

Beyond Literacy : Altruism as a new ingredient for financial education

European Money Week Workshop on 24 March, 2020

Jutaro KANEKO
Chief Representative in Brussels
Japan Center for International Finance

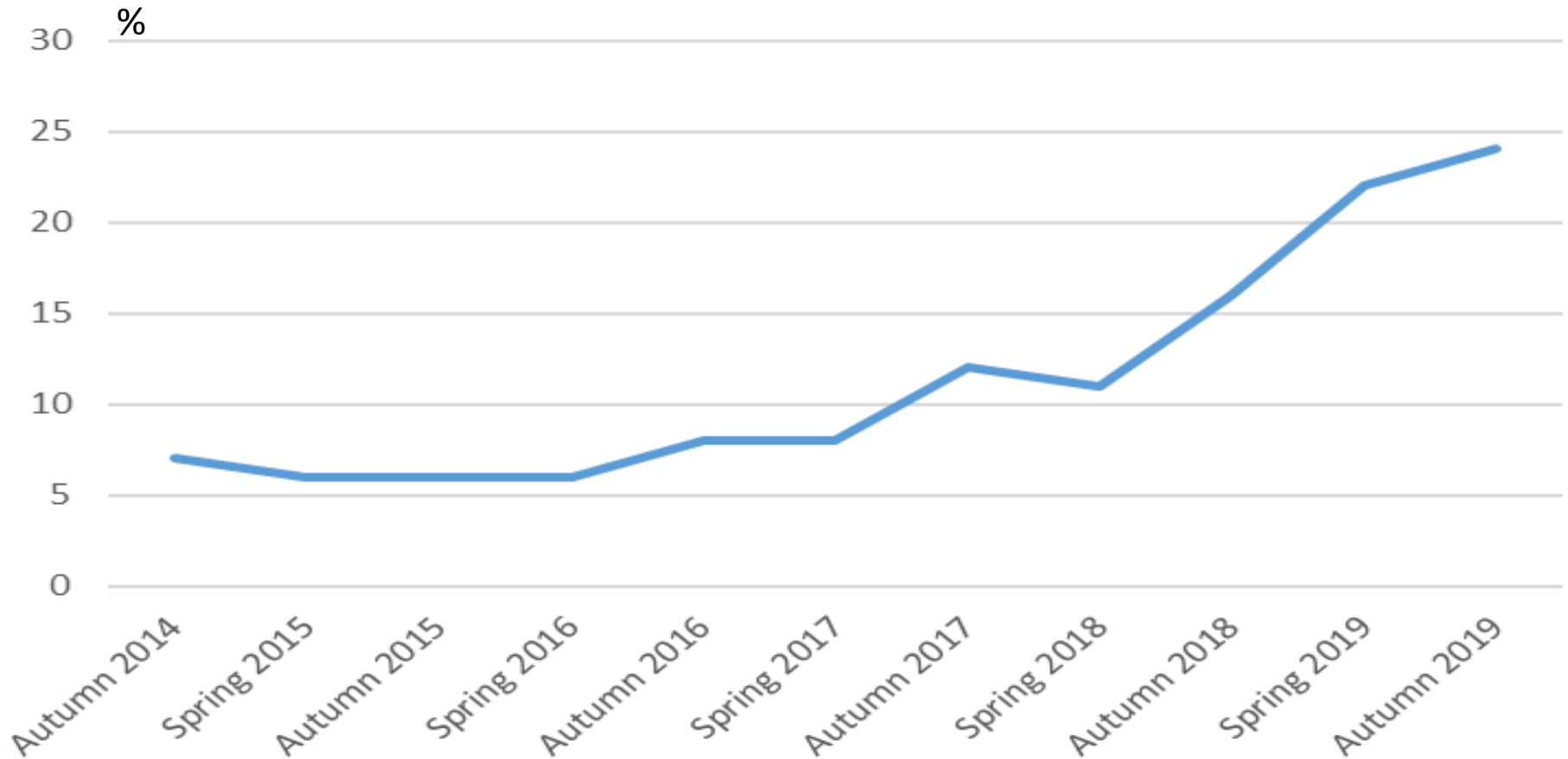
Tel. +32-(0)2-646-1050
kaneko@jcif.be

Incorporation of SDGs/ESG into financial education:

- ① Combat against Climate change;
and**
- ② Ethical digitalization**

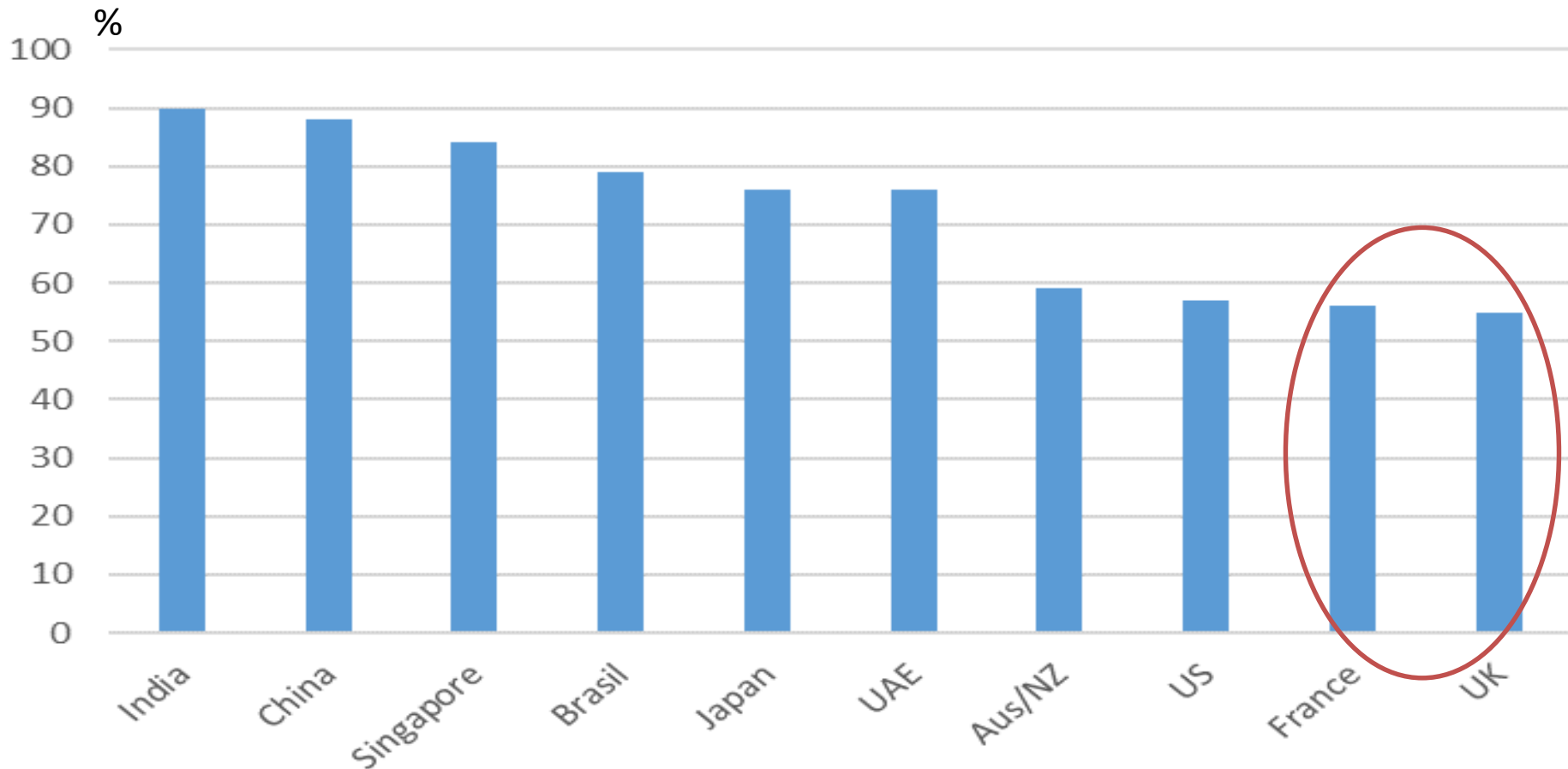
Growing Concern on Climate Change among EU Citizens

Japan Center for International Finance



(Note) The question is “What do you think are the two most important issues facing the EU at the moment?”.

(Source) Standard Eurobarometer



(Note) The question is if the respondents would trust a robot more than your manager?

(Source) Oracle & Future Workplace's AI@Work Global Study 2019

- **HLEG report on sustainable finance (January 2018)**
⇒ **European Commission's Action Plan (March 2018)**
- **Political agreement on Taxonomy Regulation (December 2019)**

“The culture of the financial sector needs to be aligned more closely with *long-term perspectives* and the promise of a sustainable financial system that is useful to society”

“Citizens with savings to invest should be empowered to invest in portfolios that reflect their sustainability and *ethical preferences*”

“Today’s barriers in *financial education* and transparency limit the ability to deliver this vision. The Commission has been paying particular attention to *financial literacy*. Yet further efforts are needed to empower citizens to choose the financial products and services that best suit their needs. This, in fact, is necessary for sustainable finance literacy efforts to translate into increased demand for sustainable financial products.”

- An experts' group under European Commission published ethics guidelines on AI in April 2019
- *Education* to foster an ethical mind-set
“*Education* plays an important role, both to ensure that knowledge of the potential impact of AI systems is widespread, and to make people aware that they can participate in shaping the societal development. A prerequisite for educating the public is to ensure the proper skills and training of ethicists in this space.”

Goal 4. Quality Education



Obtaining a quality education is the foundation to creating **sustainable development**. In addition to improving quality of life, access to inclusive education can help equip locals with the tools required to develop innovative solutions to the world's greatest problems.

“This Action Plan aims to foster transparency and *long-termism* in financial and economic activity.”
(European Commission's Action Plan 2018)

However, no reference to “education” nor “literacy” (Principle of Subsidiarity)

- Non ESG-compatible activities are not sustainable (not wise to invest in them in a long run)
- Consideration on the people of future generations and those living in distant places (beyond visible scope); power of imagination

- consumer protection
 - ✓ operational risk
 - ✓ cyber fraud

- financial inclusion
 - ✓ aging society (digital divide)

But, but, but....

- Long-termism requires dramatic change of citizens' mindsets
- Need to not only be wise (to protect themselves) but also be nice to others
 - ⇒ Altruism and philanthropy is key

Why altruism?

- Altruism has been an important issue in ethics
- However, the definition and interpretation remains controversial
- Altruism is not linked to short-term utility
- Willingness to accept the cost of transition to sustainable world

In 1880's, Friedrich Nietzsche introduced the idea of “slave morality”

⇒ moral sentiment is not something to be forced or inflicted



- Education can provide citizens necessary tools to think and empower

Know/get aware → **THINK** & Discuss
→ **ACT**

- Moral dilemma (Some questions have no clear answers; e.g., the Trolley Problem)

- **In 2018, the moral class was upgraded from a voluntary class to a mandatory class at elementary school and it was done so at middle school in 2019**
- **Let's see what will happen...**

- In Japan, financial education is a joint task between authorities and industries.
- Japan has a hub for financial education named Central Council for Financial Services Information (CCFSI) which was established in 2001.
- CCFSI consists of various stakeholders (e.g., government agencies, representatives from the financial industry, consumer fora, and academia. The central bank serves as the secretariat.

An excerpt from “Financial Education Program” by CCFSI as of September 2015.

C. Having gratitude for society and contributing to its improvement (Continued)

Goals [Goals by category have been set in reference to the four aspects in learning assessment. (Note)]	Secondary School Students	High School Students
a. Understanding that people are part of society, following rules, and having gratitude for others.	13. Taking a deeper look at elements supporting one's life, such as parents, society, other countries, and nature, and having gratitude for them. 14. Understanding that complying with laws and rules will maintain public order, and doing so. (Social Studies<Civics>, Moral Education, Special Activities)	18. Understanding that complying with laws and rules is important for the market economy to work sufficiently. (Civics) 19. Complying with laws and rules, and being careful not to cause damage to others. (Civics, Special Activities)
b. Understanding the significance of cooperating with others to improve society, and acquiring the attitude to think about and practice what one can do.	15. Thinking about what is necessary for building a sustainable and better society, and trying to do that. (Social Studies<Civics>, Technology and Home Economics <Home Economics>) 16. Thinking about various social contributions such as work, participating in volunteer activities, and donating, and acquiring the attitude to practice them. (Moral Education) 17. Thinking about the effects that one's consumption and spending will have on society, and being able to behave responsibly, taking those effects into consideration. (Social Studies<Civics>, Technology and Home Economics <Home Economics>)	20. Foreseeing a sustainable and better society, and thinking about and doing what is needed to realize it. (Civics, Home Economics) 21. Trying to use money toward the realization of a better society. (Home Economics) 22. Giving thoughts to firms' responsibilities and contribution to society, and reflecting them in one's occupational choice. (Civics, Business)

(Note) Four aspects in learning assessment: "interest, motivation, and attitude;" "thought, judgment, and expressions;" "skills;" and "knowledge and understanding."

- The concept of “ethical consumption” which considers impact on environment
- Awareness that the daily life of each individual is linked to society
- Encourage students to incorporate environment-friendly products and attempts

- In Japan,
 - ✓ Financial education is a joint task among all stake holders
 - ✓ Moral class is a mandatory subject
 - ✓ Ethics is built in teacher's guideline of financial education

Thank you for your attention!

Disclaimer: The views expressed in this presentation are those of the author, and do not represent those of the organizations he belongs to or belonged to.