a chain that runs, through finance, from legal institutions to inclusive prosperity.

This matters for conflict prevention because the root causes of most political violence are economic. The joint UN-World Bank study "Pathways for Peace" established the point beyond reasonable doubt: inequality, exclusion, and the absence of legitimate economic opportunity are the principal drivers of instability. **A financial system that mobilises savings efficiently, distributes credit fairly and rewards productive investment does not merely generate wealth: it distributes legitimacy**, it gives citizens a material stake in the institutional order and gives governments an incentive to maintain the predictability and openness on which both domestic investment and international cooperation depend.

In this sense, financial development and democratic consolidation are not parallel processes but mutually reinforcing ones: the same institutions that attract capital, independent judiciaries, transparent regulation and enforceable property rights, are the institutions on which democratic governance rests.

Finance, Resilience, and the Defence of Democratic Economies

But development, however inclusive, is not the whole story. The geopolitical landscape has shifted in ways that demand a second function of finance, one that the liberal tradition has somehow underestimated: **the financing of economic resilience as a dimension of security** that sometimes might to deviate from pure free-market principles.

The post-Cold War assumption that economic openness would be reciprocal and rule-governed has, unfortunately, not survived contact with the present. Interdependence, once celebrated as an unqualified good, has been revealed as a vector of coercion and weakness. The proof is the European Union, built on open markets, ready to export everywhere and reliant on imports from anywhere to run its industrial machine, gas from Russia to export cars in China or chemicals in the USA. As a reaction, the European Commission's 2023 Economic Security Strategy, now being developed into a full doctrine, acknowledges the new reality with a formulation that captures its essence: openness without security becomes vulnerability. The shift in the global geopolitical equilibrium, the weaponisation of commodities dependencies, the return of trade wars made evident the weakness of this model, and finance can intervene to help in guaranteeing peace and stability. **Pragmatism isn't cynicism, it's clarity about constraints and threats.**

In this context, finance acquires a defensive function that is inseparable from the preservation of democratic self-governance. A democratic economy that cannot withstand an externally imposed supply-chain disruption, a coercive tariff escalation, or the weaponisation of its own financial or industrial dependencies is not, in any meaningful sense, sovereign. Economic resilience is no longer a matter of economic policy alone: it is a prerequisite of political independence.

What does this mean in practice for finance? It means, first, that deep and liquid domestic capital markets are not merely instruments of growth but buffers against external pressure. An economy that can fund itself in local currency, through savings mobilised domestically and directed toward local productive investment by credible institutions, is structurally less vulnerable to capital-flow reversals, sanctions and trade restrictions. The same resources can be also mobilized to fund those infrastructures, physical and digital, that represents the backbone of any functioning community. Finally, it also means that diversification of financial relationships—payment systems, reserve holdings, trade-finance networks—is a necessity, not a preference.

This development also creates **new opportunities for investors**, who are expected to allocate their capital efficiently, while governments and supranational institutions provide adequate financial incentives to those initiatives deserving such protection.

From Defensive to Proactive Finance

Securing only the local financial system is not enough. Strengthening domestic economies can increase tensions with other countries. **To foster global peace and stability, it is essential to build financial systems that include diverse nations and encourage cooperation.**

An inclusive financial system welcomes participation from countries of all backgrounds, encourages collaboration, and ensures access to resources. This reduces isolation and strengthens mutual support, key elements for peace.

We can hence think of more targeted development initiatives and institutions, able to support specific countries and projects coherent with the push for advancing democracy, rule of law and private enterprise. In June 1947, US Secretary of State George Marshall declared the necessity for American support of post-war Europe, stating that the nation should do "whatever it is able to do to assist in the return of normal economic health in the world, **without which there can be no political stability and no assured peace**." With the same purpose and a similar approach, today existing financial institutions, or others still to be created, can help developing countries to move toward democratic values, honestly declaring the need for common and shared values to access that help.

Conclusions

Finance shapes employment, inequality, governance and state capacity. It determines who can save, who can invest and who participates in the shared economic life of a nation. **Eventually, it supports development and, from there, democracy and peace.**

In a fractured world, however, finance faces the additional double challenge of allowing for a resilient economy, able to face the pressures of unprecedented geopolitical challenges, while maintaining the right degree of international development that is needed to grant wider stability around a set of common ideas of freedom and justice.

This is not a tension to be resolved in the abstract: it is problem that democracies need to understand with realism, it is an equilibrium that they must find with pragmatism.

Sir Paul Collier is Professor of Economics and Public Policy at the Blavatnik School of Government, Oxford University. He is also the Oxford Academic Director of the International Growth Centre, a collaboration between the LSE and Oxford Universities. Paul is also a member of the Natural Resource Governance Institute Board and his work on the management of natural resources includes the book *The Plundered Planet: How to Reconcile Prosperity with Nature*; he also co-edited a companion book, *Plundered Nations?*.

In The Future of Capitalism: Facing the New Anxieties (2017), and *Greed is Dead* (2020), co-authored with Professor Sir John Kay, he attacked the misdirection of public policy and private business that has caused avoidable polarisation and the decline of poor regions like Southern Italy.

He advises local and national governments on practical ways of regional renewal. His book, *Left Behind*, (published in Britain, the USA, Germany and Poland), draws on global examples of success.

Paul Collier

Capital, Interdependence, and Strategic Responsibility

Background

European societies are menaced by violent aggression. Europe's finance industry contributed to these dangers. President Wałęsa rightly challenges the industry.

Scholars of conflict prevention understand that its economic foundation is interdependence. Post-1945, this was the rationale for the European Economic Community: if economies were tied together by a web of firms dependent on inputs and markets, war would be infeasible. Conversely, the risk of violent aggression would be increased if a nation exposed itself to unreciprocated dependence upon a country with a potential interest in exploiting it.

The responsibility for acting on this analysis is shared between governments and business. Each might delay costly actions, chasing votes and profits. A revealing example of such behaviour is the Nordstream 2 gas pipeline, which created an unreciprocated dependence of Germany on Russia, and by bypassing Ukraine, compounded the error by freeing Russia from interdependence with it. This double folly powerfully increased President Putin's incentive to invade Ukraine. Indeed, so attractive was it to him that Gazprom financed 51% of its €10bn cost: in the process, giving Russia a controlling interest in the pipeline.

The short-term political incentive for the German Government was cheaper energy, the cost of which had exploded because of the panic cancellation by Chancellor Merkel of reliance on nuclear energy. She backed the project using a "clean energy" vehicle.

Given this reckless behaviour, it was incumbent on Europe's financial sector to counter it. Instead, it compounded the error. Five European energy companies—Engie, OMV, Shell, Uniper, and Wintershall Dea—provided loans for the project, contributing around €4bn. Each justified them to shareholders by commercial advantages, such as gaining market share or opening connections with Russia.

Europe's insurance industry then supported the energy companies by insuring their loans against default. The firms were pillars of the industry: Zurich Insurance Group, AXA, Munich Re, and Lloyd's of London.

How Can Global Finance Contribute to the Prevention of Conflict?

This background clarifies the answer. What Europe's energy companies should have done was encourage interdependence while discouraging unreciprocated dependence on a potential aggressor.

To encourage interdependence within Europe, they should be enhancing projects like the transmission line between Spain and France, which the French Government cannot afford to improve: its inadequacy shown by the 2025 blackout of the entire Iberian Peninsula. Estimates of necessary grid investment by 2050 across the EU range from €600bn to €2.3 trillion: only the finance sector can raise such sums.

Conversely, to discourage reckless political projects like Nordstream 2, financiers should withhold the loans and guarantees that enable them.

Where Do You Perceive the Greatest Tension between the Logic of Profit and the Responsibility for Peace and International Stability?

This was revealed by the appetite of five reputable European energy companies to provide loans, and that of the pillars of its insurance industry to guarantee them. In each case, the justification to shareholders was the pursuit of profit without concern for the security of their

societies. The CEOs of these companies might justify their decisions thus: it is the duty of government to determine policy on national security, not on finance. But this convenient view does not withstand scrutiny. A firm subject to a devastating Russian cybersecurity attack rightly expects government financial support. A government aware that China's espionage network is pressuring ethnic Chinese employees of financial firms to leak valuable information rightly expects such firms to take precautions and report concerns. Europe's financial sector is too critical to say "none of our business".

What Single Change in the European Financial System Would You Regard as Most Crucial in Preventing War Conflicts?

The CEOs of financial companies are answerable to their shareholders: most of them simply want profits. This can only be changed if the ownership structure alters to something more principled. Government ownership is not the answer: the financial sector sometimes needs to be a check on government.

But there is a European model for how ownership could be reformed. Most Danish companies and many German ones are controlled by Foundations. One is the hugely successful pharmaceutical company NovoNordisk. It is controlled by a charitable Foundation its owners established to keep the company focused on improving the health of its customers, rather than just making money. The Foundation only owns a quarter of the equity but holds three-quarters of the voting shares. Private shareholders have been happy to buy its stock because, protected from short-termism, it can take a longer view that compensates for its pursuit of a better purpose than merely their dividends. Similarly, some German firms are like Siemens, the huge German technology company, controlled by a family Foundation committed to a public-spirited purpose.

That is the model for Europe's financial sector. Once that goal is set (however distant), it immediately sets a new norm for behaviour. That alone will improve standards.

Daniel Dăianu, Member of the Romanian Academy, President of the Romanian Fiscal Council, former Member of the Board of The National Bank of Romania and former MEP; former Finance Minister of Romania; Member of Academia Europeae and Member of the Bretton Woods Committee. Author of *Emerging Europe and the Great Recession* (2018) and *Which Way Goes Capitalism?* (2009), co-editor of *Ethical Boundaries of Capitalism* (2005), *Transformation as A Real Process* (1998), *Economic Vitality and Viability. A Dual Challenge for European Security* (1996).

Daniel Dăianu

Whither the Security of Europe (EU)?[1]

It feels as though we are at the end of an era. There is consternation among European leaders following the moves made by the Trump Administration in security and economic matters. The U.S. relationship with Russia is privileged in Washington, and an economic and trade war is underway, with significantly increased tariffs[2] applied by the new Administration to Europeans, Canada, Mexico, and many other countries. How much can Europe (the EU) rely on the "security umbrella" provided by the U.S.? This was once an unthinkable question.

Uncertainty and unpredictability, insecurity, at extreme levels, are felt in the markets, economies, and political life, with the relevance of economic predictions and scenarios being severely diminished. The international environment has not been so disrupted for many years, perhaps since the global financial crisis. Now, a growing geopolitical dynamic adds further pressure.

It is not Washington's request for Europeans to allocate more funds for defense that is perplexing, but the speed at which adaptation is being demanded and the manner in which, across the Atlantic, the relationship with Russia[3] has been reassessed.

1 This is an updated and reduced version of a paper that was published by the Romanian Journal of European Affairs, no 1, 2025.

2 Which remind of the protectionist legislation "Smoot-Hawley Tariff Act" from 1930, during the economic depression.

3 See also the editorial from *The Economist*, "America's New Foreign Policy," March 15, 2025. The text states that the new foreign policy of the U.S. has created a deep "crisis of trust" among the dozens of countries that entrusted their security to America after World War II. It should also be mentioned that signs of a new relationship with Russia were observable during the first term of President Trump.

Europe (the EU) faces a series of enormous challenges brought about or accelerated by the new Trump Administration: a geopolitical shock, an economic shock, the weakening of multilateralism in the institutional architecture of the international system, and a confrontation between illiberalism (autocracy) and democracy.

Context

Europeans must significantly increase defense spending to ensure their security, starting from the new U.S. approach regarding a ceasefire in Ukraine and relations with Russia. Additional annual defense spending would amount to several percentage points of GDP for many EU countries, which could strain their public budgets to the utmost in the absence of adequate measures. Europeans still need military support from the U.S. (a *backstop*), while key EU leaders are revisiting the theme of "strategic autonomy" (with Gaullist undertones[4]). European officials declare that we are heading toward "a new world order."[5]

Ensuring military security in Europe must be assessed in an increasingly complex economic, social, and political context. The financial crisis, fueled by excesses in the financial industry and negligence from governments and regulatory authorities, has heightened social tensions and fractures, generating dissatisfaction with the "elites" (the establishment), while the cost for public budgets has been overwhelming. The pandemic followed, which led to the expansion of unconventional operations (QEs) by central banks and increased government spending, further burdening public budgets. The energy transition and climate change have also impacted both public and private balance sheets, and Russia's invasion of Ukraine has amplified negative effects, exacerbating the cost-of-living crisis (by significantly raising energy costs for Europeans), and intensifying hybrid

4 General Charles de Gaulle, President of France after World War II, was a strong advocate for national interests in the context of American hegemony in Western Europe, within NATO.

5 See also Ursula von der Leyen, quoted by *Politico*, March 19, 2025.

confrontations. New technologies and social media carry abundant information, but they create confusion and deepen societal divides. Artificial Intelligence (AI) is a dominant force in our times; it opens limitless opportunities but also comes with immense uncertainties. AI favors the concentration of power and can increase economic and social inequalities, as well as inequalities between countries; it also fuels the arms race.

The increasingly tense geopolitical context has made access to resources and rare raw materials a central objective of security policy for the most powerful countries. The Trump Administration judged Greenland's status and the Panama Canal issue from this perspective and geographic proximity, while China has an active economic presence in numerous regions of the world for the same reasons. One can speak, especially in the context of climate change as an existential threat, of a form of economic Darwinism.

The global economy continues to fragment, with clearer trends toward the formation of trade blocs and regionalization of supply chains—for security reasons as well. Multilateralism in international relations is weakening. The U.S. is trying to use its currency as an instrument of economic protection and is considering a new "currency agreement" that would influence capital and trade movements.

In political life, there is a rise of radicalism, (ultra)conservative currents (as a counter-reaction to the woke movement),[6] and the slippage of some democracies toward anocracies,[7] while the pillars of democracy are being questioned. It seems that it is deliberately ignored that democracy fundamentally involves institutionalized mechanisms of mutual control to prevent the abusive concentration of power and arbitrariness in public life. There is a global ideological confrontation between democracy and

6 There is talk of a "culture war" in the Western world, between conservatives and "progressives."

7 Anocracies are not full autocracies, but neither are they democracies (Barbara F. Walter, *How Civil Wars Start: And How to Stop Them*, London, Viking, 2022).

autocracy (illiberalism),[8] manifesting in relations between states and within them.

It should be observed that the outcome of the recent parliamentary elections in Hungary (with Tisza's victory) is a rebuttal of the idea that authoritarianism is crippling the EU fatally.

China's economic and technological rise over the past few decades has made it the U.S.'s main geopolitical rival in a multipolar world. The U.S. security doctrine has revealed this fact for years now, in a world that has moved beyond the "unipolarity" moment that followed the fall of the Berlin Wall.

Real Politik at the Forefront

The series of major adverse shocks has unfolded under the conditions of the bad effects of unrestrained globalization,[9] which has resurrected protectionism. These shocks are accompanied by a weakening of the multilateral framework, with "realpolitik" emerging as the dominant approach in relations between major powers and between them and other states. There is talk, sometimes indirectly, or even openly, of "spheres of influence" and the importance of "hard power" in state-to-state relations; unfortunately, "soft power" seems to be fading.

The "realpolitik" vision across the Atlantic was already detectable in academic circles (e.g., John J. Mearsheimer[10]), in strategic think tanks

8 Starting from the overwhelming power of giants in the field of information technology, Yanis Varoufakis talks about "techno-feudalism" (*Techno-feudalism: what killed capitalism*, London, The Bodley Head, 2023). In contrast, Marc Andreessen and Peter Thiel, entrepreneurs who control companies in the information technology sector, are promoters of technological optimism and technological libertarianism (see also "The Andreessen-Horrowitz Manifesto," October 16, 2023).

9 An "undemocratic liberalism" (as Yasha Mounk put it: "Illiberal democracy or undemocratic liberalism," *Project Syndicate*, June 6, 2016) that favored the great financial crisis.

10 John J. Mearsheimer, *The Great Delusion: International dreams and International Realities*, New Haven, Yale University Press, 2018.

(Samuel Charap at RAND Corp[11]; Heritage Foundation, Quincy Institute for Responsible Statecraft), in foreign policy journals (e.g., Richard Haass, Andrew Bacevich, Stephen Wertheim, Graham Allison[12] writing in *Foreign Affairs*), among politicians (e.g., the current Vice President JD Vance[13]), or Elbridge Colby, the second-in-command at the Pentagon responsible for policy.[14] Some members of the Trump Administration even speak of a *Monroe Doctrine 2.0*, as an expression of neo-isolationism (trade protectionism) and a focus on geopolitical rivalry with China. This mindset can be linked with the concept of "overstretch" that Paul Kennedy used decades ago to examine the limits of U.S. strategic power.[15] The controversial US interventions in Iraq and Afghanistan, China's economic and technological rise, and the shift of economic power toward Asia, have likely contributed to this change in outlook regarding military security.

In a multipolar world, some of the most powerful countries seem to pay less attention to, or even forget, the rules and norms of law that have, more or less, guided international relations since the end of World War II, with multilateral institutions playing a key role in this framework. **It should be emphasized that legal norms in international relations have most benefited smaller states, especially in very difficult times.**

Advocates of "realpolitik" can be found in analyses and advisory roles alongside a George Kennan, or a Hans Morgenthau, names that strongly

11 See also Samuel Charap, "An unwinnable war. Washington needs an endgame in Ukraine," *Foreign Affairs*, July/August 2023. In the same issue of *Foreign Affairs*, Carter Malkasian advocates for an armistice in Ukraine based on the Korean model (The Korea Model).

12 Graham Allison explicitly discusses "spheres of influence" in "The New Spheres of Influence," *Foreign Affairs*, March-April 2020.

13 J. D. Vance, "The math on Ukraine does not add up," *New York Times*, April 12, 2024.

14 Elbridge Colby, *The Strategy of Denial: American Defense in an Age of Great Power Conflict*, New Haven, Yale University Press, 2021

15 Paul Kennedy, *The Rise and Fall of The Great Powers*, New York, Vintage Books, 1987.

resonate in this strategic thought tradition. "Realpolitik" stands in contrast to the neoconservative (neocons)[16] thinking that has dominated U.S. security policy in recent decades. However, the logic of "balance of power" should not be taken to mean that anything is acceptable in interstate relations, as if in a "jungle." Kennan and Morgenthau saw international institutions as the foundation of a world order and rules designed to prevent wars.

The 2025 Munich Security Conference came with a shocking message from US Vice President J.D. Vance for Europeans, who have long seen the transatlantic relationship as the foundation of NATO as a collective defense organization. In 2026, Secretary of State Marco Rubio used a softer language, but the message was the same. For years, even since U.S. Defense Secretary Robert Gates' tenure, European partners have been criticized for not spending enough on defense, even though the U.S. has benefited in many ways from its status as a geopolitical and economic hegemon. In his first term, President Trump emphasized this dissatisfaction, which has now been reinforced. Europeans are asked to allocate significantly more for defense, with the target being 5% of GDP. Only Poland currently approaches this figure, while other NATO member states in the EU spend anywhere from just over 1% of GDP (Spain, Belgium) to between 3–4% of GDP (the Baltic States, Greece).

A partial or full disengagement of the U.S. from Europe (motivated by global rivalry with China), as announced by the White House, is a heavy blow for NATO and places significant pressure on EU countries and economies. How and under what conditions peace in Ukraine will be achieved remains to be seen; there are many unknowns and major dilemmas, including the issue of security guarantees. But it is clear that the EU needs a superior defense capability. And that it still requires cooperation with the U.S. as

16 A nuanced analysis of the neoconservative approach is provided by Francis Fukuyama in *After the Neocons*, New Haven, Yale University Press, 2006. Fukuyama himself was a proponent of this approach (let's remember his *The End of History*, 1990).

the latter dominates NATO militarily and technologically; many military equipment purchases are, after all, made from the U.S.

One crucial aspect to highlight: the postwar American presence in Europe has prevented historical animosities and resentments between European states. A U.S. departure from Europe, be it gradual, could reignite ghosts of the past. The European Union has been primarily a project aimed at peace in Europe, not just economic reconstruction. A U.S. disengagement coupled with a Union weakened by major divergences, misunderstandings, and insufficient cohesion could be a dangerous combustion for the old continent—not less menacing than the threat of possible external aggression.

Europe needs security arrangements similar to those of the Helsinki Accords. A new cold war has already begun, and this situation is evident on a global scale, with China as the U.S.'s major geopolitical rival. The U.S. must be part of a new security architecture in Europe.

The dialogue initiated by President Trump with the Russian President, beyond the stated goal of stopping the war in Ukraine, can also be interpreted as an attempt to dig a hole in the BRICS, to decouple Russia from China. But this objective must be weighed against the risk of possibly alienating democratic countries in Europe. It is also possible that, in response, Europeans (the EU) will develop relations with China and India as an attempt to find a way out of the impasse.

There are significant geopolitical stakes that could leave European countries (the EU) in a peripheral position, with weak defense capabilities. President Trump announced that he will also have discussions with China's President. From the perspective of nuclear arms control, pandemic prevention, the use of AI, such discussions make sense. But if the abandonment of Europeans and an inevitable "demonstration effect" sparks a new global race for nuclear weapons, where will that lead?

The new U.S. security policy could induce more cohesion within the EU, tighten military and other relations with other countries, especially with the United Kingdom. It is said that the U.S. disengagement from Europe

could lead to a "Hamiltonian Moment"[17] for the EU, deepening military and economic cooperation and possibly bringing about a common *fiscal capacity*.

The Economic Shock: A "Hamiltonian Moment" for the EU?

The across-the-board trade war, chaotic measures that amplify uncertainty and unpredictability in markets, may lead to higher inflation, economic stagnation (*stagflation*), or even recession. The Middle East war has brought additional harm to the global economy. Central banks could find themselves in the difficult position of raising interest rates again, while economies lose momentum. It remains to be seen whether increased defense spending (a form of "military Keynesianism") could offset the factors slowing down economies—given the uncertainty and the risk aversion in the private sector. Moreover, higher defense spending diverts resources away from addressing civil needs, which may exacerbate social and political tensions. Borrowing could be an option, but there are limits to this approach.

Germany's decision to abandon its debt brake to allow for increased spending on defense and infrastructure may help economic growth in the EU, but how significant this impact will be remains to be seen.

Could the shock from U.S. measures lead to greater cohesion within the EU? It can be presumed that it could, especially if the path towards a common *fiscal capacity* advances, if a "European defense community" becomes a reality, and if internal EU markets become more integrated. However, many uncertainties remain, and it is important to note that the EU is still not a federal state. Coordination of national policies and making common decisions continues to be a challenge in the Union.[18]

17 The analogy is made with Alexander Hamilton's role in the creation of a federal budget and a common treasury for the United States. Hamilton served as Secretary of the U.S. Treasury from 1789 to 1795.

18 At the meeting in Paris on March 26th, there were 230 military experts from 30 countries. We realize how difficult it is to coordinate defense capacity-building programs when so many countries are involved.

The idea of Canada potentially joining the EU trade bloc[19] says more about the shock created by U.S. tariffs and the White House's suggestion that Canada should become the 51st U.S. state than it does about the EU's strength and future prospects. The question remains in what scenario Canada could potentially join the EU, although this seems like a far-fetched idea.

It should be emphasized that simply adding up the national GDPs within the EU and their military capacities (tanks, aircraft, military personnel, etc.) is a simplistic exercise in projecting a joint deterrent force against potential aggressions. More is needed, particularly combined capabilities, joint actions, and deeper integration for this purpose.

The euro could gain more weight in international transactions (where it currently holds around 20%—according to ECB data) if the eurozone becomes more cohesive, if a common fiscal capacity is set up. Economic growth in the EU could be supported if increased defense spending generates significant multiplier effects.[20] In this equation, Germany's decision to eliminate its debt brake plays a role.

The White House's focus on deregulating the financial sector (including crypto assets) poses a significant risk to financial stability. A new wave of financial deregulation, combined with the lack of regulation on AI, could cause serious turmoil in financial markets. The logic of including crypto assets in U.S. reserves is also questionable, as the dollar is already the world's primary reserve currency.

19 Mark Carney, the new Prime Minister of Canada (former Governor of the Bank of England and, previously, of the Bank of Canada), stated that the traditional relationship with the United States no longer exists.

20 The Kiel Institute for the World Economy sees a multiplier coefficient of 0.6–1 for defense spending. Thus, expenditures exceeding 800 billion euros (150 billion from the defense fund plus 650 billion euros from national budgets and other sources) could give a significant fiscal boost to the EU economies. However, these figures are approximate, and budgetary constraints are bound to apply. Additionally, the spending will be spread over several years.

There is pressure for deregulation in financial markets in Europe as well, against the backdrop of economic difficulties. However, lessons from the 2008 financial crisis are too often easily forgotten.[21]

A trade war could trigger a currency war, with implications for financial market functioning and investment dynamics. A similar episode caused an earthquake in the international financial system: when the Nixon Administration announced in 1971 the abandonment of the dollar's linkage to gold, delivering a fatal blow to the Bretton Woods system[22] (which had this linkage at its core[23]) and was based on adjustable but fixed exchange rates. After the breakdown of this linkage, the world shifted to floating exchange rates and capital movements surged.

Stephen Miran, the chief economic adviser to the Trump Administration, talks about a "Mar-a-Lago Accord" (a second Plaza Accord) that would impose tariffs on other countries for the privilege of using the U.S. dollar as a reserve currency. The goal would be to reduce the U.S. trade deficit.[24] This is framed within a "transactional logic" of *quid pro quo*: advantages offered by the U.S. (including military protection) should be compensated by beneficiaries in one way or another. It is important to note that another tectonic shift for the international financial system came with the "Big Bang" in London in 1986, which deregulated the financial system, followed by the abolition of the Glass-Steagall Act (a part of President Franklin D. Roosevelt's New Deal reforms) in the US. This deregulation favored

21 In *Financial Times*, Martin Arnold notes that "EU watchdogs warn that weakening rules risks another financial crash," March 23, 2025.

22 The multilateral system created to order international financial relations after the Second World War.

23 It is worth mentioning that John Maynard Keynes, one of the greatest economists of the last century, had in mind the creation of "bancor" as a "unit of account" to serve as the foundation for the international monetary system. Over time, the dollar became vulnerable due to the very high military expenditures of the United States in the 1960s and 1970s, which led to the severing of its relationship with gold as a financial asset.

24 Stephen Miran, *A user's guide to restructuring the global trading system*, Hudson Bay Capital, November 2024.

the financialization of economies, speculative operations, and made the overall financial system and economies more fragile.[25]

The sentiment within the Trump Administration is that an economic policy is needed to bring critical industries back to the U.S. (e.g., microprocessors), without which industrial and technological power in the confrontation with China is endangered. The need for a firmer industrial policy was also to be seen during President Biden's tenure (through the Inflation Reduction Act), as articulated by his national security adviser Jake Sullivan.[26] But now, U.S. policy appears to be a combination of aggressive economic nationalism (protectionism) and neo-isolationism. It is worth noting that strategic protectionism was advocated by Clyde Prestowitz decades ago, considering the economic rise of Japan,[27] which had flooded the American market with automobiles and electronics.[28] However, today's situation involves China, which has economic, technological, and demographic assets that make it a more formidable competitor for the U.S., than Japan was years ago.

Some analysts try to describe the competition between the U.S. and China in terms of "geoeconomics," referencing a work by Albert Hirschman from 1945, *National Power and the Structure of Foreign Trade*,[29] in which Hirschman studied protectionism, autarky, and the phenomena that defined wartime periods. However, analyses must take into account that today's world is far more interdependent economically and

25 I have addressed this issue in several volumes, including *Which Way Goes Capitalism* (CEU Press, 2009), *When Finance Undermines Economy and Corrodes Democracy* (in Romanian) (Iasi, Polirom, 2012), *Eemerging Europe and The Great Recession*, Cambridge Scholars Publishing, Newcastle upon Tyne, 2018, *Central Banks, Crisis, and Post-Crisis* (in Romanian) (Iasi, Polirom, 2018).

26 Jake Sullivan "The sources of American Economic Power. A Foreign Policy for a Changed World," *Foreign Affairs*, November-December, 2023.

27 Clyde Prestowitz, *Trading Places: How We Are Giving Our Future to Japan and How to Reclaim It*, New York, Basic Books, 1993.

28 Ezra Vogel, a professor at Harvard, coined the term "*Japan Inc.*" to describe the corporatist structure of the Japanese economic system.

29 see Gillian Tett's article, "How to make sense of Trump's tariffs," *Financial Times*, April 5th, 2025.

technologically, even though fragmentation and regionalization have intensified in the last decade, partly as a result of crises and security concerns.

Miran's recommendations, which attempt to offer a theoretical economic framework for the "Trump Doctrine" in relations between countries, could lead to major disruptions at the international level, economic contraction, and inflationary surges, which could have a boomerang effect even on the U.S. economy.[30] An unintended consequence might be a stronger euro in international relations, especially if the eurozone develops better functioning mechanisms and tools.

In this new economic and geopolitical context, the EU will be forced to mobilize internal resources, including reopening mines and revitalizing the steel industry. These measures would be part of an updated industrial policy that the Union has been considering in order to survive in global competition. However, now, military security concerns play a much more significant role.

The U.S. has announced its withdrawal from several international organizations, a move in line with its policy of renouncing multilateralism in international relations. Let's imagine what would happen if Washington were to withdraw its support for the IMF and World Bank, although "realpolitik" would dictate not doing so, as China would likely be ready to step in and fill in more than financial needs.

30 See also Raghuram Rajan, "Un dollar attractif est-il vraiment un fardeau pour les Américaines?" (Is a strong US dollars actually a burden for Americans?), *Le Monde*, March 21, 2025. Rajan, former governor of the Reserve Bank of India and professor at the Booth Chicago Business School, was also the chief economist at the IMF. Or Maurice Obstfeld, "Let's stop the trade deficit game," *PIIE*, March 19, 2025. *Wall Street Journal*, *Financial Times*, *The Economist*, and other publications have numerous critical analyses of the economic policy of the Trump Administration—especially these publications favor multilateralism in international economic relations (some would say they promote globalization). But there are also viewpoints that support the trade policy of the Trump administration (Lori Wallach, "What Trump's critics are getting wrong," *Project Syndicate*, March 29, 2025; or John Michelson, "The Case for Tariffs," *The Wall Street Journal*, March 31, 2025).

Increased Defense[31] Resources in the EU

A superior and effective defense capacity requires considerably more resources allocated to the military domain within EU member states, along with deeper military cooperation between them in production and arms procurement. The pandemic was somewhat like a war, but now the focus is on real military weapons and the ability to respond to cyber and hybrid attacks.

The European Commission has announced a plan of around €800 billion for defense, seeking ways to finance this through both public and private funding. The "escape clause" for fiscal rules has been activated for a four-year period, but the impact on public debt and deficits cannot be avoided. There is a divergence of views on this: the "frugal" countries are in disagreement with Italy, Spain, and France, which advocate the issuing of collective debt or, more simply, grants. Italy and Spain have also opposed the name "Rearm Europe" for the program, suggesting a less aggressive name. The European Commission now refers to it as "Readiness 2030."

National budgets and the EU budget will likely undergo restructuring, with new resources allocated to defense; we will likely witness trends moving toward "defense-ready economies." European financial institutions, especially the European Investment Bank, are expected to play a major role, as mentioned in European Commission documents. State guarantees to mobilize private sector resources, such as those proposed by the Italian government,[32] may also be considered.

The increased defense resources must be evaluated in relation to the EU's competitiveness enhancement program (e.g., Draghi Report, Letta Report). A stronger defense industry in EU countries does not automatically translate into higher competitiveness in key domains.

31 Defense spending is broader than just military expenses.

32 Italian proposal for a European Security and Industrial Innovation Initiative, Brussels, March 11, 2025 (Catalysing private investment through EU guarantees and efficiently targeted member state commitments).

Currently, the average defense spending in the EU is about 2% of GDP. To reach 5% of GDP, as the U.S. demands, would mean more than doubling these expenses, on average, in EU countries. This would be a shock for public budgets, although it can be argued that for defense and security, one should not procrastinate.[33] A more realistic expectation is that the EU will reach an average of about 3.5% of GDP over a period of time, but with significant differences between states.

Suspending fiscal rules again and the shock of rearmament needs cannot hide the difficulties in budgetary situations. It is important to note that this suspension would not apply to all defense spending, but only to the increase in such spending and only for a period of four years. In other words, after four years, fiscal consolidation would need to be implemented, but from a higher baseline.

The European Commission's plan for an additional €800 billion in spending over the next four years includes €150 billion for a defense fund (to be financed through the issuance of collective bonds), which will provide loans to member states, with an additional €650 billion mobilized through national budgets. It is also possible that additional resources may be obtained from national recovery and resilience plans (NRRPs) and from restructuring the use of structural and cohesion funds.

Mobilizing such a large volume of resources is a complicated process. Moreover, it is necessary to harmonize the positions of EU member states regarding the development of the defense industry in Europe and common procurement (how much from Europe, how much from outside). The Union is also counting on military cooperation with the UK, Norway, Canada, Turkey, and possibly other countries. The €150 billion defense fund is primarily aimed at financing the defense industry in Europe.

The development of the defense industry in the EU could be a major common project, much like Airbus was—an adaptation of European

33 In France, for instance, the development of the defense industry requires a reassessment of public budget priorities ("Pour financer le réarmement, la France revoit ses priorités," *Le Monde*, March 19, 2025).

industrial policy to the new geopolitical reality. The question is whether such a program (assuming it could be realized at the imagined parameters) can lead to intense innovation, and thereby, help Europe close the gap with the U.S. and other countries. This program would require close, systematic collaboration between the involved countries.

Towards What Global Order Are We Heading?

A multipolar world is more complicated as it does not make it easier to reach agreements on crucial issues—such as the proliferation of weapons of mass destruction, fighting pandemics, climate change, etc. The balance of power, viewed dynamically, involves competition for resources and an arms race. It is true that agreements could be imagined to curb this race (especially nuclear arms control), or regarding the use of artificial intelligence,[34] which in itself could represent an existential threat.[35]

The world we are heading towards is one dominated by the economic and military power of the United States and China as global superpowers. Russia, which has strong military capabilities, is trying to reassert itself in the European balance of power and carve out its own sphere of influence. In fact, with an increasingly intense "realpolitik" logic in interstate relations, spheres of influence are getting a higher profile again.

The EU's place in the future global order depends on how it will develop its vectors of power—economic, technological, and military. From this point of view, it must be said that the Union faces major challenges which derive essentially from current federalist governance structures. It is also unclear whether the war in Ukraine and global challenges will tilt the balance in favor of processes that would enhance internal cohesion. Regarding security, the EU must cooperate with countries outside the Union—the United Kingdom, Norway, Iceland, etc.

34 Some see AI as a panacea for all the world's ills.

35 Just like climate change.

The global order depends on internal developments in various countries, which are fueled by economic strains, “culture wars” (for example, between conservatives and progressives, between generations[36]), technological advance (the impact of AI), urban agglomeration, demographics, population aging, etc. And above all, there is the confrontation between autocracy and democracy (liberalism—which should not be confused with unfettered markets[37]). Crises have favored authoritarian temptations in democratic societies as well. In a dystopic scenario I have referred to a “hydraulic civilizations syndrome,” having in mind that the struggle for food and water and other critical resources may lead to what the German historian Karl Wittfogel called “hydraulic civilizations.”[38]

Global disorder could escalate if societies become more fragile, with eroded economic and social regulatory functions and a proliferation of authoritarian temptations. Robert D. Kaplan identifies such trends in his 2000 book *The Coming Anarchy*,[39] which he sees as more pronounced in recent years. He speaks about the weakening of democracy worldwide, of a “global Weimar.”[40] Kaplan often refers to Oswald Spengler (who spoke about the decline of the West more than 100 years ago[41]) and mentions Aleksandr Solzhenitsyn (the famous Russian dissident and conservative when it comes to his political inclinations). There are also other works that try to elucidate the causes for the weakening of democracy in the world.[42]

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36 See, for example, Neil Howe, *The Fourth Turning Is Here: What the Seasons of History Tell Us about How and When This Crisis Will End*, New York, Simon & Schuster, 2023.

37 Liberalism, as a political regime (democracy), essentially refers to the separation of powers (checks and balances), not the economic doctrine of laissez-faire.

38 I have alluded to this scenario in *Economics and the Pandemic*, Polirom, 2021.

39 Robert D. Kaplan, *The Coming Anarchy,* New York, Random House, 2000.

40 The Weimar Republic epitomizes, according to Kaplan, intrinsic instability and emptiness (moral crisis), which lead to the loss of democracy as a spirit and practice—Robert D. Kaplan, *Wasteland: a World in Permanent Crisis*, London, C. Hurst & Co. 2025.

41 Oswald Spengler: *The Decline of the West* (Der Untergang des Abendlandes), 1918 and 2022.

42 Among which Barbara F. Walter (Op.cit) uses the concept of “anocracy,” or Stefan Levitsky and Daniel Ziblatt: *How Democracies Die*, London, Random House, 2018.

Security in Europe—Where Are We Heading to?

The increase of defense spending is necessary because the world is becoming much more dangerous and seemingly ruleless, with much disorder and dangers at every step.[43] The loss of the "peace dividend" has been clear for some time now. And there is a historically validated expression with relevance for our times: when "elephants fight the grass suffers."

The increase in defense spending requires popular support, along with a rhetoric that conveys the message that superior defense capacity is necessary to deter future aggression—not because war is inevitable. And, at the same time, because it is no longer possible to rely unconditionally on support and protection from the United States.

The author bears sole responsibility for this text, which does not involve any of the institutions he is affiliated with.

43 Thierry de Montbrial spoke about such a world as early as the first term of President Trump: *Vivre le temps des troubles*, (Living in times of big troubles) Paris, Albin Michel, 2017.

Dr. Antara Haldar is a Professor at the University of Cambridge, where she holds the inaugural position in Empirical Legal Studies at the Faculty of Law, and convenes the law and economics and legal philosophy programs. She concurrently holds appointments at Cambridge's Judge Business School, Faculty of Philosophy, Centre for Development Studies, and is a member of the Governing Body of its oldest college, Peterhouse. She is a Visiting Professor at Harvard's Department of Psychology and held a prestigious Fellowship at Stanford's Center for Advanced Study in the Behavioral Sciences from 2020–23. Her award-winning research lies at the intersection of law, economics, philosophy and psychology and she has received over 3 million dollars in funding from the European Research Council, the Templeton Foundation, UK Research and Innovation, the Mozilla Foundation and the Indian Government. She writes a widely-read monthly syndicated column for *Project Syndicate* that is published in over 30 countries, and her writing has appeared in *The Atlantic*, *WIRED Magazine*, *The Times Literary Supplement*, *The Independent* and elsewhere. Her consultancy projects range from the United Nations to the Scottish Government to Silicon Valley start-ups, and her work has been cited by the World Bank, White House and others. Her book *Everyman: The Story of Economics in Three Acts* will be published in September 2026 by Simon & Schuster in the US and Penguin Random House in the UK.

Antara Haldar

Pricing War, and Peace

In *War and Peace*, the great Russian writer and radical pacifist Leo Tolstoy wrote, "The strongest warriors are these two—Time and Patience." It is by ignoring this lesson that global finance—through speed and speculation—undermines peace.

In the twentieth century, global finance stumbled—almost by accident—into one of its most remarkable achievements: it's ability to help prevent another world war. At least so far. It accomplished this not through sheer benevolence, but through a series of institutional arrangements that tethered economic recovery to political stability. The Marshall Plan did not just rebuild Europe; it rewired incentives. American capital flowed not only to restore factories, but to bind former enemies into a shared economic future.[1] The creation of the Bretton Woods institutions—the International Monetary Fund and the World Bank—extended this logic globally, at least in theory, underwriting stability as a precondition for growth. Equally remarkably, if not more, the European project, that improbable experiment in integration frequently dismissed as impossible, congealed the fates of formerly warring nations into an economic whole.[2] These were not merely financial interventions. They were acts of institutional imagination. They treated peace as something that could be, at least partially, engineered—indirectly, imperfectly, but deliberately—through flows of capital, rules of trade, and shared economic stakes. And yet, somewhere along the way, finance forgot this lesson.

1 Barry Eichengreen and Marc Uzan, "The Marshall Plan: Economic Effects and Implications for Eastern Europe and the Former USSR," *Economic Policy* 7, no. 14 (1992): 13–75.

2 Mette Eilstrup and Daniel Verdier, "European Integration as a Solution to War," *European Journal of International Relations* 11, no. 1 (2005): 99–135.

Today's global financial system is extraordinarily good at generating growth. It allocates capital with dazzling speed, calibrates risk with mathematical sophistication and moves trillions across borders in milliseconds. But it does not, in any meaningful sense, price peace. The stability on which markets depend is treated as a free good—something assumed, rather than secured. This is not a small oversight. It is a central blind spot of modern capitalism. Consider the paradox at the heart of finance: what is financially rational can be, and frequently is, politically explosive. The Treaty of Versailles is the canonical example. From a narrow fiscal perspective, reparations imposed on Germany after World War I were defensible. Debts had to be repaid; balances restored. Yet the economic logic proved socially and politically calamitous, contributing to the conditions that made a second, far more devastating war possible. The maverick macroeconomist John Maynard Keynes saw this clearly: walking out of the Paris Peace Conference in 1919 and writing about the disastrous mistake the world was on the cusp of making in *The Economic Consequences of the Peace.*[3] Markets, he understood, could be right in their arithmetic while being, simultaneously, catastrophic in their consequences.

This tension persists. Finance is structurally short-term; peace is irreducibly long-term. Capital seeks liquidity, flexibility, and exit. Peace requires patience, commitment, and the slow cultivation of trust. The Asian Financial Crisis of the late 1990s offers a more recent illustration of the mismatch of time horizons. Capital flooded into Southeast Asia during the boom years, only to exit with lightning speed when confidence faltered.[4] The resulting collapses were not merely economic events. In Indonesia, the crisis helped topple Suharto's regime, unleashing political instability that reverberated for years. The IMF's financially orthodox austerity prescriptions deepened the social pain. Markets had done what

3 John Maynard Keynes, *The Economic Consequences of the Peace* (London: Macmillan, 1919).

4 Jason Furman and Joseph E. Stiglitz, "Economic Crises: Evidence and Insights from East Asia," *Brookings Papers on Economic Activity* 1998, no. 2 (1998): 1–114.

they were designed to do: respond to signals, protect capital. But in doing so, they violently amplified fragility. The Greek debt crisis followed a similar script. Financial discipline demanded cuts; political reality could not absorb them without extreme strain. The result was not immediate war, but something quieter and more insidious: a slow erosion of social cohesion, a fraying of democratic legitimacy.[5] In the Democratic Republic of Congo, on the other hand, vast natural resource wealth has fueled decades of overt conflict.[6] Here, the problem is not capital flight but capital extraction. Global markets eagerly absorb cobalt and coltan, essential for modern technologies, but remain largely indifferent to the violence embedded in their supply chains. The profits are global; the costs are local. Finance, once again, fortified capital first, leaving peace, which depends on protecting societies, unpriced.

Economists call these externalities. The costs of instability—conflict, displacement, institutional collapse—are borne by others. They do not appear on balance sheets or in asset prices. And because they are invisible to markets, they are systematically ignored. The result is a system that can generate extraordinary wealth while quietly undermining the conditions that make that wealth sustainable.

What would it mean to correct this? To design a financial system that does not merely assume peace, but actively produces it?

The answer, in principle, is straightforward: we must force markets to price stability. This does not require inventing new technologies. The tools already exist. Financial markets are adept at pricing risk—credit risk, market risk, climate risk. The rapid rise of carbon pricing offers a revealing precedent. For decades, the environmental costs of economic activity were treated as externalities. Then, however slowly and unevenly, carbon began

5 Yanis Varoufakis, Adults in the Room: *My Battle with Europe's Deep Establishment* (London: Bodley Head, 2017).

6 Jean-François Maystadt, Giacomo De Luca, Petros G. Sekeris, and John Ulimwengu. "Mineral Resources and Conflicts in DRC: A Case of Ecological Fallacy?" *Oxford Economic Papers* 66, no. 3 (2014): 721–49.

to reckoned with as a cost.[7] Emissions became liabilities, inducing investors to adjust, at least to some extent. Peace could follow a similar trajectory. Imagine a system in which destabilizing behaviour—sudden capital flight, extractive investment, speculative surges—is penalized. Not through moral exhortation, but through financial cost. Capital that exacerbates fragility would become more expensive; capital that absorbs shocks and supports long-term stability would be rewarded.

There are already glimpses of this world. The Kimberley Process, for all its imperfections, represents an attempt to exclude "blood diamonds" from global markets.[8] Sanctions regimes, when effectively designed, impose direct financial penalties on aggression—as seen in the coordinated response to Russia's invasion of Ukraine. Sovereign wealth funds and pension funds are beginning to incorporate ethical screens, excluding firms linked to human rights abuses or conflict zones. Regulations on conflict minerals push companies to audit and clean their supply chains. These are fragments of a larger idea: that peace can be embedded, however imperfectly, into the logic of markets.

But these examples remain marginal. The core architecture of global finance still treats stability as an afterthought, especially because perpetrators bear only a portion of its price. The deeper challenge is conceptual. We are accustomed to thinking of peace as a political achievement, not an economic variable. In collective consciousness, it belongs in the remit of diplomats and generals, not to traders and portfolio managers. But this division is increasingly untenable. In a world of tightly integrated markets, financial flows shape political realities with extraordinary force. They can stabilize or destabilize, integrate or fragment, empower or impoverish. To pretend that finance is neutral with respect to peace is to ignore the evidence of the past century. The real question, then, is not whether we can price peace—we clearly have the theoretical technologies to do so—it is whether we are willing to.

7 Nordhaus, William D. "An Optimal Transition Path for Controlling Greenhouse Gases." *Science* 258, no. 5086 (1992): 1315–1319.

8 https://www.kimberleyprocess.com

This question becomes urgent when we consider the scale of the risks we now face. Nuclear weapons, cyber warfare, and climate-induced conflict have transformed instability from a regional concern into a global threat.[9] These are not externalities in the traditional sense, they are existential risks—events that could disrupt or even destroy the system itself. Finance, as currently structured, is ill-equipped to handle such risks. It discounts the future, fragments responsibility, and rewards behaviour that is individually rational but collectively ruinous.[10] In doing so, it replicates, at a global scale, the very dynamics that have historically led to conflict.

And yet, there is a quiet, almost subversive possibility embedded within the system. The same mechanisms that have been used to price carbon, to manage financial risk, to allocate capital at scale, could be repurposed to price peace. To do so would require a shift not only in policy, but in imagination. It would mean recognizing that stability is not a background condition, but a scarce and valuable resource. That the absence of war is not free, but produced—through institutions, incentives, and collective action. The architects of the postwar order understood this, not least because Keynes was one of them, even if they did not articulate it in these terms. They designed a system in which finance served, however imperfectly, the broader goal of stability. We have inherited that system, but we have also hollowed it out, stripping away its implicit commitment to peace. The task now is to rebuild and reform it—more consciously, more explicitly, more ambitiously on a truly planetary scale.[11]

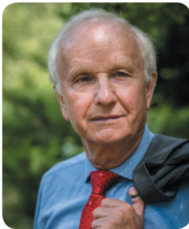
To price peace is not to commodify it in any crude sense. It is to acknowledge, finally, that the costs of instability are real, measurable, and too large to ignore. The present moment of heightened geopolitical conflict internationally, and a global economy rattled by unrest, demonstrates

9 World Economic Forum, *The Global Risks Report 2026* (Geneva: World Economic Forum, 2026).

10 Mancur Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups* (Cambridge, MA: Harvard University Press, 1965).

11 Antara Haldar, "Global Governance Based on Nation-States Is No Longer Effective." *Project Syndicate*, March 2025.

this urgency clearly—and the need to align the logic of markets with the needs of societies. It is, in a deeper sense, to bring finance back into the service of the world it depends on. The existential risks we face if we fail to reform our financial systems threatens something priceless: the survival of our species itself. As President Lech Wałęsa of Poland, winner of the Nobel Peace Prize who won his war with pamphlets rather than pistols, has so powerfully and aptly articulated it: peace is no less important than prosperity.



Grzegorz W. Kołodko, academic, public intellectual and politician, a key architect of Polish economic reforms, author of New Pragmatism—original paradigmatic and heterodox theory of economics and economic policy addressing the civilizational challenges and transformation of economic systems. The world's most quoted Polish economist. Founder and Director of TIGER – Transformation, Integration and Globalization Economic Research at Koźmiński University in Warsaw.

Member of the European Academy of Arts, Sciences, and Humanities, *Doctor Honoris Causa* and Honorary Professor of a dozen foreign universities. Since 2019, Distinguished Professor of Belt and Road School, Beijing Normal University. Author of numerous books and research papers published in 28 languages, including the international bestseller *Truth, Errors, and Lies: Politics and Economics in a Volatile World* nominated for the William Harrington Award "for an outstanding book that demonstrates how scholarship can be used in the struggle for a better world."

Participant in the historical Polish Round Table, which led to the first post-communist government in Central and Eastern Europe. While Deputy Prime Minister and Minister of Finance (1994–1997) he led Poland to the OECD. Holding the same positions in 2002–2003 played an important role in Poland's integration with the European Union.

The marathon runner, photographer and globetrotter who has explored 172 countries and visited Antarctica.

Grzegorz W. Kołodko

Global Finance and Geopolitics

The general question of whether global finance is capable of keeping pace with rapidly evolving geopolitical reality—and whether it can meaningfully contribute to reducing the risk of armed conflict necessarily—invites extensive reflection. Even a substantial treatise or a multi-threaded scholarly monograph would be insufficient to provide an exhaustive answer to this dual question—let alone a brief essay. At times, global finance does keep up with the rapidly changing geopolitical environment. at other times, however, it is geopolitical change that fails to keep pace with transformations—sometimes radically within the sphere of finance.

We live in an era of advanced financialization of economic and social relations. Increasingly, finance becomes detached from the sphere of production, often even dominating it. The pursuit of speculative financial gains frequently contributes to economic destabilization, which in turn generates social conflict. When both dynamics spill across borders, instead of reducing international tensions, they tend to escalate them. Significant shifts in geopolitical power structures are underway. A fundamental contest is unfolding over whether global finance can be subordinated to rational, well-coordinated international policy, or whether such policy will instead become subordinate to global financial interests.

In the context of this overarching question, I have been asked three specific questions, none of which are trivial. Global finance is not merely the sum of national financial systems—their monetary flows, taxation, transfers, expenditures, banking systems, and institutional structures—nor is it their simple aggregate outcome. It is an extraordinarily complex system that only partially corresponds to the real economy—to what is produced, stored, transported, and sold. Its dynamics are shaped by income and expenditure, savings and investment, reserves and debt. It operates within

an interconnected global economy in which even a minor disturbance in one location can trigger a cumulative wave of changes elsewhere—or even across the entire global economy—as occurred just over a decade ago. The global economic crisis of 2008–2010—with social and political consequences still felt today—originated in a financial crisis in the United States, itself triggered by disruptions in the American banking sector linked to the real estate market. One bank collapsed, and the foundations of the global economy trembled.

In What Way Can Global Finance Contribute to the Prevention of Conflict, Rather than Solely to Economic Growth?

The issue is highly complex, as within real political and economic mechanisms, global finance does not always contribute to economic growth, even when growth is understood in its simplest terms as the increase over time in output—most commonly measured by GDP. At times, transnational financial flows driven by profit maximization destabilize certain economies, disrupting macroeconomic reproduction processes. Instead of growth, economies may experience stagnation or even recession. The resulting slowdown exacerbates social problems—income growth weakens or declines, unemployment may rise, and income and wealth inequalities often deepen, both domestically and internationally—thereby increasing the potential for conflict.

When domestic political narratives attribute such adverse outcomes to external actors—other states, foreign firms, or people of different races and nationalities—global finance contributes not to conflict prevention but to its intensification. Unfortunately, this pattern has been evident in recent years. Economic imbalances—related to public finances, trade and balance of payments, and labor markets—partly driven by global financial dynamics, generate tensions among societies and nations. These tensions are reflected in rising xenophobia, racially charged populism, and growing protectionist practices.

A particularly striking example in this regard is the second presidency of Donald Trump, which I discuss in greater detail in my book *Trump 2.0:*

Global Disruptions and Power Shifts.[1] Trumpism—understood as the overall policy framework of the 47th President of the United States—and, more specifically, "Trumponomics," his economic policy approach, contribute to the proliferation of further conflicts.

The global financial system remains fundamentally anchored in the U.S. dollar (USD), which accounts for approximately 58% of global foreign exchange reserves and serves as the principal currency for international trade invoicing, including key commodities such as oil and gas. Around 90% of global foreign exchange transactions involve the USD. The protectionist trade policy advanced under Trump 2.0—most notably the unrestrained use of tariffs imposed on imports to the United States, including those from allied countries such as neighboring Canada and Mexico, as well as the European Union, Japan, South Korea, and Australia—serves to destabilize global finance while simultaneously exacerbating international conflicts.

Reducing the conflict-generating potential associated with dollar dominance may, over time, be supported by the relative strengthening of other currencies, particularly the euro and the renminbi (RMB). The euro currently accounts for about 20% of global reserves, and its credibility could increase with deeper European integration—though this is far from certain. At the same time, China's policy is aimed at reducing the scale of its dependence on the U.S. dollar, a process supported by its growing importance in the global economic system. The international use of the renminbi is expanding, although it still accounts for only around 2.5% of global foreign exchange reserves. For more than a decade, efforts have been underway to develop cross-border payment infrastructure as an alternative to the dollar-based system. In particular, the Chinese Cross-Border Interbank Payment System (CIPS), launched in 2015 and supported by BRICS members, has been gradually developing, enabling transactions invoiced in renminbi rather than U.S. dollars across more than 160 countries.

1 Grzegorz W. Kolodko, *Trump 2.0: Global Disruptions and Power Shifts*, Springer 2025 (https://link.springer.com/book/10.1007/978-3-031-94684-4).

Will such directions in the evolution of international economic relations—particularly in the realm of currency arrangements—contribute to conflict prevention? As long as Donald Trump occupies the White House, quite the opposite appears to be the case. He lays claim to far-reaching power not only within the United States—which is to be made “great again,” as if it were not already sufficiently powerful—but also, in effect, across much of the world. Under Trump 2.0, other states are subjected to pressure in the form of threatened or imposed punitive tariffs should they attempt to move away from conducting trade settlements in the U.S. dollar.

Yet Trump is not geography, which remains constant; he is history, which passes. Over time, a more diversified and relatively balanced global monetary system may contribute to reducing the likelihood of conflict. The path toward such an outcome, however, remains long and uncertain.

One should not be under the illusion that greater diversification of global finance would automatically constitute a remedy for enhanced peace and stability or for a reduction in disputes and conflicts. Quite the contrary. As has been aptly observed: “A multi-polar currency order may emerge if fragmentation intensifies further, creating a landscape in which multiple currencies compete for dominance in trade and finance. While multipolarity may offer diversification benefits, it also carries significant risks, particularly if the new system is rooted in fragmentation. If competing monetary blocks have divergent policy frameworks, exchange rate volatility and market uncertainty could increase. Policy misalignments could also disrupt cross-border trade and investment flows.”[2] Thus, alongside appropriate institutional arrangements, a coherent and well-calibrated policy framework remains indispensable—yet such policy is inherently difficult to achieve, not least because it is invariably entangled in the tensions between ideas and interests.

2 “Geopolitical Tensions and International Financial Fragmentation: Evidence and Implications,” *Geneva Reports on the World Economy*, International Center for Monetary and Banking Studies, Geneva, 2025 (https://cepr.org/publications/books-and-reports/geneva-28-geopolitical-tensions-and-international-fragmentation).

Undoubtedly, a reduction in the conflict-generating potential of the system could also be supported by a restructuring of the International Monetary Fund (IMF). However, such reform appears unlikely, as it would require a limitation of the dominant position of the United States within the institution and a corresponding strengthening of the role of countries of the so-called Global South, particularly China and India. In the foreseeable future, Washington is unlikely to consent to such changes.

Where Do You Perceive the Greatest Tension between the Logic of Profit And the Responsibility for Peace and International Stability?

The logic of profit operates in a fundamentally different environment from the responsibility for peace and international stability. Profits can be generated even in conditions of instability—and in some sectors, such instability may even enhance profit opportunities. This is especially true for speculative activities, which often thrive in volatile environments.

We are currently witnessing a renewed arms race and a resurgence of Cold War dynamics. In such conditions, the military-industrial complex—and the political and media actors aligned with its interests—tends to benefit significantly. The more unstable the international environment, the easier it becomes for defense-sector firms to maximize profits. Militarized rhetoric across countries—from the United States to the European Union, as well as Japan and South Korea—reinforces this trend.

Naturally, many non-democratic states are also engaging in military build-ups, which does not contribute to international stability—quite the contrary. I elaborate on this issue in my book *Global Consequences of Russia's Invasion of Ukraine: The Economics and Politics of the Second Cold War*, where I demonstrate how significantly the profitability of military-industrial complex has increased in countries such as Germany, France, the United Kingdom, and, of course, the United States. Poland, too, cannot be overlooked in this context.

In the vast majority of cases, peaceful international relations are conducive to economic activity. Under conditions of stability and predictability, and within a regulatory framework that is supportive of entrepreneurship, it is easier to conduct business and to generate profits in a fair and sustainable manner. In such circumstances, even if capital and business do not directly prioritize peace, they nonetheless benefit from it and thereby provide meaningful support to peace-oriented policies. Until recently, the social market economies of the Nordic countries—Denmark, Norway, Sweden, Finland, and Iceland—served as a model in this regard. At present, however, even there the situation is becoming increasingly complex and deteriorating under the influence of mounting militarization.

Thus, in order to return to a trajectory characterized by a greater degree of alignment between the logic of profit and the responsibility for peace and international stability, it is first necessary to confront the currently prevailing surge of militarization across economies, societies, and states. It is striking that Americans welcome the rising military expenditures of Japan, while Poles take satisfaction in the rapidly increasing scale of German rearmament. Yet, as is often the case, action provokes reaction: the military build-up of some is met by ever-expanding armament efforts on the part of others.

Military balance—provided it is accompanied by prudent policy and effective diplomacy—can serve as a guarantor of peace. The challenge, however, lies in maintaining such a balance at the lowest possible level of military expenditure, rather than allowing it to escalate through mutually reinforcing increases among all parties engaged in strategic rivalry.

What Single Change in the Global Financial System Would You Regard as Most Crucial in Preventing War Conflicts?

Almost two decades ago, I wrote:

"There was a day in March 2000 when the exchange rate of the dollar to the euro was at parity—one to one. On that same day, Professor Robert A. Mundell, who had just won a Nobel Prize in Economics, was scheduled

to give a guest lecture at Koźmiński University in Warsaw. Mundell had received that great scientific distinction above all for research connected with optimal currency areas, the theoretical concept underpinning the practical process of establishing the eurozone. Mundell is widely regarded as the godfather of the euro. During his lecture, he argued in favor of a single global currency. As a first step, he proposed a fixed, permanent exchange rate between the two main currencies as a way of effectively transforming them into a single currency. In addition, it would be necessary for the yen to assume the role of a 'cent,' given that the exchange rate was approximately 100 yen to the dollar or euro. On that very day, as it turned out, the exchange rate of the Polish złoty to both the dollar and the euro was precisely 0.25. I joked that we could immediately adopt such a system, offering our złoty as a 'quarter.' To mark the occasion, I even presented Mundell with a one-złoty coin. Things, however, turned out differently. We have been left with a dysfunctional global currency system that increases the cost of the world economy's functioning, slows its relative growth, and is likely to generate more than one future crisis."[3]

Regrettably, this is precisely what has occurred.

What, then, is to be done? A fully integrated monetary system—a single global currency—remains an obvious utopia. Yet it is by no means necessary for the contemporary global economy to operate with more than 160 separate currencies. Their number increased following the end of the Cold War in the early 1990s, when the dissolution of the Soviet Union gave rise to fifteen new currencies in the post-Soviet states, and similarly through the breakup of the Yugoslav federation. At the same time, however, several currencies disappeared with the introduction of a common currency among the majority—now 22—of European Union member states.

A reasonable direction would be to continue along this path by strengthening regional integration through shared currencies. Without going into detail, several such arrangements already exist, including the West African

3 Grzegorz W. Kolodko, *Truth, Errors and Lies. Politics and Economics in a Volatile World*, Columbia University Press, New York 2011, p. 119–120.

CFA franc, the Central African CFA franc, and the East Caribbean dollar. However, these examples remain peripheral to the global economy and, importantly, do not guarantee stability or peace in themselves. Their effectiveness depends critically on the accompanying policy framework—something that is currently lacking in certain destabilized regions, such as parts of the Sahel affected by armed conflict.

There is no single critical factor—no one institutional reform within the global financial system—that could decisively prevent armed conflict. From this perspective as well, the pursuit of peace requires continuous and painstaking effort; it is, as I often put it, akin to rowing upstream. What is needed is a global system that is both stable and flexible—capable of adapting to internal and external shocks, which will inevitably continue to arise. Clearly, the smaller the imbalances in public finances and the lower the levels of public debt across countries, the more conducive the conditions for social and political stability.

The ongoing fragmentation of the international monetary system constitutes a major challenge—simultaneously a risk and an opportunity. It may—but need not—facilitate a gradual evolution toward a system that enhances global resilience to conflict and strengthens the capacity for peaceful coexistence. For this to occur, significantly improved coordination of national policies is essential, particularly among the most influential states.

The continuation of globalization is both desirable and inevitable, but it must become increasingly inclusive in character. Unfortunately, before such a transformation takes place, current trends suggest that conditions may deteriorate further in the near term, as has already been the case in recent years.

The problem does not lie in theory. Despite its limitations, we broadly understand both the nature of the challenges and the directions of necessary action. The real problem lies in politics. If political globalization continues to diverge from economic globalization, the international environment will become progressively more unstable and conflict-prone.

Elke König was the first Chair of the Single Resolution Board (SRB), Brussels, from March 2015 until January 2023. Prior to this, and after a long career in accounting and as CFO of an international reinsurance group, she was President of the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin, Bonn) from 2012 until 2015. She was also a representative of the Supervisory Board of the Single Supervisory Mechanism.

Since the beginning of 2023 she is a Senior Policy Fellow of the Leibniz Institute for Financial Research SAFE in Frankfurt a.M. She is also a member of the CFA Institute's Systemic Risk Council.

Elke König

Can Global Finance Contribute to the Prevention of (International) Conflicts?

Last year's European Financial Congress examined to what extent global financial flows actively support the development of young democracies.[1] It is a logical next step to consider whether and how global finance can contribute to preventing conflicts and instead support stability and peace.

Unfortunately, the immediate answer is that global finance cannot, *per se*, prevent conflicts. Global finance will always focus on economic return. At the same time, assessing the inherent economic and political risk of any investment remains an important component of any investment decision. The question is thus not whether global finance can single-handedly prevent conflicts, but rather how it can be leveraged as one instrument within a broader framework of conflict prevention.

Financial Stability as a Foundation for Political Stability

Financial stability is a core pillar of political stability in any economy. For individual countries, striving for sound economic development is crucial. The belief that the next generation will be better off—the German concept of *Aufstiegsversprechen* (promise of upward mobility)—leads to political stability and thus lowers the risk of crisis, let alone unrest and violence.[2] In this context, social protection and macroeconomic policies are essential to support economic development. In turn, financial stability provides the environment for global finance to invest and remain engaged.

1 European Financial Congress (2025). *Profits and Principles: When Global Finance Meets Democratic Values*. Sopot.

2 *United Nations Chronicle* (2024, June 24). "Exploring the Interplay between Economic Stability, Conflict Resolution and Global Prosperity." https://www.un.org/en/un-chronicle/economics-of-peace-interplay-between-stability-conflict-resolution-global-prosperity

This relationship works bidirectionally: financial stability enables political stability, while political stability attracts private investment. Countries with robust financial systems, transparent regulatory frameworks, and inclusive economic growth are less vulnerable to the grievances that fuel conflict. Global finance, by seeking stable returns, naturally gravitates toward environments that minimize these risks.

The Promise and Limits of Economic Interdependence

Trade and financial interdependencies raise the economic cost of conflicts. In principle, this should help prevent the escalation of conflicts between tightly connected economies and countries.[3] Economic interdependence creates mutual vulnerabilities that theoretically make conflict economically irrational. Multilateral institutions provide forums, conditionality, and incentives that support peaceful dispute resolution and reforms. Organizations such as the International Monetary Fund (IMF) and the World Trade Organization (WTO) embody the collaborative spirit engendered by economic interdependence, providing avenues for dispute resolution and the promotion of global stability.

Unfortunately, recent history has demonstrated the limitations of this general principle. *Wandel durch Handel* (change through trade) was the concept Germany developed over years to enhance its economic ties with Russia and thus reduce the risk of conflicts. It did not prevent Russia from attacking its neighbor, Ukraine. The economic consequences were accepted by Russia's government in pursuit of their political goals. This stark example reveals that while economic interdependence can deter conflict, it cannot reliably prevent it when political imperatives override economic considerations.

At first glance, this might lead to the conclusion that global finance's impact on crisis prevention is limited to non-existent. But this assessment is too pessimistic and overlooks the more nuanced ways in which financial mechanisms can contribute to conflict prevention.

3 Gartzke, E., Li, Q., & Boehmer, C. (2001). "Investing in the Peace: Economic Interdependence and International Conflict." *International Organization*, 55(2), 391–438.

The Role of International Financial Institutions

Dedicated global organizations like the IMF and World Bank can provide critical support for fragile states. The IMF's recent Fragile and Conflict-Affected States (FCS) Strategy explicitly recognizes that the implications of fragility and conflict are macro-critical and directly relevant to its mandate.[4] By strengthening inclusive institutions, offering essential services to the population, and indirectly strengthening state legitimacy, these institutions engage in meaningful conflict prevention.

Longer-term commitment, reform where needed, and effective monitoring must become a common goal of the public and private sectors. Global finance will withdraw its investments in cases of instability, creating a feedback mechanism that incentivizes governments to maintain stability. This dynamic, while imperfect, creates economic incentives aligned with conflict prevention.

Regulatory Guardrails and Compliance Mechanisms

As stated, global finance will always put return on investment at the center of any decision. Therefore, political and regulatory guardrails are essential to safeguard financial stability. This holds true for regulatory requirements on solvency and liquidity for financial institutions, but also for Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regulation, sanctions implementation, and monitoring systems designed to disrupt financing for armed groups, war economies, and organized crime. AML/CFT policies and measures are designed to prevent and combat crimes that threaten the integrity and stability of financial markets and the global financial system.

The effectiveness of these regulatory frameworks depends on rigorous implementation and international coordination. When financial institutions face significant penalties for non-compliance, and when sanctions regimes

4 *IMF Policy Paper* (2022, March 14), "IMF Strategy for Fragile and Conflict-Affected States (FCS)." https://www.imf.org/en/publications/policy-papers/issues/2022/03/14/the-imf-strategy-for-fragile-and-conflict-affected-states-515129

are consistently enforced across jurisdictions, the financial system can become genuinely inhospitable to conflict financing. Regulatory decisions are therefore at the center of leveraging global finance for conflict prevention.

Corporate Governance and Reputational Risk

Corporate governance and social responsibility frameworks are well-established across major financial institutions. While "conflict and peace impact" might not be an explicit category in most Environmental, Social, and Governance (ESG) frameworks, the reputational risk of investments linked to conflict matters and this reputational consideration can create a powerful deterrent against financing conflict-related activities.

Conclusion

Global finance cannot prevent conflicts on its own, but it can be a meaningful contributor to conflict prevention when embedded within appropriate institutional, regulatory, and governance frameworks. The profit motive of financial actors can be aligned with conflict prevention in particular through:

- Robust international financial institutions that support fragile states and incentivize reforms,
- Stringent AML/CFT regulations and sanctions regimes that disrupt conflict financing,
- Economic interdependencies that raise the costs of conflict (while acknowledging their limitations).

The key lies not in expecting global finance to prioritize peace over profit, but in creating systems where profitable investment and conflict prevention are mutually reinforcing. This requires sustained international cooperation, strong multilateral institutions, effective regulatory enforcement, and continued evolution of corporate responsibility norms. Within such a framework, global finance can indeed contribute meaningfully to the prevention of international conflicts—not as a panacea, but as one important instrument in the broader architecture.

Dr. Lyla Latif is a Pan-African lawyer, academic, and policy strategist whose work spans public finance, international taxation, legislative reform, and technology governance. She co-developed Africa's first anti illicit financial flows policy tracker, a tool that enables countries to evaluate their laws, regulatory practice, institutional readiness, data exchange, and international cooperation in order to protect fiscal space. Appointed to Kenya's Ministry of ICT and the Digital Economy, she helped steer national strategy on emerging technologies and public data governance. As a former UNDP technical expert, she drafted income tax laws, national tax policies, and strategies for reducing inequalities. Earlier in her career, she drafted Kenya's land legislation that replaced colonial era statutes, a seminal contribution to her country's legal architecture. Latif serves as in-house expert counsel to Eswatini's Revenue Appeals Tribunal on international tax disputes, and she has trained tax administrations, parliamentarians, ministries of finance, civil society, trade unions, and journalists across four continents. Her work also advances the use of Islamic financial instruments to deepen domestic capital markets. She has delivered lectures at Bhutan's JSW Law School, in China and the UK, created a TED Ed video viewed by more than half a million people, spoken alongside a Nobel laureate on how illicit financial flows weaken states and push people into hardship, and collaborated with another Nobel Peace Prize laureate Lech Wałęsa to redefine global fiscal justice. Recognised by the Chartered Institute of Taxation of Nigeria for her contribution to tax scholarship, Latif brings a decolonial, Pan-African lens to global debates and translates comparative legal analysis into practical reforms that expand opportunity, strengthen institutions, and advance inclusive development.

Lyla Latif

Capital, Conflict, and the Architecture of Peace

Karl Marx understood that the story of capital is inseparable from the story of violence. In Volume I of *Capital*, he dismantled the fiction that wealth accumulates through peaceful industry, demonstrating that the origins of capitalist property lie in conquest, enslavement, and the forcible separation of producers from their means of subsistence.[1] David Harvey's concept of "accumulation by dispossession" extends this insight into the contemporary era, arguing that capital continues to depend on coercive extraction, particularly in the Global South.[2] In 2024, global military expenditure rose to $2.718 trillion, a 9.4 per cent increase over the preceding year and the steepest annual rise since the end of the Cold War.[3] The United States alone accounted for 43 per cent of global arms exports.[4] These figures represent the financial infrastructure through which weapons reach and are used in battlefields in the eastern Democratic Republic of Congo, Gaza, Sudan, Syria and Ukraine, and they reveal a structural relationship between economy, democracy, and the international order in which the flow of capital determines who lives, who dies, and who governs.

The Two Faces of Global Finance: Contributing to Economic Growth and Conflict

The most compelling historical precedent for finance as a tool of conflict prevention remains the Marshall Plan. When Secretary of State George C. Marshall addressed Harvard University in June 1947, he articulated

1 Karl Marx, *Capital*, Vol. I (1867), Ch. 26. Marx writes that "conquest, enslavement, robbery, murder, briefly force, play the great part" in the history of primitive accumulation.

2 David Harvey, *The New Imperialism* (Oxford University Press, 2003), pp. 137–182.

3 SIPRI, *Trends in World Military Expenditure*, 2024 (Fact Sheet, April 2025).

4 SIPRI, *Trends in International Arms Transfers*, 2024 (Fact Sheet, March 2025).

a principle that has since been more honoured in rhetoric than in practice: that there can be no political stability and no assured peace without the restoration of economic health. The European Recovery Program transferred $13.3 billion, approximately $137 billion in 2024 terms, to sixteen Western European countries between 1948 and 1951. The programme eliminated the economic conditions under which extremism flourishes, rebuilt infrastructure, revived production, and required recipient nations to cooperate through institutions that laid the foundation for what would become the European Union. It demonstrated that finance can prevent war when it addresses the structural conditions that produce conflict: poverty, institutional collapse, and the absence of legitimate governance.

No equivalent programme has been deployed where the consequences of colonial extraction and postcolonial financial dependency have been most devastating. In the Democratic Republic of the Congo, which possesses over 40 per cent of the world's coltan reserves, global finance has operated almost exclusively in an extractive mode. A 2001 United Nations report documented the "systemic and systematic" looting of Congolese natural resources and implicated over 100 Western corporations in financing rebel groups.[5] In 2024, armed groups in Ituri Province alone generated approximately $140 million in mineral revenues that directly financed weapons purchases, recruitment, and mass atrocities.[6] In Liberia, between 1989 and 2003, two successive civil wars claimed an estimated 250,000 lives.[7] Charles Taylor's regime financed its war machine through illicit trade in timber and diamonds. Children born into war spent their entire formative years as combatants or forced labourers; they emerged into adulthood without education, without skills, and without the social infrastructure necessary for productive citizenship. A generation was not lost to natural

5 UN Group of Experts on the DRC, Final Report, S/2001/357 (2001).

6 Genocide Watch, Special Report: Conflict Minerals in the DR Congo (June 2025); IMPACT, Suspend Sourcing Minerals Financing Armed Groups in DRC (February 2025).

7 Center for Justice and Accountability, "Liberia: Background," https://cja.org/where-we-work/liberia/.

disaster but to a war sustained by identifiable financial flows that the international community chose not to interrupt. The same pattern has repeated in Rwanda, in the Central African Republic, and in Uganda.

Lech Wałęsa, whose Solidarity movement toppled communist authoritarianism in Poland, understood this interdependence. "History has taught us that there can be no bread without freedom," Solidarity's programme declared in 1981, and Wałęsa himself observed that peace and justice are like bread and salt for humankind.[8] This captures a truth that global financial architecture has consistently failed to operationalise: economic provision without democratic governance produces neither peace nor prosperity, and democratic governance without economic security remains fragile and susceptible to capture by those with the capital to finance violence.

Global Finance and the Resulting Tension between the Logic of Profit and the Responsibility for Peace and International Stability

The greatest tension lies where Marx located capitalism's central contradiction: in the tendency to treat human beings, communities, and nations as instruments of accumulation. Marx described the "general law of capitalist accumulation" as producing wealth at one pole and misery at the other.[9] Luxemburg extended this to the international sphere, arguing that capitalism requires non-capitalist territories for expansion and that imperialism is this compulsion's political expression.[10] This tension is acutely visible in three domains:

First, the global arms trade. When NATO members collectively spent $1.51 trillion on their militaries in 2024, they sustained an industrial complex whose profitability depends on the perpetuation of insecurity.[11] A 2025

8 Lech Wałęsa, "Nobel Lecture," December 11, 1983.

9 Marx, *Capital*, Vol. I, Ch. 25: "The General Law of Capitalist Accumulation."

10 Rosa Luxemburg, *The Accumulation of Capital* (1913).

11 SIPRI Yearbook 2025, Ch. 3. NATO members collectively spent $1.51 trillion in 2024 (55% of global expenditures).

United Nations report warned that excessive military spending undermines the Sustainable Development Goals and poses risks to long-term stability.[12] The arms trade creates a perverse incentive structure in which peace is bad for business and the corporations that manufacture weapons exercise disproportionate influence over foreign policy. Second, the scramble for critical minerals and technology. The escalating trade war between the United States and China, conducted through tariffs, semiconductor export controls, and competition for rare earth minerals, reproduces the dynamics of imperial rivalry Marx analysed in the nineteenth century. The Congolese people, who live above some of the most valuable mineral deposits on earth, remain among the poorest in the world, with over 70 per cent surviving on less than $2.15 per day. The Dodd-Frank Act's conflict mineral provisions have had no measurable effect on reducing violence in the eastern DRC.[13] Third, the asymmetry of the peace architecture. The United Nations was established to maintain international peace and security, and Article 26 of the Charter charges the Security Council with formulating plans for the regulation of armaments.[14] Yet the five permanent members of the Security Council are among the world's largest arms exporters. The institution charged with preventing war is governed by states whose economies benefit from its continuation. The wars in Gaza, Sudan, and Ukraine persist not because the international community lacks the mechanisms to address them, but because the financial and strategic interests of the most powerful states are served by their continuation or by the selective application of the rules-based order.

The Charter of the Board of Peace, established in 2025, represents the most acute contemporary manifestation of this structural contradiction. Emerging from negotiations over the situation in Gaza, the Board concentrates near-absolute authority in a single individual serving as Chairman with no term limit and no accountability mechanism, while its Executive Board is composed

12 UN Secretary-General, Report on Global Impact of Military Expenditure on the SDGs (2025).

13 Section 1502, Dodd-Frank Act, Pub. L. No. 111-203 (2010); GAO-25-107018 (2025).

14 UN Charter, Articles 1(1) and 26.

of figures drawn from private equity, sovereign wealth fund management, and real estate investment.[15] The Charter makes no reference whatsoever to human rights, international humanitarian law, self-determination, or the right to development. Its Article 2.2(c) creates a plutocratic membership structure in which States contributing more than one billion US dollars within the first year are exempted from term limits, effectively commodifying participation in international governance. The complete exclusion of all African States from the Board's membership, despite the African Union's extensive peace-building experience through mechanisms such as the African Peace and Security Architecture, reproduces the epistemological and political hierarchies of the Berlin Conference of 1884. The Board of Peace represents, in essence, the privatisation of international peace-building: it fuses private investment interests with peace-building authority, claims international legal personality whilst rejecting accountability, and offers no substantive vision of peace beyond stability and order. When individuals who control investment vehicles with interests in real estate and private equity simultaneously control an organisation with authority to acquire property and enter contracts in conflict-affected territories, and when that organisation enjoys immunity from local legal processes, the conditions for what Harvey would recognise as accumulation by dispossession are established under the banner of peace itself.

The Single Change in the Global Financial System That Would Be Most Crucial in Preventing War and Conflict

The single most crucial change would be the establishment of a binding international framework for conflict finance accountability, one that imposes enforceable legal obligations on states, financial institutions, and corporations whose capital flows sustain armed violence. War requires money. It takes capital to purchase weapons, recruit fighters, build logistical infrastructure, and maintain the political networks that keep belligerents

15 Charter of the Board of Peace (2025). See Lyla Latif, "The Privatisation of Peace under the Charter of the Board of Peace" (2025), SSRN 6134747; Charter Articles 2.1, 2.2(c), 3.2(a), 4.2, 5.2, 6(a), 6(b), 7, and 10.2.

in power. If the financial pipelines that sustain conflict can be identified, monitored, and severed, the material capacity to wage war is diminished. Such a framework would require three elements. First, mandatory and standardised disclosure of arms sales, military expenditure, and financial flows associated with conflict-affected supply chains, extending far beyond the Dodd-Frank provisions. Second, an independent international monitoring body, more empowered than existing UN panels of experts, with authority to investigate, name, and refer for prosecution those whose financial activities sustain armed conflict. Third, a sanctions regime that targets not only belligerents but financial intermediaries, the banks, commodity traders, and logistics companies, without whose services the machinery of war cannot function.

The Marshall Plan demonstrated that when political will exists, finance can be redirected from destruction to reconstruction. Marx understood that the relationship between capital and the state is one of mutual dependence: capital requires the state to enforce the conditions of accumulation, and the state depends on capital for its fiscal survival. If that relationship can be restructured so that the state's interest in peace takes precedence over capital's interest in profit, then the financial architecture of the international order can become a force for human security rather than human suffering. The alternative is already taking shape. The Charter of the Board of Peace demonstrates what happens in the absence of such a framework: peacebuilding is privatised, accountability is dissolved, affected populations are rendered voiceless, and entire continents are excluded from the architecture that will determine their futures. A binding international framework for conflict finance accountability would render such arrangements legally and politically untenable by subjecting all peace-related financial flows to independent scrutiny and democratic oversight. The historical record, from the Marshall Plan to the anti-apartheid sanctions regime, demonstrates that this is possible. The question is whether the states and institutions that control global finance possess the moral courage to constrain their own power in the service of a peace that benefits all of humanity.

EDUCATION

Jean Lemierre is a graduate of the Institut d'Études Politiques in Paris and the École Nationale d'Administration. He also holds a degree in law.

PROFESSIONAL CAREER

Jean Lemierre's extensive professional experience is widely respected in the field of international finance.

During the 1980s, he held various positions within the French tax administration, including Director of Tax Legislation and Director-General of Taxes.

In May 1995, he was appointed Chief of Staff at the French Ministry of the Economy and Finance, and in October of the same year, he became Director of the French Treasury.

Before being appointed President of the European Bank for Reconstruction and Development (EBRD) in 2000, he served as a member of the European Monetary Committee (1995–1998), Chairman of the European Economic and Financial Committee (1999–2000), and Chairman of the Paris Club (1999–2000). He held the presidency of the EBRD until 2008.

In 2009, Mr. Lemierre joined the International Advisory Council of the China Investment Corporation (CIC) and the International Advisory Council of the China Development Bank (CDB). He is also a member of the International Advisory Panel (IAP) of the Monetary Authority of Singapore (MAS).

From September 1, 2008 to November 30, 2014, he served as Senior Advisor to the Chairman of BNP Paribas Group.

CURRENT POSITIONS

On December 1, 2014, Jean Lemierre was appointed Chairman of the Supervisory Board of BNP Paribas Group.

He also serves as Chairman of the Centre d'Études Prospectives et d'Informations Internationales (CEPII), is a member of the Institute of International Finance (IIF), and, in May 2016, was appointed to the Board of Directors of TOTAL.

Jean Lemierre

Redefinition of Risk and Value: The Role of Global Finance in Preventing Conflicts and Shaping a Shock-Resilient Future

We are living in an era of profound transformations. As citizens, entrepreneurs, voters, and consumers, we all participate in determining the direction in which our societies are moving. The capacity for innovation, cooperation, and adaptation will ultimately determine which states and communities will be best prepared for the challenges of the future.

Technology is developing at a rapid pace, the geopolitical situation is becoming increasingly unstable, and the cohesion of social bonds is being put to the test. These forces are transforming the way we live, work, communicate, and think about security. This is already visible today in Europe and the United States, but also within the broader international order. The European Union seeks to reconcile technological progress with the protection of citizens' rights by creating regulatory frameworks for artificial intelligence, the protection of privacy, and digital markets. The United States continues to focus on innovation, competitiveness, and the global primacy of its technological sector. At the same time, the strategic rivalry among the United States, China, and Europe serves as a stark reminder that technology has ceased to be exclusively a commercial matter. It has become an instrument of political influence, economic power, and national security.

Artificial intelligence, blockchain technology, and—provided that appropriate regulations are established—digital currencies possess genuine transformative potential. They may improve healthcare, education, public services, trade, and countless other areas of economic life. These same

technologies, however, also generate challenges: the transformation of the nature of work, cyberattacks, disinformation, the expansion of surveillance, and new forms of inequality.

Therefore, the key question is no longer exclusively: “What can we build?” Equally important is the question: “How can we build responsibly?” It is essential to recognize that technology—when accompanied by prudent leadership and robust ethical principles—may become a powerful force for inclusive growth.

At the same time, growing geopolitical tensions and the return of territorial conflicts are putting the international order to the test. The conflict in Ukraine, the numerous conflicts in the Middle East, and the intensifying rivalry among the major powers demonstrate that peace and stability can no longer be taken for granted.

Against this backdrop, the global financial system has a role to play that extends far beyond merely facilitating economic growth. It may actively contribute to conflict prevention by encouraging cooperation, reducing inequalities, and deepening practical interdependencies among states. European Union investment funds may support reconstruction, energy security, and infrastructure development in regions particularly vulnerable to crises. In the United States, financial policy and targeted sanctions are employed as instruments of deterrence and influence over the conduct of states in the international arena. At the institutional level, the International Monetary Fund, the World Bank, and regional development banks may assist in stabilizing economies before financial difficulties evolve into political crises.

Global finance must therefore evolve. It should no longer be perceived solely as a mechanism of growth, profit, and investment. It must also become an instrument of stability, cooperation, and the construction of shared prosperity. In a world in which economic weakness may rapidly transform into a security threat, finance must assume a more active role in maintaining interconnections among states, managing systemic risk, and creating the foundations of a more stable international order.

A Paradigm Shift Toward GDP Optimization and the Minimization of Systemic Risk

Financial stability must signify the construction of systems capable of absorbing crises, adapting to newly emerging threats, and maintaining long-term resilience.

One of the most urgent dimensions of this transformation is the financing of critical infrastructure. Historically, infrastructure investments were treated primarily as a lever for economic stimulation. In the new era, the center of gravity must shift toward the development of solutions that are not only efficient, but also resilient to shocks and capable of providing the energy necessary for the advancement of artificial intelligence.

One of the principal conclusions arising from recent tensions concerns the issue of dependence on suppliers, energy sources, or clients. The financial sector may significantly support diversification through the investments necessary to reduce each of these dependencies—both within individual states and enterprises.

The financial sector is confronted with an opportunity of critical importance, yet it also bears the responsibility of prioritizing investments that foster social stability. By financing projects that reduce inequalities, promote social inclusion, and address the root causes of vulnerability to the effects of climate change, financial institutions may directly contribute to conflict prevention. Investments in education, healthcare, and sustainable development are not acts of philanthropy. They constitute the foundations of long-term peace and security.

Common Standards for Profit and Stability

The principal tension within today's global financial system exists between profit and stability. Profit remains indispensable—it drives investment, innovation, and economic growth. However, when it becomes the sole objective, broader costs are too easily overlooked: environmental degradation, social inequalities, the erosion of public trust, and, consequently, political instability as well.

Stability requires a different framework of action. It requires banks, investors, and enterprises to look beyond the perspective of the next quarter and to take into account the long-term condition of societies, economies, and ecosystems. This is not an argument against profit. It is an argument in favor of recognizing that short-term gains may, over time, accumulate into long-term risks if they weaken the systems upon which prosperity depends.

Janusz Lewandowski (born in 1951) holds a PhD in economics. He was a lecturer at the University of Gdańsk and foreign universities, and established the Institute of Research into Market Economy in Gdańsk. Between 1980 and 1989, he was an economic adviser to NSZZ "Solidarność", and in 1988 a co-founder of the Liberal Democratic Congress. A Member of Parliament of the 1st, 3rd and 4th terms, former minister of privatisation in the governments of Jan Krzysztof Bielecki (1990–1991) and Hanna Suchocka (1992–1993). In the European election of June 13, 2004, he became an MEP from the Civic Platform's list. For two years and a half, he was in charge of the European Parliament's Budget Committee, and then he took the position of its deputy chairman. In the years 2010–2014, he was the EU Commissioner for Financial Programming and the Budget. Member of the European Parliament, Vice-Chairman of the Committee on Budgets.

Janusz Lewandowski

International Finance Will Not Fix the World

Global finance and global trade are hostages to global politics. Globalization—understood as adherence to commonly accepted rules—belongs to the past. Regrettably, this has occurred with the participation of the United States. Yet it was under U.S. auspices, in the aftermath of the trauma of the Second World War, that institutions intended to safeguard the international order emerged—most notably the United Nations, along with its autonomous specialized agencies. Of the nineteen such institutions, two—the World Bank and the International Monetary Fund—formed the core of the Bretton Woods system established in 1944, serving as guardians of the global financial order.

This system endured until 1971–73, when President Nixon suspended the convertibility of the dollar into gold. The so-called "Nixon shock" marked the end of the era of fixed exchange rates based on a dollar linked to gold. The definitive collapse of the gold standard necessitated a transformation in the functioning of the International Monetary Fund—now providing financial assistance to countries facing balance-of-payments difficulties—as well as a redefinition of the mission of the World Bank.

The erosion of global institutions has also affected the World Trade Organization, the successor to the GATT, established in Geneva in 1995. Universal membership in these institutions is not synonymous with compliance with their declared principles. This is illustrated not only by the United Nations Security Council, in which Russia participates as a permanent member, but also by the World Trade Organization, in which China has participated since 2001 with the consent of the United States. China has reaped the full benefits of membership, but without reciprocity.

I do not overestimate the role of the post-war architecture of peace. Wars did occur, yet they did not escalate into global conflicts as in 1918 and 1939, largely because the great powers restrained one another through nuclear deterrence.

One must adopt a realist perspective when addressing the question of how global finance can prevent wars at a time when war has returned to our continent with Russia's aggression against Ukraine. Moreover, in 2026, the United States and Israel launched strikes against Iran. It once seemed that global standards were set by the G7 bloc—France, Japan, Canada, the United States, the United Kingdom, and Italy. This remained the case until the emergence of BRICS in 2006. That bloc constituted an explicit challenge to Western dominance, and, more troublingly, its founding members—Brazil, Russia, India, China, and, from 2011, South Africa—were joined, following Putin's aggression against Ukraine, by Egypt, Ethiopia, Iran, and the United Arab Emirates.

The BRICS-plus grouping lacks any genuine cohesion. It represents a mosaic of political and economic systems, predominantly authoritarian, united primarily by their opposition to Western dominance. Since the G7, largely due to the policies of Donald Trump, has ceased to function as a cohesive bloc, the prospects for global finance to stabilize the international order have effectively diminished to zero.

Accordingly, attention must be directed to what lies within our control. We possess a tangible capacity to shape the future of our continent. This is a substantial economic potential that is reawakening to self-determination in the era of Putin and Trump. It has the capacity to act as a global player rather than as a passive object in the strategic competition among the United States, China, and Russia—powers inclined to divide the world into spheres of influence. If it is unable to restore global trade rules, it can at least expand its own sphere of free trade. It is doing so through free trade agreements (FTAs) with major partners such as Japan, Canada, and South Korea, and more recently with Mercosur, India, and Australia.

Likewise, if global financial standards cannot be effectively enforced, we can instead lay the foundations for peaceful cooperation on our own continent. This objective is advanced through the single market, the Schengen Area, and the common currency—the euro.

As Europe loses confidence in U.S. security guarantees, it must assume responsibility for its own strategic sovereignty. This entails more than reducing dependence on U.S. digital platforms or China's near-monopoly in the supply of rare earth materials. In the face of mounting threats, strategic sovereignty is increasingly acquiring a military dimension. This is not a welcome development; after all, when we acceded to the European Union in 2004, it was conceived as a profoundly pacifist project. The defence dimension had, since 1999, been ensured through membership in NATO.

Today, however, the European Union is rediscovering mutual security guarantees under Article 42(7) of the Treaties, and this shift is having a tangible impact on the EU's financial system. I raised this geopolitical dimension as a participant at the EUROFI conference in Copenhagen in September 2025, given that this highly significant financial forum is hosted by the Member State holding the rotating Presidency of the Council of the European Union. A striking confirmation of these observations came when the subsequent Presidency cancelled the March 2026 EUROFI meeting in Nicosia. For the first time, the conference was held remotely, following Iran's attack on bases in Cyprus. In this way, the vulnerability of countries such as Poland—bordering Russia, Belarus, and Ukraine—became directly relevant to states in the Mediterranean region.

What is now unfolding is an inevitable and irreversible militarization of the European Union's financial architecture. Security has become the most sought-after public good, and the concept of "resilience" has moved to the forefront of financial discourse. This shift is reflected in financial terms in the SAFE programme and in the proposed Multiannual Financial Framework for 2028–2034. It is also evident in the changing priorities of the European Investment Bank, which for years avoided projects

with any military dimension but is now willing to finance "dual-use" infrastructure—critical for military mobility—as well as projects of a strictly military nature.

Similarly, the European Investment Fund, in its support for European technological champions, has established the Defence Equity Facility and has signed a Memorandum of Understanding with NATO's Innovation Fund. This is an unmistakable sign of the times—regrettable, yet necessary.

The effort to build financial foundations for security and peaceful cooperation on our continent stands in stark contrast to the profits derived from war and human suffering. Such gains appear to align with the interests of the Trump administration, which benefits from the war in Ukraine insofar as Europe finances, in the United States, the procurement of armaments destined for Ukraine. Similar suspicions concern so-called insiders—business actors privy to U.S. intentions—who capitalize on U.S. and Israeli intervention in Iran, an intervention that has generated significant turbulence in global oil and gas markets.

When such suspicions concern a country that, after the Second World War, played a central role in stabilizing global finance and safeguarding peace, the responsibility of the European Union correspondingly increases. The stronger the European Union is—both economically and politically cohesive—the greater its capacity to shape global developments. At present, however, both dimensions remain insufficient, thereby defining the priorities for an era of adverse geopolitics.

A united Europe must confront the rise of populism and nationalism, which threaten to undermine the Union from within. Populism gains traction when fears—whether related to migration, economic insecurity, or broader existential anxieties—intensify, as this fuels demand for strong, order-imposing leadership. It also feeds calls to halt the inflow of culturally distinct refugees, perceived by some as a threat to the European way of life. In this cultural dimension, previous openness has indeed generated challenges. A tightening of deportation regimes may therefore be justified.

Above all, Europe's standing on the international stage remains a function of its economic strength and competitiveness. The barriers to growth, competitiveness, and innovation are well identified. Mario Draghi and Enrico Letta, in their respective reports, have provided a sound diagnosis and advanced pertinent recommendations. First and foremost, they call for the liberation of entrepreneurship from excessive regulatory burdens.

The response takes the form of so-called "omnibus" packages—initiatives aimed at deregulation and simplification—which in the European Union represent a reversal of the long-standing trend toward regulatory proliferation, often encapsulated in the maxim "Brussels knows best." Second, it involves overcoming the fragmentation of the single market. A particularly noteworthy proposal in this regard is the "28th Regime," namely a uniform, EU-wide set of rules for innovative firms, enabling them to finance their development and scale up without having to navigate disparate national legal systems across Member States.

Thirdly, there is an effort to mobilize the trillions of euros currently held in bank deposits and redirect them into productive investment. This initiative, referred to as the "Savings and Investment Union," seeks to revitalize capital markets within the European Union. It proceeds without the illusion that Europe can replicate the unique ecosystem of Silicon Valley, as the issue extends beyond regulation to encompass broader cultural and behavioral factors. In particular, it concerns a willingness to take risks—an attribute that, in the United States, allows business failure to be seen not as a deterrent but as the foundation for subsequent entrepreneurial attempts.

These constitute the fundamental determinants of the European Union's economic strength and, consequently, of its capacity to shape the rules governing the global economy.

A response to the question—worthy of Lech Wałęsa—of whether global finance can prevent wars must be grounded in realism, much like his leadership in Poland's path to freedom and sovereignty. Global finance functions best under conditions of peaceful cooperation. Conflict, war—in

short, times of instability—inevitably shorten decision-making horizons. They discourage investors from undertaking long-term projects, as capital reserves must instead be maintained to respond to unforeseen shocks.

None of the three superpowers—the United States, Russia, and China—appears genuinely committed to stabilizing global finance. On the contrary, they are themselves sources of uncertainty and systemic risk. Paradoxically, it is the former guarantor of the post-war political and financial order—America under President Trump—that now contributes to global instability. For this reason, the answer to the question posed in Wałęsa's name cannot be optimistic.

Accordingly, the imperative is to safeguard peaceful cooperation and economic prosperity on our own continent. A secure Poland within a united and solidaristic Europe—this is the mission of the Solidarity generation, my generation, and a legacy to be entrusted to those that follow.

Leandro Narloch is a Brazilian journalist and writer. His books have sold more than one million copies. The most recent, The Politically Incorrect Guide to the Environment, was also published in Poland. He has worked as an editor and columnist for some of Brazil's leading newspapers and magazines, such as Veja, Superinteressante, and Folha de S. Paulo. Narloch holds a master's degree in philosophy from Birkbeck, University of London.

Leandro Narloch

Global Finance Is Not Only a Tool for International Peace: It Is One of Its Pillars

When it comes to the prevention of interstate conflict, we should never underestimate the Kantian intuition on the pacifying effects of international trade. The Prussian thinker argued that commerce binds nations together, creating webs of mutual dependence that make war less attractive. Trade does more than move goods: it forges connections between people and nurtures the sense of a shared community.

Since Kant and the Enlightenment thinkers advanced this idea, it has been repeatedly challenged. Critics have pointed to episodes in which countries traded extensively and still went to war, declaring the "doux commerce" thesis obsolete. Yet the theory has proven remarkably resilient. A vast body of empirical research continues to find a robust negative relationship between economic interdependence and armed conflict.

Trade, however, does not operate in isolation. It requires capital and investors willing to take risks across borders. Global finance magnifies the pacifying logic of trade. It does more than facilitate exchange; it entangles interests. Investors in one country become dependent on the prosperity of another. Pension funds, banks, and multinational firms turn into stakeholders in global stability.

Consider the relationship between the United States and China. The fact that China holds vast amounts of U.S. debt and shares of American companies does not eliminate geopolitical tension. But it raises the price of escalation. The deeper the interdependence, the higher the cost of rupture.

Global finance, in this sense, softens the edges of aggressive nationalism. It benefits cosmopolitanism; it forces a degree of alignment across borders

and creates a subtle dynamic in which citizens have a stake in the success of other nations. More global finance, less room for narrow-minded nationalism.

There is another important role. Capital mobility can act as a powerful disciplining mechanism. To understand this, we must remember that money flees insecurity and instability; it is drawn to trust and predictability. When a country consistently attracts capital, it signals that its institutions (democratic or not) make a reasonable job of providing trust. Conversely, when citizens seek desperately to move their savings abroad, it is often a sign that trust has eroded, even if the government enjoys electoral legitimacy. In this scenario, capital mobility forces governments to compete in the provision of trust and stability. It functions as a silent threat: fail to provide trust, and capital will exit.

None of this implies that global finance is immune to exceptions. Certain forms of foreign investment (especially in extractive industries) can fuel the "resource curse," allowing political leaders to rely less on domestic taxpayers and more on rents from natural resources. Investors may also turn a blind eye to civil wars, corruption, or repression when returns are high. This is precisely why anti-bribery international laws and private governance frameworks, such as ESG standards, have emerged: to align financial incentives with broader social goals.

Moreover, the interests of traders and investors are not always reflected in political decisions. The benefits of trade and financial integration are frequently misunderstood. Their costs tend to be visible, concentrated, and immediate (such as the closure of a local factory), while their gains are diffuse, delayed, and harder to attribute (such as productivity growth, a greater supply of goods, and lower prices). This asymmetry creates fertile ground for political backlash.

There is also a crucial distinction to be made: one thing is engaging economically with the population that lives under an authoritarian government; another is financing the apparatus of the regime itself. Trade and private investment empower individuals, foster the emergence of a

middle class, and gradually expand the demand for rights. But financial flows that directly strengthen authoritarian governments may entrench repression. The line is not always clear—and democracies themselves have often blurred it.

For example, Brazil's Car Wash Operation revealed that, in the 2000s, the Brazilian government was involved in large-scale corruption schemes involving private contractors and the autocratic governments of Cuba and Venezuela. This illustrates how even "vibrant democracies" can end up supporting authoritarian regimes through misguided or compromised financial arrangements.

This also highlights the importance of monitoring investments and foreign aid carried out by governments and international organizations, such as financing state-owned enterprises or providing sovereign loans without conditions. This has been the case with part of the financing directed to African countries, which has ended up empowering oppressive regimes against their own population.

But these caveats do not diminish the role of trade and global finance in promoting peace. With this in mind, international organizations should champion global finance. They should place greater emphasis on reducing barriers to cross-border investment—such as restrictions on foreign ownership of land and companies, limitations on capital mobility, and obstacles to international trade. Because global finance is not only a tool for international peace—it is one of its pillars.

Roberto Nicastro, born in 1964, is Chairman of AideXa, Fintech aimed at small businesses and entrepreneurs as well as an “angel investor” in the Fintech sector.

He is also European Advisor to Cerberus Capital, one of the leading global Private Equity funds, specialized in banking and finance and Vice Chairman of VeloBank (Poland).

Prior to this, Roberto was also: Chairman of Officine CST, on behalf of Cerberus fund (2018–2025), Board member and Vice-Chairman of UBI Banca (2019–2020); Chairman of the so-called Four Good Banks (Chieti, Ferrara, Etruria, Marche), in charge of their financial restructuring and subsequent divestiture on behalf of the Bank of Italy, the first completed bail-in resolution in Europe (2015–2017).

Formerly, Roberto worked for 18 years within Unicredit Group, which he joined in 1997 starting as Planning Manager and becoming its Group General Manager in 2011. In Unicredit, he was previously in charge of founding and guiding its Central Eastern European leadership as well as managing the Retail Business.

In 2010–2012, Roberto was Chairman of the European Financial Marketing Association and Deputy Chairman of the Italian Banking Association.

Beforehand, Roberto worked with McKinsey & Co. and with Salomon Brothers in London.

Roberto is married and has two children.

Roberto Nicastro

Global Finance and Peace

We are living through a paradox. The global financial system has never been more deeply integrated, yet the risk of major interstate conflict has rarely felt more present. This is not a coincidence—it is a structural tension at the heart of how the post-1945 international order was designed. That order assumed that economic interdependence would make war irrational. The assumption was not wrong, but it was incomplete. Finance can raise the cost of conflict; it cannot eliminate the impulses that drive it.

Three forces are simultaneously reshaping the relationship between finance and peace. The United States has signalled, through its 2025 National Security Strategy (NSS), that the era of unconditional underwriting of the global order is over—reframing its international engagement almost entirely around economic sovereignty and industrial power (albeit the ongoing Iran conflict strains this framework). China, with the patience of a long-game strategist, is constructing a parallel financial architecture—the Asian Infrastructure Investment Bank, the Cross-Border Interbank Payment System, and over a trillion dollars invested through the Belt and Road initiative—offering the Global South capital without political conditionality and infrastructure without governance reform. And a coalition of middle powers, articulated most precisely by Mark Carney at Davos in January 2026, is searching for a third path: collective financial action as the basis of genuine strategic autonomy, on the sober premise that those not at the table end up on the menu. The European Union sits at the intersection of all three forces. It is a great power in trade weight and institutional architecture; it has not yet consistently acted as one in geopolitical terms. Whether it chooses to do so in the years ahead is not only a question for Europe—it is a question for the stability of the global order itself.

What Finance Can Actually Do

The most honest starting point is to be clear about what finance cannot do. It cannot resolve the root causes of conflict: territorial disputes left open for decades, power transitions between rising and established states, the security dilemma in a system with no authority above states, the calculations of leaders who perceive their personal survival as the ultimate stake. These factors have a causal force that financial levers can modulate but certainly not neutralise. A peace founded solely on economic calculation is fragile—it holds as long as the incentive structure holds, and dissolves the moment a leader concludes that the political cost of backing down exceeds the economic cost of fighting. The European powers of 1914 were the most financially integrated in history. They went to war regardless.

Within Those Limits, However, Three Channels Are Real and Possibly Underused

The first is informational. Financial markets aggregate forward-looking judgments faster than any diplomatic system. Sovereign credit default swap spreads, currency flight, energy futures, and equity repricing in conflict-adjacent sectors routinely price in escalating conflict probability months before formal hostilities. In the weeks preceding Russia's full-scale invasion of Ukraine in February 2022, every one of these signals was visible and measurable—the financial system was communicating what diplomacy was slower to say aloud. Systematic monitoring of these indicators, integrated into the analytical frameworks of the IMF, the World Bank, and major central banks, can open genuine windows for preventive action. Recent oil price surges amid the Iran conflict underscore how market signals shape real-time decision-making.

The second is deterrence—but only when built before the crisis, not assembled during it. Financial integration raises the expected cost of aggression: capital flight, credit collapse, exclusion from clearing systems, loss of technology finance. This calculus enters the utility function

of even the most aggressive leaderships, provided interdependence is sufficiently symmetric and the institutions governing it are perceived as legitimate rather than as instruments of the stronger party's dominance. The fundamental lesson of the post-2022 sanctions experience is that deterrence works preventively. Once a conflict has begun, the deterrent function of finance is less effective.

The third instrument—possibly underutilized—is reconstruction and development finance deployed as peace instruments. Conflict resolution theory identifies the mutually hurting stalemate as the moment when negotiations become possible: when both parties perceive that continuing costs more than settling. Reconstruction finance can accelerate the transition to that moment by front-loading the tangible benefits of peace. In the Ukraine case, the World Bank estimates reconstruction costs at over 500 billion dollars. That figure is not merely a financing problem—it is a structure of opportunity. Making that capital credibly conditional on a verifiable ceasefire and compliance milestones could create a pull towards settlement that operates alongside the push of military and economic exhaustion. Reconstruction finance, designed well, does not follow peace. It helps produce it.

Where the Tension Lies

The greatest tension between the logic of profit and the responsibility for peace is structural rather than moral. Certain sectors benefit measurably from sustained conflict. Defence and aerospace equities consistently outperform during escalation phases. Energy majors gain from supply disruption. Commodity traders profit from volatility. In the wake of Russia's 2022 invasion, European defence stocks delivered some of their strongest multi-year returns. These gains are concentrated, immediate, and accrue to actors with significant institutional access. The aggregate costs of conflict—disrupted trade finance, investment paralysis, elevated risk premia, sovereign debt stress—are diffuse and slow. The lobby dynamics this asymmetry produces are not in line with those of peace.

Beneath this lies a deeper misalignment: financial markets discount the future steeply, while durable peace is an irreducibly long-term public good. Investment in multilateral institutions, in conflict-prevention mechanisms, in the patient construction of symmetric interdependence—none of these generate quarterly returns. This is an architectural problem. It requires regulatory frameworks that internalise geopolitical risk, investment mandates for sovereign wealth funds and pension funds that account explicitly for long-term stability, and institutional design that creates durable stakeholders in peace rather than transient beneficiaries of tension. Multilateral institutions face strong criticism from the current U.S. Administration and require recalibration—here, the European Union and the other "middle powers" could play a key role.

Peace is not a by-product of financial efficiency—it demands deliberate institutional construction.

Ana Palacio, an international lawyer by training, was the first female Minister of Foreign Affairs of Spain. She has held a distinguished career in public service—from leading positions in European institutions to General Counsel of the World Bank Group—she specializes in energy matters. Currently, along with leading Palacio y Asociados, the European Union consultancy, Ms. Palacio sits on the corporate boards of several publicly traded, energy-focused companies and is a member of the International Advisory Board of OCP Group (leading Moroccan fertilizer company). She also serves on the External Advisory Committee of Secretary Ernest Moniz's Energy Futures Initiative. Ms. Palacio was previously a member of the Executive Committee and Senior VP for International Affairs at Areva, a leader in nuclear power and renewable energy.

Ms. Palacio is also a member of the Board and the Strategy Committee of the Atlantic Council and was the first non-American member of its Executive Committee. She has been appointed as a member of the Wilfried Martens Centre for European Studies' Academic Council. Currently, she maintains close ties with the European Commission on defence matters, having had the opportunity to present her ideas to Commissioner Andrius Kubilius. She is a regular speaker at international conferences and a contributor to different publications, including a monthly column for Project Syndicate, and a weekly column for El Mundo (Spain). She is a Visiting Professor at the Edmund Walsh School of Foreign Service at Georgetown University.

Ana Palacio

Geopolitical Resilience and the Future of Global Finance

The disruption of the Strait of Hormuz in March this year may prove to be the latest manifestation of a deeper structural shift whose full consequences are still unfolding at the time of writing. It belongs to a sequence of shocks—the COVID-19 pandemic, Russia's full-scale invasion of Ukraine in February 2022, and the growing fragmentation of global supply chains—which points to something larger than episodic crises. Together they illustrate a change in the global environment: the return of geopolitics into what for decades had seemed the relatively placid waters of geoeconomics.

For a long time, globalization rested on the implicit assumption that economic interdependence would gradually reduce geopolitical risk. Markets expanded, supply chains optimized for efficiency, and finance deepened under the expectation that stability was the normal condition and disruption the exception. What we are witnessing today increasingly suggests the reverse may be true: geopolitics is no longer an external shock to the economic system but a structuring force within it.

Europe and other advanced markets will, with effort and cost, find alternative suppliers, reroute cargoes, substitute inputs, or absorb shocks through public support and private hedging. Poorer countries cannot. They face disruptions more directly and with fewer buffers. The World Bank has repeatedly highlighted the link between energy disruptions and fertilizer prices; where fertilizer becomes scarcer or more expensive, food insecurity follows. We saw similar dynamics during the pandemic, when supply chains froze, and again after Russia's full-scale invasion of Ukraine, when grain and fertilizer disruptions immediately threatened vulnerable

import-dependent states. What appears in global markets as volatility is often, in developing countries, the beginning of fiscal stress, social unrest, and political fragility.

This is why the question posed by President Wałęsa is so important. Can global finance help prevent conflict rather than merely fund growth? My answer is yes—but only if finance accepts that it now operates in a different world. The old sequence seemed persuasive for decades: peace enabled prosperity; prosperity expanded trade; trade created interdependence; and interdependence reduced the incentives for conflict. That sequence underpinned the great age of globalization and, later, the extraordinary expansion of finance. It also nourished the belief that markets, if broad enough and liquid enough, would tend to discipline politics rather than be re-disciplined by it.

That world has not disappeared entirely. But its governing assumptions have.

For a long time, advanced economies could treat geopolitics as background noise. Financial markets were, of course, never blind to war, sanctions, or political instability. But they often treated them as temporary disruptions, not as structural features of the system. A generation of policymakers and investors grew accustomed to thinking in terms of efficiency, optimization, just-in-time supply, cheap capital, and deepening integration. Stability was presumed; resilience was secondary. Finance thrived in that world because predictability lowered premiums, compressed spreads, and rewarded scale.

The shift now under way is much deeper than a cyclical bout of turbulence. We are moving from a framework of peace, prosperity, and rule-based exchange toward one shaped by stability, security, and control. The language of this transition is already familiar: reshoring, friend-shoring, de-risking, strategic autonomy, economic security, sanctions architecture, export controls, industrial policy, and supply-chain redundancy. None of this means that globalization is ending. It means that globalization is being subordinated to geopolitics. Markets still matter, but they no longer define the horizon. Security does.

From the perspective of someone who has worked in and around development finance, this is where the real issue lies. The costs of this transition are not evenly distributed. The countries least responsible for geopolitical fragmentation are often those least able to bear its consequences. Strategic disruptions illustrate this clearly. Oil importers with reserves, market access, diplomatic leverage, and insurance capacity will struggle but adapt. Low-income countries dependent on imported fuel, fertilizers, and external financing will suffer cascading effects: higher import bills, weaker currencies, larger fiscal deficits, tighter food supply, and, eventually, sharper social tensions. In many cases, the path from geopolitics to instability runs through bond spreads, balance-of-payments pressure, and food prices.

What is now becoming clear is that the financial system had quietly assumed the existence of something rarely discussed explicitly: the stability of the global commons. The freedom of navigation, the security of major sea lanes, the relative predictability of global trade routes, the functioning of international health coordination, and even the stability of the climate agenda were treated as background conditions rather than strategic variables. Yet these were never spontaneous realities. They rested on a multilateral order that was neither perfect nor neutral, but which functioned because it was underpinned by power, leadership, and a shared belief—particularly after 1945—that prosperity and stability were mutually reinforcing objectives.

For decades, this system worked because the United States chose to exercise its power to defend its own interests through sustaining an open international environment from which it also benefited. From maritime security to the Bretton Woods institutions, from the dollar's stabilizing role to the implicit underwriting of global trade routes, financial globalization developed within a geopolitical framework that made risk appear manageable and interdependence appear self-sustaining. Finance expanded in a world where the stability of the commons was often taken for granted because ultimately someone was ensuring that they remained open.

This intellectual and policy framework found its most systematic expression in what became known as the Washington Consensus. Its core assumptions were simple: macroeconomic stability, trade liberalization, market openness, and financial integration would generate growth, and growth would reinforce stability. For many countries, particularly emerging economies, this framework provided a roadmap for integration into the global economy. But it also reflected a deeper belief of that era: that economic rationality would progressively outweigh geopolitical confrontation. That belief is not any longer in a world in which strategic competition is once again shaping economic choices.

Today, that implicit guarantee is restricted. Not because multilateralism has disappeared, but because the strategic consensus that sustained it has weakened. The result is not the collapse of the system, but its gradual transformation. The rules remain, but their capacity to organize reality is increasingly conditioned by power competition. In such an environment, finance can no longer assume that the political infrastructure of globalization will function automatically. It must begin to think in terms of strategic continuity, not just market continuity.

The implications for climate finance are particularly revealing. Energy shocks triggered by geopolitical crises can slow down decarbonization pathways in advanced economies while simultaneously reducing the capital available for energy transition in developing ones. The paradox is striking. At the very moment when global cooperation on climate is most necessary, geopolitical instability reduces both political attention and financial space for the poorest countries to pursue clean development pathways. Meanwhile, over 700 million people globally who still lack access to electricity risk seeing electrification projects delayed as global capital is reallocated toward security priorities elsewhere.

This illustrates a broader point: financial flows do not simply respond to markets; they respond to perceptions of stability. When systemic uncertainty rises, capital becomes more selective, more defensive, and more concentrated. The result is not merely financial repricing but development

divergence. Countries already exposed to fragility risk becoming structurally less investable, precisely when resilience investment would be most needed.

That is why global finance cannot limit itself to maximizing growth in the abstract. It has to ask what kind of growth, under what conditions, and with what impact on systemic fragility. A purely market-based logic tends to underprice geopolitical risk until the moment it explodes; then it overcorrects brutally. The result is pro-cyclical behavior that amplifies instability precisely where resilience is weakest. In good times, capital chases yield. In bad times, it flees indiscriminately. For fragile economies, this is not a technical inconvenience. It can be existential.

There is a second problem. The decades of cheap money and market deepening encouraged the illusion that finance had become increasingly autonomous from power politics. In reality, finance flourished under a political order that made it possible: an open trading system, maritime security, reserve-currency confidence, and institutions capable—however imperfectly—of underwriting trust. Once those political foundations weaken, financial architecture cannot remain unchanged. It must either adapt to the return of strategic rivalry or become one more transmission belt of disorder.

The tension between profit and peace, then, is not primarily moral. It is structural. The greatest tension arises when short-term returns depend on ignoring long-term fragility: when efficiency is rewarded more than resilience; when leverage is cheaper than redundancy; when speculative flows outcompete investment in buffers; when markets treat chokepoints, strategic dependencies, and coercive asymmetries as externalities. In the previous framework, that might have appeared rational. In the current one, it is dangerous.

The 2008 financial crisis was an earlier warning that sophisticated markets could misprice systemic risk on a massive scale. What we are seeing now is different in form but similar in logic. Then, the blindness concerned the internal fragilities of an over-financialized system. Today, it concerns the

external fragilities of a world in which strategy, coercion, and conflict have re-entered the economic sphere. One could say that we have moved from underpricing financial interconnectedness to underpricing geopolitical interconnectedness. Markets can live with risk; what they struggle with is a transformation of the risk regime itself.

What does this mean in practice? It means that global finance must evolve from a logic of pure efficiency toward a logic of strategic resilience. Risk models must incorporate geopolitical fracture as a structural factor. Development finance must treat resilience as a public good. Multilateral institutions must update their mandates to reflect a world where economic stability and security are no longer separable domains. And private finance must recognize that long-term profitability increasingly depends on systemic stability rather than short-term optimization alone.

Global finance cannot abolish geopolitical rivalry. But it can help ensure that geopolitical crises do not automatically translate into humanitarian crises, development setbacks, or state fragility. That alone would represent a major contribution to peace.

For decades, finance operated within a world whose implicit promise was that interdependence would tame conflict. Today, we know that interdependence can also be weaponized, disrupted, and fragmented. This does not mean abandoning openness. It means recognizing that openness without resilience becomes exposure.

That, perhaps, is the real challenge of the moment. Global finance does not need to become ideological or moralizing. But it does need to become strategic. If it continues to price the world as if the old assumptions still governed it, it will not merely fail to prevent conflict. It will help propagate its consequences.

The question is therefore not whether finance can replace diplomacy or security policy. It cannot. The real question is whether finance can adapt to a world in which stability itself has become a strategic variable rather than a background condition.

For decades, global finance operated on the implicit assumption that interdependence would progressively reduce conflict and that economic rationality would gradually discipline geopolitical behavior. Today, the opposite is becoming evident: that geopolitical fragmentation may begin to discipline finance. In such a world, the capacity to price resilience, not just efficiency, may become the true test of financial sophistication.

Global finance does not need to become geopolitical in the narrow sense, nor ideological, nor moralizing. But it does need to become structurally aware of the world in which it operates. If it continues to function as if the old assumptions still governed international stability, it will not merely fail to prevent conflict. It will risk amplifying the very instabilities it seeks to hedge.

The real challenge, therefore, is not whether finance can prevent war. It is whether finance can adapt to a world in which peace can no longer be treated as the default setting of the international system. In such a world, resilience may prove to be not only a development priority or a security necessity, but the most important financial concept of all.

Dr Agnieszka Smoleńska is an assistant professor at the Institute of Legal Studies of the Polish Academy of Sciences and a Senior Policy Fellow at the Centre for Economic Transition Expertise at the London School of Economics, where she leads the prudential policy team. Prior to joining CETEx, she worked on economic and financial policy in academic settings, the public sector, and think tanks in Brussels, Florence, and Warsaw. She holds a PhD in Law from the European University Institute (2020) and has for many years collaborated with the Florence School of Banking and Finance (EUI FBF). Dr Smoleńska publishes extensively on prudential regulation, sustainable finance, and economic governance in the euro area.

Prof. dr hab. Agnieszka Słomka-Gołębiowska is a Professor of Economics at the Warsaw School of Economics and an experienced independent board director with over two decades of practice across financial services, technology and industrial sectors. Her work focuses on corporate governance and board effectiveness in driving long-term economic resilience.

She chairs the Supervisory Board of mBank and its Remuneration and Nomination Committee, and serves as an independent director of Jerónimo Martins. She also chairs the Audit Committees of Grupa Pracuj and CD Projekt, bringing extensive experience in financial oversight, risk governance and strategic and digital transformation.

Her international work includes advisory roles with the World Food Programme, UNAIDS and International Labour Organization, as well as membership of the European Commission's Platform on Sustainable Finance. She currently chairs the Programme Council of the Sustainable Investment Forum Poland (PolSIF).

She is particularly interested in how governance must adapt to AI-driven decision-making and rising geopolitical uncertainty.

Agnieszka Smoleńska
Agnieszka Słomka-Gołębiowska

Global Finance, Geopolitics, and the Strategy of Poland's Development and Sovereignty

Over three decades of globalisation, we have become accustomed to the notion that economics drives geopolitics. Globalisation carried with it the promise of stability through deepening trade interdependencies. Today, however, the relationship has reversed: it is geopolitics that shapes economic relations. The escalation of Russia's aggression against Ukraine since 2014, along with rising tensions between Washington and Beijing, undermines the belief that economic interests serve to stabilise geopolitical dynamics. Instead, a new trend is emerging: economic interdependencies—including the dominance of the U.S. dollar as the global reserve currency and the dominance of American technology firms—are increasingly being instrumentalised as tools of pressure, not only against rivals but also against allies.

The shift toward geoeconomics is fundamental in nature; yet policymakers in many countries, including Poland, continue to operate within the conceptual framework of a bygone era. This is particularly evident in the debate on adopting the euro, which is conducted almost exclusively in terms of optimal currency area theory and exchange-rate spreads, rather than in terms of geopolitical anchoring and strategic resilience.

In the emerging geopolitical environment, it is essential that both public policy and private actors internalise the interdependencies between the economy, finance, and geopolitics. Although trade can no longer be regarded as a guarantor of peace, the international web of interconnections created by the financial system should constitute a central dimension of Poland's international strategy—inasmuch as it can contribute to geopolitical stabilisation.

When, if at all, can global finance support geopolitical stability? Capital can lay the foundations of such stability when it finances long-term investments that mobilize resources from diverse sources and channel them into long-term international projects—for instance, infrastructure—or when it contributes to the internationalisation of asset ownership. In such an integrated system, the severing of economic relations implies the destruction of jointly created capital, rather than merely the loss of an export market.

Moreover, finance constitutes a distinct form of economic linkage, as it does not merely reflect existing networks of interdependence but actively shapes future conditions through the direction of investment flows. If capital continues to be allocated to projects that deepen dependence on fossil fuels sourced from politically unstable regions, the risk increases that economic interdependencies will be instrumentalised as tools of pressure by resource-controlling states.

By contrast, investment in locally-based renewable energy sources—reducing dependence on politically unpredictable and often non-democratic exporters—is simultaneously a climate policy, infrastructural, and a strategic choice. From this perspective, the systematic integration of environmental, social, and governance (ESG) factors into investment decisions is not a cost arbitrarily imposed on firms, but rather a more refined method of long-term risk assessment, which at the same time contributes to stabilising geopolitical conditions over the long run.

A key obstacle to implementing such a strategic approach to the role of finance in building the foundations of long-term prosperity lies in the structural short-termism of financial markets, as well as in the apparent opposition between the market logic of profit and the public logic of providing public goods such as security or climate change mitigation.

Long-term external effects—such as military instability or extreme weather events—are not systematically priced into risk models, which creates the illusion that short-term profit maximisation is a sustainable strategy. Public policy plays an irreplaceable role in this context: financial regulation should require institutions to take into account the financial materiality

of the effects of investment decisions on the broader environment, and, in extreme cases, should restrict financing for activities that, in the long run, increase systemic exposure, including exposure to geopolitical risks.

Had such policies been systematically implemented, investments deepening Europe's dependence on Russian gas—catastrophic in their consequences—could have been prevented, not only on the grounds of security and moral arguments, but also on strictly financial ones.

Reflections on the role of the financial system in building the foundations of long-term prosperity and citizens' security make it possible to revisit the question of Poland's economic model. The country remains one of the fastest-growing economies in Europe; however, its current growth model—based on consumption and on the role of a subcontractor within European value chains—is gradually reaching its limits.

A new strategy should rest on three pillars: investment, innovation, and international expansion. The state should design incentives that foster export growth and strategic investment, using instruments of industrial policy such as fiscal policy, as well as ensuring a stable regulatory environment. This applies in particular to strategic sectors: energy, infrastructure, and new technologies. In these areas, Poland has an opportunity to pursue a security strategy rooted in the logic of capital-based alignment with its allies, which the government should deliberately and effectively harness.

Capital-based engagement by allied states can not only deepen investment linkages but—when geopolitical and climate-related factors are properly taken into account—also lay the foundations for a more decentralised and resilient international order.

Here the energy transition ceases to be solely a climate project. It becomes simultaneously an economic and strategic pursuit. Under conditions of intensifying technological competition, access to stable and affordable energy is emerging as a prerequisite for participation in the artificial intelligence boom. This represents a fundamental shift.

Countries that solve the problem of low-cost and reliable energy more quickly will attract investment in the AI sector, build technological advantage, and strengthen their strategic sovereignty. Those that lag behind risk a permanent relegation to the role of "price takers"—not only dependent, as before, on imports of energy commodities, but in a new phase also on technologies developed by a limited group of global actors.

At the same time, the development of AI is undermining the existing growth model. The automation of cognitive work reduces demand for a range of middle-class occupations that have traditionally formed the backbone of consumption-driven economies. As a result, the risk of transitional tensions is increasing: productivity gains may be accompanied by pressure on labour markets, the need for large-scale reskilling, and weakening aggregate demand.

For Poland, which stands at a critical juncture in its development, this implies the necessity of moving away from a model based on cheap labour and consumption. What becomes essential is a strategic linkage between energy policy, technological development, and skills formation. Energy and artificial intelligence now constitute a single competitive domain in which the future position of states is being determined.

Within this logic, capital is not neutral—it flows where energy is available and where dependency risks are low. Those who fail to address these conditions effectively end up financing the growth of others.

Conclusion

The world is entering an era in which the boundary between economics and geopolitics is becoming blurred in an unprecedented way. Global finance is no longer merely a tool for financing growth; it is increasingly becoming one of the key instruments shaping the international order. Poland recognises the growing importance of this challenge, as reflected in its increasing engagement in the G20—a forum that gained particular prominence after the global financial crisis and has progressively incorporated systemic geopolitical and climate risks into its agenda.

For global finance to contribute meaningfully to the prevention of conflicts, it must be assessed not only through the lens of economic efficiency, but also through the lens of the resilience of the system as a whole. This requires a greater role for long-term investment, shared ownership of infrastructure, and capital-based interlinkages between states with convergent strategic interests, bound by a commitment to a rules-based international economic and political order.

For Poland, what is crucial is not only the ability to understand this transformation, but also the readiness to act within its logic—more effectively and more rapidly than in the past. Security, energy, and technological development are no longer separate policy domains. They are becoming three pillars of a single, coherent strategy. Finance, when properly directed, can serve as the strongest binding force of this architecture.

Cezary Stypułkowski, President of the Management Board of Bank Pekao S.A.

Between 2010 and 2024 he served as the President of the Management Board of mBank S.A.

He is the vice-chairman of the Council of the Polish Bank Association (ZBP), while he also chairs ZBP's Section of Large Banks. Since 2022, he has sat on Mastercard's Advisory Board. In October 2024, Cezary Stypułkowski joined the Board of Directors at the Institute of International Finance (IIF) in Washington. IIF is the most important global association of the financial industry, with about 500 members from more than 60 countries. Since 2012, he has been the co-chairman of the Emerging Markets Advisory Council of the IIF.

Between 2006 and 2010, Cezary Stypułkowski worked for the investment bank J.P. Morgan in London, where in 2007 he was appointed as the managing director responsible for Central and Eastern Europe.

In 2003–2006, he served as the President of the Management Board of PZU Group, and in 1991–2003 he chaired the Management Board of Bank Handlowy S.A.

Cezary Stypułkowski was a member of the international advisory board at Deutsche Bank; a member of J.P. Morgan's European Advisory Board, as well as INSEAD's International Advisory Board and the Geneva Association.

He holds a PhD in law from the University of Warsaw. In the late 1980s, he studied at Columbia University Business School in New York as a grantee of the Fulbright Program.

Cezary Stypułkowski

How Global Finance Can Prevent Wars

In today's world, marked by geopolitical tensions, wars are no longer just the domain of armies and diplomats. They are dramatic events from an economic perspective that destroy clients' net worth, freeze payment systems, cause sharp fluctuations in commodity prices, and destroy shareholder value in a matter of weeks.

From a global perspective, finance is not a neutral instrument. It is a powerful mechanism for creating incentives that can make peace more profitable than conflict.

The thesis of this essay is simple: the global financial system has a unique ability to prevent wars by creating deep economic interdependence, precise application of sanctions, financing preventive layers and architectural innovation. It can neither replace diplomacy or military power, but it can make the cost of war prohibitively high and the benefits of peace irresistibly attractive.

Economic Interdependence: The Foundation of Peace

One of the oldest and most supported concepts in the science of international relations is the liberal peace theory. The theory claims that democracies and deeply interconnected economies rarely go to war with one another. Classical liberal thinkers, such as Immanuel Kant in his essay *Toward Perpetual Peace*, emphasized the role of free trade and shared institutions. Contemporary research confirms that increasing financial and commercial interdependencies between states correlate with a reduced risk of armed conflict escalation.

The foundations of the European Union, in the context of war prevention, were closely linked to the idea that deep economic and financial integration

could make armed conflict "not only unthinkable, but materially impossible." This concept found its most complete expression in post-1945 Europe.

Historical Context: The Trauma of the Second World War and the Need for a New Approach

After two world wars within a span of just thirty years (World War I and World War II), Europe lay in ruins. The conflict between Germany and France, the core of which was the competition for strategic natural resources: coal (primarily in the Ruhr and Saar regions) and iron ore (in Lorraine)—was particularly dramatic. The control of heavy industry determined the capacity to wage war—steel and coal were literally, "raw materials for the production of ammunition and tanks."

Traditional solutions—such as occupation or the military weakening of Germany—turned out to be unstable and gave rise to new tensions. European leaders, supported by the United States, concluded that peace required not only political treaties, but above all the joint management of key sectors of the economy. This was supposed to create a genuine, material interdependence: a country seeking to attack its neighbour would first have to destroy its own economy.

The foundations of the European Union perfectly illustrate the mechanisms discussed above:

- **Deep economic interdependence as the most effective deterrent to war (liberal peace theory).**
- **Financing prevention**—the Marshall Plan as a classic example of large-scale blended finance (U.S. public capital combined with European coordination).
- **Surgical instruments**—instead of broad sanctions or military occupation, the choice was made to implement precise joint management of strategic resources.
- **Data and monitoring**—shared authority at the highest level provided real visibility of key economic flows.

Thanks to these foundations, France and Germany—longstanding historical enemies—became the driving forces of European integration. The war between them indeed became "materially impossible," as it would have required the dismantling of supply chains, the single market and mutual investments, which would have destroyed both economies.

This lesson remains highly relevant today: in the regions where we can see geopolitical tensions today (for example, in the Indo-Pacific region and elsewhere), a similar deep economic and financial integration could function as the most effective "buffer against war." The European Union stands as the best historical demonstration of this logic.

From a banking perspective, this can be seen on a daily basis: when two countries have substantial mutual financial claims—credit exposures, foreign direct investments, integrated supply chains—the cost of severing those ties becomes enormous. An example can be the long-standing economic interdependence between the United States and China, which for decades acted as a constraint on open confrontation.

Decoupling economies, although justified on national security grounds, paradoxically increases the risk of conflict by removing one of the most powerful mechanisms of deterrence.

Global banks, as institutions ensuring the flow of capital across the world, should actively finance diversified and resilient supply chains while simultaneously maintaining key connectivity hubs. The market data suggests that each 10% increase in bilateral financial interdependence between countries is associated with a measurable reduction in the risk of escalation. It is the task of the private sector to protect this correlation, not to dismantle it.

Sanctions as a Precise Instrument: The Need for Surgical Effectiveness

In the 21st century, sanctions have become the financial equivalent of the precisely guided missiles. When properly designed—multilateral, time-bound, and precisely targeted—they can effectively constrain the

military capabilities of regimes without punishing civilians en masse. The sanctions imposed on Russia after 2022 illustrate both their strength (weakening the aggressor's economy) and their limitations (circumvention via third countries and the development of parallel systems).

From a banking perspective, however, the costs are evident: broad unilateral sanctions increase compliance burdens for financial institutions, push transactions into grey zones (including cryptocurrencies), and they strengthen authoritarian regimes sometimes by mobilising the public around the "besieged fortress" narrative. For this reason, banks should actively advocate surgical sanctions frameworks, complemented by parallel incentive structures—such as pre-approved trade finance facilities that are activated once verifiable de-escalation conditions are met. Positive market incentives often work faster than the penalty itself.

Financing Prevention

These days military conflicts do not only destroy infrastructure and public finances. Businesses are disappearing, private capital is fleeing and the entire sectors of economy are permanently weakened. The World Bank points out that even after the formal end of war economies are often unable to quickly absorb the millions of unemployed people. The impact affects the neighbouring regions and the global economy through migration, pressure on social systems and trade disturbances. The scale of challenges is beyond the capabilities of individual countries.

Wars increasingly arise not from pure territorial aggression, but from a combination of resource stress, youth unemployment, climate-induced migration, and weak institutions. The World Bank estimates that every dollar invested in prevention saves between four and seven dollars in future crisis response.

Here, the role of global finance is crucial. We should scale up blended finance instruments—combining private capital with multilateral guarantees—to support investment in infrastructure, renewable energy,

and vocational training in high-risk corridors such as the Sahel, the Horn of Africa, and Central Asia.

The investments in fragile and conflict-affected states carry higher risk, but blended finance—supported by institutions such as the International Finance Corporation (IFC) or dedicated de-risking funds—can help mitigate this risk. The sectors such as renewable energy and financial services for SMEs are particularly promising as they generate employment and contribute to the stabilization of local communities.

Capital Flow Data as an Early Warning System

No intelligence agency has better real-time visibility into geopolitical stress than the global banking system. Unusual movements in trade finance, currency swaps or bond sell-offs often precede escalation by months. Banks already share aggregated and anonymized data with the International Monetary Fund (IMF) and the Bank for International Settlements (BIS) for macroprudential purposes.

This practice should be formalized in the form of "early warning dashboards"—subject to strict privacy and competition safeguards—to ensure that policymakers receive market-based signals 6–12 months in advance.

Innovations for Peace

The future requires new instruments:

- **Digital public goods**—interoperable CBDCs or tokenised settlement systems could reduce exclusion from correspondent banking and limit the use of cash in financing conflicts.
- **Peace-linked bonds**—debt instruments whose coupons decrease in line with measurable peace-related indicators (such as UN-monitored ceasefires, refugee returns, or governance metrics).
- **Private-sector arbitration courts**—fast-track resolution of commercial disputes backed by bank liquidity guarantees, reducing the incentive to seize assets during the period of war.

Conclusion

Finance will not prevent every ideological or territorial war. It cannot replace the political will or deterrence capacity. However, the global banking sector can—and should—consciously price peace in capital allocation decisions. We already do this unconsciously every day when we assess credit risk, diversify portfolios or finance sustainable development.

The question for policymakers is whether finance should be treated as a problem to be constrained, or as the most powerful non-kinetic instrument at our disposal. From the perspective of a bank CEO, the answer is clear: we are ready. Markets are ready.

What we need is a better understanding by political leaders of the global perspective of economic dependencies—not as a weakness to be eliminated through decoupling or protectionism, but as the most effective non-kinetic mechanism for preventing war. The objective should be to make war economically irrational, and peace the most attractive investment of the 21st century.

Only in this way can global finance make a real contribution to building a world in which military conflicts become increasingly rare—not through noble declarations alone, but through the hard, market-based incentives.

Prof. Dr. Henning Vöpel has been Director of the Centre for European Policy and Professor of Economics at the BSP Business and Law School since October 2021.

Previously, he was Director and CEO of the Hamburg Institute of International Economics HWWI from 2014 to 2021 and Professor of Economics at the Hamburg School of Business and Administration HSBA from 2010 to 2021.

Vöpel sits on a number of national and international advisory boards. His research focuses on the global economy, geopolitics and transformation.

Henning Vöpel

Profit and Principles: Global Finance as a Non-Political Mechanism of Conflict Prevention

Introduction

Profit is an economic category. It is necessarily embedded in a normative order of fundamental principles. Institutions play a crucial role in providing an informal and formal environment in which economic categories and normative principles are interrelated with each other. How this is done is of particular interest for global finance, where different normative principles intersect and may cause conflict.

It has often been argued that economic as well as financial interdependence between nations may help preserve peace, cooperation, and stability. Amidst geopolitical confrontation, we see, to the contrary, that unilateral dependence is abused by weaponizing these for geopolitical goals.

Global finance is typically viewed as a driver of economic growth and capital allocation. Against the background of current geopolitical crises, the global financial system should be understood not only as an economic infrastructure but also as a systemic stabilizer of the international order, which is no longer based on international law and rules but on power. Finance does not merely distribute capital; it also distributes risk, incentives, and power across the international system.

Three insights are related to this topic. First, global finance can contribute to conflict prevention by redesigning economic and financial interdependence, redefining macroeconomic stabilization, and providing early signals of geopolitical risk. Second, institutional tensions may exist between profit-driven financial behavior and the public good of international

stability. Third, the most needed reform would be to introduce a global stability mechanism within international financial governance that aligns and synchronizes financial incentives with long-term geopolitical stability.

1. How Global Finance Can Contribute to Conflict Prevention

Despite the systemic risks of financial systems, they also possess a significant stabilizing potential, which is institutionally underutilized. Finance can play a constructive role in preventing conflict through three main channels: interdependence, stabilization, and anticipation.

• Financial Interdependence and the Cost of Conflict

Cross-border investments, sovereign bond markets, and international banking networks create multilateral interdependencies among nation states, which are both at the same time interrelated economies and geopolitical players. Instead of being weaponized they can be designed to positively contribute to geopolitical stability. When economies are deeply connected financially, the destruction of economic relations through conflict becomes far more costly. In this sense, financial integration can function as a deterrent mechanism by aligning national prosperity with international cooperation not only in a rules-based multilateral order but also and particularly in a multipolar order with fragmented markets and incomplete institutions. An important point here is that the financial system helps turn asymmetric economic dependencies into symmetric incentives to avoid conflicts.

• Macroeconomic Stabilization

Financial institutions play a central role in crisis management. Emergency liquidity, stabilization programs, and coordinated monetary responses can prevent economic downturns from escalating into political crises. Organizations such as the Bank for International Settlement provide essential coordination mechanisms for central banks and financial regulators, helping to mitigate systemic shocks. By reducing economic volatility, financial cooperation indirectly reduces the likelihood of political

instability and conflict. Their role can and must be strengthened, even more so due to the less coordinated monetary policies of central banks.

- **Financial Markets as Early Warning Systems**

Financial markets are highly sensitive to risk and uncertainty. Bond spreads, capital flows, and currency movements often react rapidly to political instability. These signals could serve as early warning indicators for geopolitical tensions. If integrated into coordination and security frameworks, financial data could help policymakers detect fragile situations before they escalate. Finance, therefore, possesses specific informational capabilities that could strengthen forms of anticipatory governance.

2. When Profit and Peace Collide

Inherent tensions exist between financial incentives and geopolitical stability. At least, they are related to each other in a non-institutional, thus opportunistic way. In this sense, finance can function as a peace dividend mechanism when it is remedied for its "in favor of power" biases and asymmetries by the following aspects:

- **Short-Term Incentives**

Financial markets reward rapid returns and speculative opportunities. However, peace and stability are long-term public goods that require sustained investment and coordination. In this sense, a longer-term oriented financial system can help synchronize economic incentives to make profit with institutional requirements to provide more coordination for conflict settlement.

- **Capital Mobility and Fragility**

The global financial system enables capital to move across borders at unprecedented speed. While this enhances efficiency, it also exposes vulnerable economies to destabilizing shocks. Sudden capital outflows can trigger currency crises, sovereign debt crises, and even social unrest—conditions that may eventually increase the risk of conflict.

- **Financial Infrastructure as a Geopolitical Instrument**

Financial networks themselves have become tools of geopolitical power. Institutions such as SWIFT have become central to sanctions regimes and critical financial infrastructure. While these tools can serve legitimate political objectives, they also contribute to fragmentation within the global financial system, potentially undermining global cooperative frameworks.

3. A Global Stability Mandate for Finance

The most effective reform to strengthen the conflict-prevention and peace-keeping role of global finance would be the introduction of a geoeconomics stability mandate within international financial governance. This mandate could comprise the following aspects:

- **Integrating Stability Metrics**

International financial institutions should incorporate geo-economic stability indicators into their policy frameworks. Such metrics could include sovereign debt sustainability combined with political risk analysis or financial stress indicators linked to geopolitical developments.

- **Strengthening Crisis Prevention Mechanisms**

Preventing crises is far less costly than managing them. Stronger international coordination would allow financial institutions to act earlier when geo-economic vulnerabilities emerge. That in turn would put a higher price on those who try to exploit and weaponize geo-economic dependencies.

- **Aligning Short-term Financial Incentives with Long-Term Stability**

Financial regulation and investment frameworks should reward long-term investment in economic resilience rather than short-term speculation, which often benefits from geo-economic conflicts even though speculation can be stabilizing as they flatten price peaks. Encouraging stable capital flows—particularly toward young, yet less stable democratic economies—would help reduce structural vulnerabilities that often precede conflict.

Conclusion

The architecture of global finance profoundly shapes the stability of the international economic system. While financial integration can promote prosperity and cooperation, current market incentives frequently overlook the systemic importance of peace and stability. Reorienting global finance toward conflict prevention requires recognizing resilience, cooperation, and trust as core objectives of financial governance.

In an era of geopolitical fragmentation, the future of international stability may depend as much on the design of financial institutions as on diplomacy or military power. A financial system that actively supports resilience, cooperation, and long-term stability could become an important infrastructure of peace in a multipolar global order that lacks rules and institutions.

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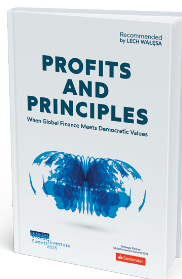
In 2025, the first publication in the Profits and Principles series was released - Profits and Principles: When Global Finance Meets Democratic Values.



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