Oxfam GB

Time for a Tobin Tax?
Some practical and political arguments

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Summary

This paper is intended to further discussion on 'Tobin taxes'. It provides information on the currency aspect of international financial instability, looks at the arguments around a global currency transaction tax and its potential value, explores the possibility of the proposal's further political advance, and concludes with comments on prospects for advocacy.

Why a currency transaction tax?

James Tobin, an American economist, made his proposal for a levy on international currency transactions in 1978. The tax was designed to deter the speculation that causes sharp exchange rate fluctuations and serious damage to economies. In the 1990s, two additional facts have sharpened interest in Tobin's proposal and its variants. The first is the huge growth in foreign exchange trading to about $1.8 trillion per day and the corresponding increase in currency instability and related financial crises. Second, since the tax could generate substantial sums, the idea has attracted the attention of those concerned with financing development – a concern accentuated by the fiscal challenges faced by the state as well as by the growing need for international co-operation on problems of poverty, the environment and security. Some argue the tax could help finance the Bretton Woods and UN institutions. There is a trade-off between the two objectives – the more successful the tax as a deterrent to speculation, the less revenue it generates. However, even if currency trading diminishes radically, the revenue is still significant.

Will it work?

The tax is essentially a very small levy of 0.1-0.5% on all currency deals. The greater the frequency of transactions, the higher the effective tax rate. This reduces short-term transactions while not inhibiting international trade, long-term capital flows, or currency price adjustments based on changes in the real economy. The advocates of the tax claim this will help avoid the crises that have affected both industrialised and developing countries, with particularly acute social consequences in the latter, and will stimulate productive investment and therefore growth.

Critics argue enforcement will be difficult and, rightly, that the tax will not stop attacks on currencies that are significantly overvalued, as in the recent cases of Russia and Brazil. They believe it will be extremely hard to reach consensus on revenue distribution, as countries that are currency trade centres will want to keep the money for themselves rather than fund development. The major industrialised countries do not wish to relinquish control of the purse strings of multilateral organisations such as the IMF and, particularly in the case of the US, would oppose proposals to increase funding for unreformed UN organisations.

Economists are divided as to whether a currency transaction tax significantly reduces systemic instability in foreign exchange markets. On balance, it seems that it would steady markets but, since 'hot money' is only part of the problem in the crises in the 1990s, and currency speculation is only part of the problem of 'hot money', the beneficial effect of the tax on its own should not be overstated. Achieving greater foreign exchange market stability also requires changes in the policies that lead to overvaluation in the first place, complementary regulatory and control measures in both capital exporting and capital importing countries, and changes in the role of the international financial institutions. Problems of enforcement are real but probably soluble. Most currency trading occurs in a handful of centres, financial institutions are already relatively well-regulated and tax havens can be brought into line. Tax authorities are practised in dealing with the evolution of new, tax-avoiding financial products.

Political viability

Although recent crises have opened up debate on finance sector reforms and decision-makers are looking around for ideas, a currency transaction tax is not on the official agenda. Moreover, the fear of further crises has abated, above all in the US. Nevertheless, there is continuing concern about financial turbulence amongst many in government and business in Japan and Europe, and if the US economy enters stormy waters, the political scenario for reform proposals could change significantly.

Any proposal on the distribution of tax revenue is likely to encounter stiff opposition from somewhere. This raises the issue of the political trade-off between the two objectives of the tax. The most politically-viable proposal allows revenue-collecting governments to keep most of the money, with a small contribution to multilateral organisations and other 'good causes' of which the major industrialised countries approve. In other words, if one wants the tax approved because of its stabilising effect, it is necessary to compromise on the development financing aspect. Leaving aside the issues surrounding the performance and funding of international organisations, there is currently little political will amongst the industrialised countries to increase spending on any kind of aid, which could be done with or without a Tobin tax.

Forces potentially behind Tobin taxes include the UN organisations, partly because of the revenue angle, and those developing countries that have suffered from capital volatility, that want to see more resources for development, or that might be revenue collectors. More enlightened industrialised countries might also take up the idea, including the Scandanavians, who have themselves been hit by currency problems. In 1998, several NGO initiatives and networks on the Tobin tax emerged in developed and developing countries. There is more work being done by NGOs, churches, and trade unions on international financial issues, which can incorporate the currency tax idea. In the case of church organisations, there is a more substantial commitment developing, which can build on their constituencies' participation in the Jubilee campaign. It is notable that, partly thanks to public pressure, the Canadian parliament recently voted in favor of the tax.

The concept of a currency transaction tax is easily understood by the public. The very name 'Tobin tax', probably a liability in lobby, is an asset in campaigning. Many developed countries, including the UK, have relatively recent experience of currency instability and the effects of speculation, which helps their citizens to realise they are interested parties and to understand the issues. The success of debt relief campaigns shows that financial issues can mobilise the public and may offer a springboard for work on subjects such as Tobin taxes. It is also worth noting that, in 1998, 32% of currency transactions were negotiated in London.

Implications for advocacy

Advocacy work should certainly include the tax proposal but within the framework of a set of recommendations for both policy and institutional reform. In our view, it probably does not justify the limelight as a 'stabiliser' but does merit particular attention if one adds in the revenue-generating function. However, revenue distribution proposals will have to be relatively uncontroversial if the idea is to be politically viable. We should also look into and promote other forms of internationally agreed taxation of capital and companies as financing mechanisms for social and economic development.

Even if a Tobin-type proposal does not prosper in the foreseeable future, advocacy can bring benefits in terms of public and decision-maker awareness of international financial issues and the need for internationally co-ordinated policy responses. The idea of global taxation and regulation certainly has a future. Generation of funds for development and environmental protection, etc. is an attractive proposition. Even if watered down by the realities of power politics, it would be great step forward, not least because of what it would mean about advances in intergovernmental co-operation and the concept of global citizenship. Again, even if there is little progress possible in the short term, there are public awareness benefits in raising such an idea, whose time may eventually come.

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1. Introduction

Good news for Tobin tax supporters recently came from Canada. In March, Parliament approved a motion on the currency tax, which in the words of Maude Barlow, chairwoman of the Council of Canadians, "*presents a critical opportunity (...) to reclaim some of the sovereignty we've lost as a result of economic globalization*." The motion could be a fresh step to bring the Tobin tax proposal back on the international agenda, giving "*the government a strong mandate to go to the G8 and other international fora to promote a tax on international currency speculation as a key component of the 'new international financial architecture*,'" writes the Canadian NGO, Halifax Initiative. However, the international financial institutions and majority of G7 governments remain sceptical about the need for such a tax and argue that, even if desirable, there are major practical and political problems with its implementation. Who is right about the tax? This paper provides information on the currency aspect of financial instability, looks at the arguments around a global currency transaction tax and its potential value, and comments on the possibility of the proposal's further political advance.

James Tobin, a Nobel Prize winner for economics, first submitted his proposal for a levy on international currency transactions in 1978. The tax was designed to deter the speculation that causes sharp exchange rate fluctuations and serious damage to economies. The idea was not greeted with enthusiasm, as it was a period of optimism and confidence in floating exchange rates. Yet, whenever currency crises erupted in the following years, the proposal for a levy to reduce volatility would again arise.[1]

In the 1990s, two additional facts have sharpened interest in Tobin's proposal and its variants. First is the huge growth in foreign exchange trading to about $1.8 trillion per day (BIS, 1998) and the corresponding increase in currency instability, such as the 1992 crisis in the European Monetary System and the 1994 Mexican 'peso' crisis. The German Green Party, when proposing a parliamentary motion on the tax in 1998, pointed out that between 1975 and 1994 turnover in currency markets multiplied by 80, compared to a world trade increase of two-and-a-half times.

Box 1: Strange new world

Thinking about currency and capital transaction taxes means exploring a strange, new world. "*Foreign exchange dealing rooms at times of peak activity resemble bedlam. Shirt-sleeved dealers look at computer screens, talk into several phones at once and yell to colleagues. They talk in the space of minutes to key centres - London, New York, Paris, Zurich, Frankfurt. The phrases are terse and mysterious - 'What's cable?'; '50/60'; 'Mine!'; 'Yours!'; 'Cable 70/80 - give five, take three'; 'Get me dollarmark, Chemical Hong Kong'; 'tomex'; 'What's Paris?' The foreign exchange market is international, open 24 hours a day, adjusts prices constantly and deals in huge sums. 'Five' always means 5m whether of dollars, yen or deutschemarks. 'Yards' is a billion*." (Valdez 1996, p. 137).

Second, since the tax could generate substantial sums, the idea has attracted the attention of those concerned with the public financing of development – a concern accentuated by the fiscal challenges faced by the state as well as by the growing need for international co-operation on problems such as the environment, poverty, peace and security (cf. ul Haq/Kaul/Grunberg 1996, p. 2). Depending on the formula, Tobin tax revenues could generate between $150-300 billion annually. The UN and World Bank estimated in 1997 that the cost

[1] Foreign exchange markets are said to be volatile when changes in the exchange rates are excessive compared to underlying economic fundamentals such as growth and employment.

of wiping out the worst forms of poverty and providing basic environmental protection would be about $225 billion p.a. (cf. Halifax 1998).

2. What are the economic benefits of a currency tax?

According to its advocates, a currency transaction tax would be a strategic element of global financial management since it can:

- reduce short-term, speculative currency and capital flows
- enhance national policy autonomy
- restore the taxation capacity of nation-states affected by the internationalisation of markets.

The tax is an attractively simple formula for reducing destabilising flows. The revenue base consists of very short term, two-way speculative and financial arbitrage transactions in the inter-bank market. The greater the frequency of transactions, the higher the tax charge. Its appeal consists in being a disincentive to short-term transactions while not inhibiting international trade, long-term capital flows, or currency price adjustments based on changes in the real economy. The burden on 'normal business' would not be significant because of the low tax rate of 0.1-0.5% (depending on the specific proposal). According to the German Green calculation, if one assumes a tax rate of 0.2%, a speculator who works on a daily basis would be charged tax of 48% p.a.; an investor with a weekly time horizon would pay 10% p.a. and with a monthly horizon only 2.4 %.[2] Since 40% of currency transactions have a time horizon of less than two days and 80% have less than seven days, the tax would have a calming effect.

The tax focuses on the centre of contemporary financial instability – the post-Bretton Woods foreign currency markets. The shift to floating exchange rates, the de-regulation of foreign exchange and financial markets, and the introduction of new technology have caused foreign exchange markets to expand enormously. Unstable exchange rates offer ample opportunities for profitable speculation in the spot and options markets and correlated interest arbitrage markets (see Box 4 for explanations). Attempts by individual countries to gain more exchange rate stability through currency pegs or anchors involve increasingly higher costs: it is necessary to accumulate and maintain enormous international reserves in order to intervene in the currency market and to maintain the extremely high local interest rates that attract foreign capital. Such attempts, supported in Asian and Latin American countries during the 1990s by the IMF, have generally failed. Reducing instability will bring the benefits of lower uncertainty, lower hedging requirements, less resource misallocation, and lower instability in key macroeconomic variables in general. Capital should shift to longer-term, more productive investment, with corresponding growth benefits.

A currency tax is a levy on international capital flows and, as such, is a regulatory and fiscal counterpart to capital liberalisation and globalisation. In an environment of diminished nation-state economic sovereignty, the idea offers the opportunity to restore some of governments' lost taxation power and potentially raises the challenge of supranational taxation and redistribution of revenues within the international community.[3] It has the additional advantage of being a levy on a sector that is relatively under-taxed at present. There is a trade-off between the aims of stabilisation and development funding – the more successful the tax as a deterrent to speculation, the less revenue it generates. However, even if currency trading diminishes radically, the revenue is still very significant. It is worth noting that currency transaction taxes are not the only internationally co-ordinated tax option, though they might be the most lucrative.

[2] The calculation is based on 240 business days p.a. The example is rather simplistic because it doesn't take into account that currency exchange markets are based on 'round trips' due to dollar centralised operations. "*When a French firm telephones their bank to buy Canadian dollars, the bank will buy US dollars with the French francs and with the US dollars buy Canadian dollars. The market is wedded to the dollar and finds organisation easier and simpler if dealers go in and out of the dollar, even if some 'double counting' is involved. To attempt to deal directly between any pair of currencies would be too complex. The Bank of England survey of the London market (...) in April 1995 found that over 80% of deals involved the dollar*". (Valdez 1997, pp. 162-63).

[3] The tax paid by German companies, for example, fell by 18.6% between 1989 and 1993, and their contribution to total tax revenue decreased from 35% to 13% between 1960 and 1995.

Box 2: A multilateral tax treaty?

Valpy FitzGerald argues that a multilateral agreement on taxation of corporate profits and asset incomes "*would prevent wasteful tax competition between developing countries in order to attract foreign investors; and provide a stable source of long-term funding for the public investment in education, health and infrastructure that developing countries require. It would also permit effective taxation of (…) nationals with considerable overseas assets; and reverse the trend towards national tax systems being based on immobile labour.*" He argues that, in contrast to the problems with the Tobin tax, "*multilateral corporate and dividend taxation only requires the effective coordination of the vast web of existing bilateral tax treaties*." (FitzGerald, 1999)

The Spahn variation: two-tier currency taxes

Critics of the Tobin proposal point out that in the 'emerging market' world of extremely high currency risks, investors who expect a short-term devaluation of as little as 3% or 4% would not be deterred from a speculative transaction by a Tobin tax set at 0.1 to 0.5%. Indeed, given the scale of recent 'emerging market' devaluations (50% in Thailand and Indonesia, 40% in Brazil), the tax would be totally irrelevant. Though the Tobin tax would reduce pre-crisis speculative short-term flows and thus help avoid the problem of overvalued exchange rates in the first place, the point is valid. A higher tax rate is not the answer since it would deter 'normal' transactions.

In response to the problem, Paul Bernd Spahn, a German economist, proposes a "*two-tier structure: a minimal-rate transaction tax and an exchange surcharge that, as an anti-speculation device, would be triggered only during periods of exchange rate turbulence and on the basis of well-established quantitative criteria. The minimal-rate transaction tax would function on a continuing basis and raise substantial, stable revenues without necessarily impairing the normal liquidity function of world financial markets. It would also serve as a monitoring and controlling device for the exchange surcharge, which would be administered jointly with the transaction tax. The exchange surcharge, which would be dormant so long as foreign exchange markets were operating normally, would not be used to raise revenue;*[4] *it would function as an automatic circuit-breaker whenever speculative attacks against currencies occurred (if they occurred at all under this regime). The two taxes would thus be fully integrated, with the former constituting the operational and computational vehicle for the latter*" (Spahn, 1996).

Hot money issues

Spahn's proposal of an exchange surcharge once a currency fluctuates outside a pre-determined band is analytically similar to, and would have essentially the same effect as other forms of capital control. Indeed, the small, permanent Tobin tax can be combined with several other forms of unilateral control over inflows and outflows.[5] The exchange surcharge may be more predictable and transparent than such controls often are, and less provocative to the advocates of capital account liberalisation, but linking the Tobin tax into this other area of policy could add complexity and controversy, and thus reduce political feasibility.

[4] If triggered, it would bring in revenue, but this would be minimal, and unpredictable (comment by the authors).

[5] For example, Malaysia's current heavy taxation of capital wishing to leave in a hurry or, until recently, Chile's requirement of a 30% deposit for incoming capital, which was held for one year. Because stock, bond and currency speculators move money in and out in minutes, hours or days, Chile's policy provided an effective deterrent. After the Mexican crisis, when much money left Latin America, most investors in Chile stayed put.

Whatever the relative merits of the Tobin/Spahn proposals, it is clear that a Tobin tax on its own will not stop speculation if a currency is significantly overvalued – thus it is not a panacea for all the ills of the financial system. Achieving greater foreign exchange market stability also requires changes in the policies that lead to overvaluation in the first place, and complementary national and international controls and regulation on capital flows (see Box 3). It should be remembered that much potentially volatile capital in ‘emerging markets’ is invested in shares, bonds, short-term lending and bank deposit accounts; it is thus not primarily concerned with profiting from exchange rate fluctuations, though it may well flee if it anticipates a devaluation.

Box 3: Oxfam’s view on ‘hot money’

Oxfam GB’s argues for an internationally co-ordinated reduction in volatile, short-term capital movement through administrative and market-based mechanisms that include:

- currency transaction taxes that reduce incentives to rapid, speculative flows; the risk reduction due to greater stability in foreign exchange markets would help bring interest rates down and stimulate growth.

- improved and harmonised regulation of financial institutions in capital-exporting countries, e.g. tighter reserve requirements and risk management regulations, control of derivative markets, exposure to real risk, tougher transparency rules, etc.

- improved regulation in host countries, such as reserve requirements on inflows, currency controls, taxation on financial transactions, transparency rules, etc; these instruments are needed to handle balance of payments difficulties but also have permanent ‘crisis prevention’ and developmental functions

Host countries should not be pressured to open up their economies indiscriminately or prematurely to foreign capital or free currency movement; proposals to include capital account liberalisation in the Articles of the IMF should be abandoned.

Governments need to review the strengths and weaknesses of IMF interventions to identify appropriate institutional and policy reforms. The review should look particularly at the growth and distributional effects of different types of stabilisation and adjustment programmes, with a special focus on the impact of high interest rates, pegged/overvalued exchange rates and capital account liberalisation.

Source: The Brazilian Economic Crisis, Oxfam GB Policy Paper, March 1999

3. Foreign Exchange Markets

According to the Bank of International Settlements (BIS, 1998) the daily movement in foreign exchange markets in April 1998 was $1.85 trillion (see Box 4). Less than 5% of this activity is related to trade in goods and services. The number of tradable currencies has risen from 19 in 1914 to 180 in 1999. This means there are hypothetically about 18,000 exchange rates to be explored by investors and speculators in a regime of floating exchange rates. Damage to the weak currencies of developing countries is evident, but industrialised countries are not immune.

Box 4: Global foreign exchange and derivatives markets

April 1995 and April 1998
(average **daily turnover** in billions of US dollars; notional amounts for derivatives)

Category	**1995**	**1998**
Traditional foreign exchange	1190	1490
Spot transactions	520	590
Outright forwards and forex swaps	670	900
Currency derivatives	45	97
Currency swaps	4	10
Options	41	87
Interest rate derivatives	151	265
FRAs	66	74
Swaps	63	155
Options	21	36
Other	1	
Total	1386	1852

Traditional foreign exchange: **Spot** transactions are cash transaction within two business days. **Outright forwards** are similar to spot deals but at a price more than two business days after the deal was struck. **Foreign exchange (forex) swaps** involve the exchange of two currencies on a specific date and a reverse exchange of the same two at a date further in the future at an agreed rate at the time of the contract.

Traditional foreign exchange daily turnover in April 1998 was $1490 bn, 25% higher than the $1190 bn recorded three years earlier. Forward transactions made up 60.5 % of total turnover in traditional foreign exchange segment, continuing the substantial rise since 1989, when the share of forwards stood at 40.7 %.

Derivatives: **Currency swaps** commit two parties to exchange streams of interest payments and principal amounts in different currencies. **Currency options** give the right to buy or sell a currency with another currency at a specified exchange rate, during a specified period or on a specified date. **FRAs** are 'Forward rate agreements' – an interest rate forward contract, determined at contract initiation. **Interest rate swaps** are agreements to exchange periodic payments related to interest rates on a single currency; can be fixed-for-floating, or floating-for-floating, based on different indices. **Interest rate options** give the right to pay or receive a specific interest rate on a predetermined principal for a set period.

Even faster growth was registered by the derivatives markets**. Currency plus interest derivatives** accounted for 20% of global exchange transactions and were, at $362 bn, 85% higher than in April 1995. **Currency options** (112%) and **interest rate swaps** (146%) have grown very fast, being the most significant derivative instruments. **Currency swaps** business, though small, has increased by 150%. The growth in **Interest rate options** and **FRAs** has been more modest.

Sources**:** BIS 1998 and Thom/Paterson/Boustani 1998.

Traditionally, a central bank buys and sells its own currency on international markets in order to keep its value relatively stable. The bank buys its currency when a glut caused by an investor sell-off threatens to reduce the currency's value. In the past, a central bank's reserves were sufficient to offset any sell-off or 'attack'. Currently, however, speculators have larger pools of cash than all the world's central banks put together (Halifax, 1998). This means many central banks are unable to protect their currencies, and when a country can't defend the value of its currency effectively, it loses control of its monetary policy. Alan Greenspan and the European Central Bank president Wim Duisenberg have both rejected calls for managed exchange rates, saying they are unworkable in practice, partly because of the gigantic scale of international capital flows (cf. FT 16/17th January 1999).

The advent of the euro has strengthened Japanese calls for a new regime to stabilise the major currencies. Recently, the finance ministers of Japan, Germany and France discussed proposals to reduce volatility. Mr. Lafontaine, then German finance minister, emphasised: "*We aren't for fixed exchange rates, but for stable currency rates. There is more and more recognition that capital movements should not serve speculation but should serve the real economy and investments. We don't want capital to be used for building up speculative bubbles*" (FT, 16/17th January 1999). This position contrasts with the US view that market forces should generally be left to determine appropriate currency levels. "*Foreign trade as a proportion of GDP is much less for the US than for many countries and they seem to be able to live with wild fluctuation that would cause havoc elsewhere*" points out Valdez (1997, p. 145).

Box 5: Centralised foreign exchange markets and the UK

The foreign exchange market is highly centralised in terms of the number of market places, traders and currencies. **The UK holds the lead position** in traditional foreign exchange (32%) as well as derivatives (36%); turnover has increased 37% and 131% respectively between 1995 and 1998. The UK exchange market is dominated by **inter-bank trade**, which accounts for 83% of business in traditional foreign exchange. Other financial institutions, such as pension funds, are responsible for 9.5% and non-financial institutions for 7.3%. The **top ten companies** account for 50% of trade in the UK (1989: 35% and 1995: 44%) and 51% in the US exchange market. The UK top 20 share 69% of business. It must be stressed that foreign-owned institutions operating in the UK market accounted for 85% of turnover in 1998. North American principals are the most active, with 49% market share, followed by the EU (except UK) with 18%, the UK with 15% and Japan with 7%. In 1998, the biggest **share of total UK turnover, by currency**, was US$/DM transactions (22%). £/US$ (14%), US$/Y (13%), US$/SwFr (6%), US$/Lire (6%), US$/FFr (5%) and US$/other ERM (12%). US$/other currencies, which covers emerging market business accounted for 7 % (see next box).

Source: Thom/Paterson/Boustani 1998

London is the world's biggest foreign exchange market, by a considerable margin. Valdez (1997, p. 170) lists four factors that explain its importance:

- *Time-zone:* London is able to talk to Tokyo for an hour in the morning, Los Angeles/San Francisco at 4.30 etc, whereas New York and Tokyo are in non-overlapping time zones
- *Tradition:* it has a historical and traditional role as a premier financial centre.
- *Euromarkets:* Euromarkets had a big impact on foreign exchange trading in the past.
- *English language:* English is the major language in international finance.

While the danger of exchange rate instability is generalised, the trading activity itself is concentrated in a few market places. 65% of trading in traditional foreign exchange in 1998 occurred in the UK (32 per cent), the US (18 per cent), Japan (8 per cent) and Singapore (7 %). Germany accounted for a further 5%, with Switzerland, Hong Kong and France close behind at 4% each (BIS 1998: 8). In 1998, UK foreign exchange trading was 118 times greater than GDP.

Developing Countries

Frequently, concerns about financial market instability focus on the disruptive impact of capital mobility on the advanced industrial economies. But the impact tends to be much more pronounced on developing countries. Their less flexible productive structures adjust more slowly to 'real' shocks than do those of the industrialised countries, and their thinner financial sectors absorb financial shocks with more difficulty. As the governments of developing countries are less able than those of the industrialised countries to offset perverse capital movements with conventional monetary-fiscal policies, the impact is even worse.

However, this vulnerability is also a function of domestic policy choices, often taken under the tutelage of the international financial institutions. "*Thus many Latin American countries are currently relying on inflows of hot money to stabilise their nominal exchange rate and slow inflation while they pursue trade liberalisation. This has produced increasingly overvalued 'real' exchange rates that discourage exports and balloon imports. Financing the growing balance of payment deficits on current account has become dependent on a continual expansion of capital inflows, the likelihood of which diminishes as the deficits keep expanding.*" (Felix, 1995, 4). The IMF sponsored a similar policy in Russia, which led to the catastrophic collapse of the rouble and public finances in August 1998. Brazil lost international reserves of $40 billion between the Russian default and its own final, inevitable devaluation of the *real* in January 1999; the impact of prolonged currency overvaluation and correlated, astronomically high interest rates has been disastrous for both the private sector and the public accounts.

Box 6: Foreign exchange turnover in emerging markets' currencies

Currencies	**Turnover (a) US$ billion per day**			
	Apr-95	Apr-96	Apr-97	Oct-97
Asia:	*13.6*	*19*	*22.1*	*20.5*
Indonesian rupiah (b)	4.8	7.8	8.7	8.5
Korean won	3.1	3.2	4	3.6
Thai baht	2.6	4	4.6	2.5
New Taiwan dollar	1.5	1.6	1.7	2.3
Indian rupee	1.6	1.2	1.7	2
Malaysian ringgit	n.a.	1.1	1.2	1.5
Philippine peso	0.02	0.1	0.2	0.1
Latin America	*10.1*	*12.9*	*17.5*	*23.7*
New Mexican peso	3.2	4.2	7.1	9.5
Brazilian real	4.3	5.5	6.7	8.5
Argentine peso	1.7	2	2.2	3
Chilean peso	0.8	1	1.1	2.2
Colombian peso	n.a.	0.1	0.2	0.3
Peruvian sol	0.1	0.1	0.2	0.2
Eastern Europe:	*1.8*	*7.5*	*8.8*	*15.3*
Russian rouble	0.6	2.6	3.7	10.7
Czech koruna	0.6	2.5	3.2	2.1
Polish zloty (b)	0.3	1.6	0.9	1.7
Hungarian forint	0.3	0.6	0.4	0.6
Slovak koruna	0.03	0.2	0.6	0.2
Total	**25.5**	**39.4**	**48.4**	**59.5**

n.a. = not available.
(a) Estimates as reported by national central banks, for their respective centres, net of local double-counting, unless otherwise specified. For Thailand, 1995 second-half and 1996 annual averages. For Indonesia and Argentina, 1995 and 1996 annual averages. (b) Gross.
Reproduced from the BIS 68th Annual Report (June 1998), Table VI.5.

While most currency market transactions take place between developed countries' currencies, the participation of developing countries has increased during the past few years. According to the BIS 68th Annual Report, local daily turnover in emerging market currencies rose from $25 billion to $60 billion between April 1995 and October 1997. Within this total, the dollar value of Asian currency trading generally declined between April 1997 and October 1997; the Thai baht was devalued on 1 July 1997 and other currencies came under pressure soon thereafter. In 1998, for the first time, the UK foreign exchange data included an item on 'emerging market' currencies: estimated gross turnover in these currencies was $12.5 billion per day. The ranking for Asian currencies in the New York and London markets is similar, but eastern European currencies are more actively traded in London, and Latin American currencies in New York (Thom/Paterson/Boustani 1998, 351).

5. The Tobin tax debates

Some theories

Discussion on currency transaction taxes focuses on technical and political problems. 'Technical' problems are political too, in the sense that they derive from divergent economic theories. While Friedman argues that problems in foreign exchange markets are properly attributable to inconsistent domestic policies, Tobin, as Keynes before him, attributes instability to market distortions caused by asymmetric information and herd behaviour of investors (cf. Eichengreen and Wyplosz 1996, p. 19). Other authors add the 'moral hazard' problem, claiming the de facto underwriting of debt by international institutions and lending country governments leads to distorted markets and irresponsible behaviour.

However, to appreciate what a currency tax could do, it is helpful to define what money and currency are. In neo-classical thinking, money is simply a commodity. In reality, it is a public good (comparable to language or the legal system), emitted by the central bank and possessing a value established by the trust and valuation of investors and citizens, as well as by the central bank. It is thus both a social institution and an essential part of the infrastructure of the market economy. In this light, the Tobin tax can be seen as an instrument to help restore the public function of money. If indeed there is self-destructive speculation in the currency system, it must be corrected and controlled, and a tax can be an appropriate mechanism for the purpose.

The main arguments presented against currency transaction taxes

According to Janet G. Stotsky (1996),[6] an economist at the Tax Policy Division of the IMF's Fiscal Affairs Department, there a number of arguments against currency transaction taxes:

- There is little evidence that such taxes reduce market volatility and they will certainly not stop speculative attacks. Transaction costs have in fact fallen over the years without corresponding increases in volatility.

- They will reduce market efficiency by creating a disincentive to trade assets, inducing investors to hold a less desired portfolio, and by potentially reducing stabilising arbitrage. Moreover, these taxes would increase the cost of capital, and thereby lead to lower rates of capital formation and economic growth. The motivations of different traders in financial markets are not well understood, and there is no way to target only destabilising traders. The case for taxing all short-term transactions more heavily is not persuasive.

Additionally, she argues, there would also be enormous political and administrative difficulties in implementing such a tax:

[6] Stotsky's article is an answer to Spahn's two-tier proposal but her arguments apply to the original Tobin idea too.

- The mobility of financial transactions would make the tax easy to avoid unless the tax were internationally agreed upon and administered by each government. The rules for applying the tax would have to be established by international consensus. But it has proven difficult to get countries to agree upon uniformity in other areas of taxation, even amongst relatively homogeneous groups of countries such as the European Union.

- The use of revenues from the tax is likely to be more contentious. The idea that revenues could fund the United Nations, for instance, has received an icy reception from the US.

- The proper use of the tax would require a degree of co-operation between monetary and fiscal authorities that does not exist in practice. It is doubtful that monetary authorities would have the ability and independence to administer such a tax wisely.

It is not only IMF economists who question currency taxes. FitzGerald (1999), from the more Keynesian tradition, believes they "*would have little effect on speculative flows, and would be impossible to collect in view of the complexity, speed and substitutability of cross border currency transactions – let alone offshore transactions.*"

Volatility and market efficiency

As already noted, it is true that a simple Tobin tax will not stop speculative attacks on currencies, though it should moderate minor fluctuations and encourage capital into more productive investments. It may also be true that evidence on the effectiveness of currency taxes with a Spahn surcharge is still weak, but such policies have not been implemented yet, so it is early to draw conclusions. It does seem clear that countries like India that have not removed exchange controls have been less vulnerable to volatile capital flows, though they may have paid a price in terms of foregone longer-term foreign investment. All this reinforces the point that other forms of regulation and control in both the capital exporting and capital importing countries are necessary to curb volatility. A currency transaction tax should, therefore, be seen as part of a package of measures, and evaluated as such. The key question then becomes: how important a component of the package is it, and is it sufficiently important to merit centre stage in advocacy on global financial stability?

With reference to the non-understanding of the motivation of financial traders, it is worth noting that *"a more controversial feature of the new shape of the financial system is that the bulk of its participants now have a vested interest in instability. (...) High turnover tends to occur only when markets are volatile. The analysts at Salmon Brothers ... put it clearly: 'Logically, the most destabilising environment for an institutional house is a relatively stagnant rate environment'*" (Walmsley 1988: 13). This phenomenon is comparable to the huge profits of Brazilian banks during the years of high inflation between 1985 and 1994. Like vampires they sucked the inflation arbitrage profits and after economic stabilisation, many of them struggled to survive.

If currency transaction taxes reduce exchange rate instability, banks and other financial institutions would be clear losers. Benefits would shift to other economic actors. "*Firms engaged in foreign trade and long-term overseas investment will incur lower costs on net because of the reduced need to hedge against exchange volatility; they will be encouraged by more stable exchange rates to do longer term investing and lending, and the tax revenue plus the downsizing of the financial sector will make more resources available for socially productive use*" concludes Felix (1995: 12). As mentioned before, benefits stemming from reduced hot money flows to developing countries are evident and the capacity of central banks to influence exchange rates can be expected to improve.

Stotsky argues that "*in recent years, transaction costs have fallen significantly for participants in major foreign exchange and stock and derivative markets without any apparent increase in volatility*" (Stotsky 1996, 2). This could have been the situation during the 1970s and early 1980s, but not in the 1990s. The October 1987 crash, the 1992/93 EU currency turbulence, the collapse of Baring Bank, the LTCM hedge fund debacle, and the Asian, Russian and Brazilian crises, make the liberal market argument quite unconvincing. The earlier euphoria over the efficiency gains from liberalising and globalising financial markets has rightly been overtaken by worries over destabilising financial dynamics and loss of monetary-fiscal autonomy.

The fact is that volatile capital markets induce agents to reduce the risk of loss by taking shorter-term positions for which more hedging instruments are available. Hedging instruments, which are supposed to reduce risk, become greater sources of instability, as the LTCM insolvency proved. A perverse spiral effect is triggered. Since shorter-term transactions increase turnover and make financial innovating more profitable, the aggregate effect is to draw more human and physical resources into finance while deterring real capital formation (Felix 1995, 9).

Before dividing up the cake, it must be baked….

According to Schmidt (1994, 6) "*unless a world-wide uniform tax is imposed on all instruments for transacting in foreign currency, the tax will be largely ineffective. Given the importance of international financial centres in Singapore and Hong Kong, for example, even a co-ordinated tax by the G10 countries will not be effective*." In fact, with an international agreement on the tax, the collection and evasion challenges seem manageable. Since large international banks handle most foreign exchange transactions (see Box 5), and are already well monitored by regulatory and tax authorities, collection should not be too problematic. Tobin himself responds to concerns about the use of tax havens by suggesting that the financial centres charging the tax, which would be the source of most of the revenue generated, would also regulate or impose additional taxes on transfers to and from centres which do not charge the tax. (cf. Halifax 1996). FitzGerald (1999) points out that "*the argument that offshore financial centres are autonomous states and thus cannot be forced to cooperate is of course nonsense – their very existence depends on the protection of a G7 member.*" It has also been suggested that a country's implementation of the tax could be made a condition of IMF membership.

Tax-avoiding substitutes and market inventions are indeed dangerous to the Tobin tax, as they are to all other regulatory and tax measures. Nevertheless, according to the Halifax Initiative, "*Although substitutes for spot foreign exchange transactions are available, they are cumbersome, currently more costly, and less liquid. Eventually, if the substitutes are also taxed, there will be a point where traders will find it just as worthwhile to use a taxed spot currency transaction. This balance is difficult to predict and administer (although it is possible). Ironically, it is the sophisticated traders who will be best equipped to use alternate instruments to avoid the tax; the same traders who are the prime target of the tax. This is a substantial problem with the Tobin tax. However, if markets can figure out tax avoidance then regulators can figure out controls. Further modelling could help to resolve the issue*." (Halifax 1996).

On the administration of a currency tax, the Halifax Initiative suggests: "*Planning and implementation of the tax collection would have to be done by an international body such as the IMF, World Bank, a United Nations Agency or the Bank for International Settlements. National governments or banks could be the collection agencies. Transactions would be taxed at dealing sites, the market at which the deals are made (rather than the booking, or recording sites which may record net transactions, or final settlement locations)*" (ibid.).

Sharing the cake

One suggestion regarding distribution is that 50% of the revenue remains with the collecting country and the rest is distributed to multilateral organisations. This could be in equal shares to the UN, IMF and World Bank, or in other proportions. A huge challenge would be to persuade the G7, and above all the US, to accept the loss of influence that would occur once these organisations gained a more independent income. The issue applies to the UN family, about which there are already many US complaints, some of them well-founded, and to the international financial institutions, which are important mechanisms for the exercise of rich countries' influence. There is the other danger, of course, of extra monies being granted to the financial institutions, notably the IMF, without any progress towards more democratic governance. Leaving aside the issues surrounding the role, performance and funding of international organisations, there is currently little political will amongst the industrialised countries to increase spending on any kind of aid, which could be done with or without a Tobin tax.

A second problem is that the revenue could prove too tempting for governments. A 'back of the envelope' calculation concludes that tax revenues could be a massive $284 billion, every single year.[7] Of this, other things being equal, one third would be collected in the UK. When one remembers the lengths to which the UK is prepared to go to maintain its comparatively tiny £2 billion rebate in the EU, it is not hard to imagine the political controversies facing the tax. Partly for this reason, Kaul and Langmore more modestly propose that low and lower-middle income developing countries would retain 100% of the proceeds, higher-middle-income countries could retain 90% and high income countries 80% (cf. ul Haq 1996, p. 267). Clearly, revenue distribution issues are complex. Hard negotiations would be necessary in order to reserve a significant share for sustainable development and humanitarian assistance in developing countries, and for reformed and more democratic multilateral institutions.

6. The political challenge

Where governments are

The main challenge for the Tobin tax idea is political. As a technical instrument, it was proposed by a renowned economist and many economists recognise its potential to help reduce volatility.[8] The proposal is unusually clear and relatively well researched. It is also likely to be acceptable to the public since, in U.S. political jargon, it is a tax on Wall Street, not Main Street (though in practice it is generally proving more difficult to levy progressive taxes on corporate and financial players than value-added taxes on citizens).

Nevertheless, the idea is opposed or ignored by the leading American policy makers and by the international financial establishment. The Economist's recent 22-page "Survey of Global Finance" (January 30, 1999) which reviewed in detail the proposals for new 'international financial architecture' did not dedicate one word to currency transaction taxes. The G7 did discuss the idea at the Halifax meeting in 1995 but without putting it on the official agenda and without deciding to pursue it further. According to the UK Treasury (February 1999), the G7, when considering how to create greater stability in currency markets, does not presently discuss the tax as an option. Part of this reluctance may be due to the complex revenue distribution issues that might arise. The UK government does not have a position on the tax, though some officials and politicians seem sympathetic to the general idea.

However, according to the Halifax Initiative, the governments of Australia and France have spoken out in the past in favour of a currency transaction tax. The Prime Minister of Malaysia has declared that currency trading is "*unnecessary, unproductive, and totally immoral*," adding, "*it should be stopped*." The members of APEC (Asia-Pacific Economic Co-operation) have discussed the proposal, though without making a statement of support.

In 1998, ATTAC, a French campaign group, started researching the positions of political parties, ministries, parliaments and politicians on the tax (http://attac.org/fra/list/doc/ruch.htm). The results show that the tax is mostly supported by Green and left-wing parties. Parliamentary motions on the tax have been discussed in Canada, Switzerland, Germany, France and the European Parliament. The most encouraging sign came in March 1999 when the Canadian parliament approved a private member's motion saying: "*That, in the opinion of the House, the government should show leadership and enact a tax on financial transactions in concert with the international community*." This could be an important step in putting currency taxes back on international agenda, as Canada is a G7 member.

[7] This calculation assumes the tax base, before the tax comes into force, to be the $1852 billion traded on foreign exchange and associated derivative markets every day (April 1998 figures – see Box 4). We then apply Felix's assumptions that: 1) the tax rate is 0.2%, 2) there are 240 business days in the year, 3) 20% of transactions are exempt from tax (governments, central banks, official international organisations' transactions), 4) 20% evade the tax and 5) the volume of currency trade falls 50% due to the impact of the tax. In reality, the main variables to be determined in political negotiation would be: the tax rate, the types of transactions to be taxed (spot, forward and hedge transactions, or only spot) and exemptions (governmental and official transactions, lower value transactions etc.).

[8] See ul Haq (1996). For a quick overview see the excellent Halifax Discussion Paper (Halifax 1996).

Box 7: Controlling financial pirates

Referring to the G7 Halifax meeting which discussed the Tobin tax proposal, the Canadian Greens wrote: "*Asserting that financial, particularly currency, speculation should be taxed, would have been a moral statement that, at least, would have acknowledged the problem. Did they not want to suggest this sort of morality? When they say the tax couldn't be enforced, is it assumed that currency speculators are criminally minded and can be expected to avoid a lawfully established tax? Today's situation is similar to the one that existed when reliable ocean travel created a new mobility. Some people took ocean vessels and raided other ships and communities along the world's coast lines. Piracy, for the most part, was brought under control when nations co-operated to bring the open seas under the rule of law. Should we not be preparing a foundation for renewed order before the financial pirates have appropriated all of the world's wealth*" (http://www.green.ca/issues/econo/Tobin.html).

During the early 1990s, UNDP promoted the Tobin tax and, in preparation for the World Summit for Social Development in Copenhagen in 1995, many studies on the tax appeared. When the proposal received a cold reception from US policy-makers, UN promotion of the idea ceased. However, a recent Economic Commission for Latin America and the Caribbean (ECLAC) report on prevention of financial crises argues in favour of an international financial transaction tax without mentioning Tobin (http://www.eclac.cl/espanol/portada/crisisfinanciera.htm). It can be expected that UN organisations will remain favourable to the tax proposal, mainly because of the revenue argument.

As the ATTAC opinion survey shows, there is a long way between good ideas and their implementation: "*Now that financial markets are in crisis, the Tobin tax should experience a revival of interest amongst political organisations and governments. However, the responses to our questionnaire are still frequently timid. The tax has been in the air for a while, but nobody has yet dared to deal with the issue head on and in all its aspects. The few detailed studies that we have seen consider the technical aspects of the Tobin tax, but none deal with the social dimension of the proposal. If we wish the Tobin tax to see the light of day, it is incumbent upon us to provide the different political groups with plans for implementation. If the idea is to strike a chord with public opinion, we also need to make specific proposals on the social aspect (who collects the tax, who distributes it, and to whom?)*."

Initiatives/networks campaigning on the Tobin tax

There are a number of organisations and networks active on the Tobin tax:

- Canada: The Halifax Initiative is a coalition of Canadian non-profit environmental, development, social justice and church groups. As we have seen, Canada is where the issue has most taken off, and this seems to be a very active network. (http://www.sierraclub.ca/national/halifax/issues_info/tobin_tax.htm).

- USA: There is a California-based Tobin Tax Initiative run by the Center for Environmental Economic Development which recently launched a resolution for people and organisations to sign, and a related San Francisco network of activists including academics, lawyers, development and environmental groups. There are a large number of US groups working on international financial issues. (http://www.igc.apc.org/globalpolicy/finance/alternat/)

- UK: War on Want launched a campaign around the tax this April prior to the IMF/WB Spring meetings - a briefing and a booklet on the tax and financial system reform have been published. (http://www.gn.apc.org/waronwant/campaign.htm).

- France: ATTAC (Association pour une taxation sur les transactions financières pour l'aide aux citoyens (Association for a Taxation of Financial Transactions in Assistance to the Citizens) (http://www.attac.org/). ATTAC was launched with the article "Disarming the Markets" in Le Monde Diplomatique by Ignacio Ramonet in December 1997. Officially, ATTAC was founded in June 1998 by a number of editorial boards, trade unions and associations (such as the main associations of the unemployed in France) to advocate for the Tobin tax and other related measures. ATTAC is also open to individual membership. Six months later, ATTAC apparently had some 5,000 members and dozens of local committees. ATTACs have emerged in Switzerland, Canada (Quebec) and Brazil.

- Brazil: Apart from the ATTAC committee, several NGOs are taking an interest in currency taxes, including the Rede Bancos network, which is planning a public hearing in Congress on capital flows and the Tobin tax.

- CIDSE, the coalition of Catholic development agencies, has been lobbying on the issue of taxing excessive currency speculation at the CSD. Together with Caritas International and European Justice and Peace, it commissioned a paper on currency transaction taxes in which the author argues in favour of the two-tier Spahn proposal (Danny Cassimon, 1999). CIDSE and the Swiss Coalition of Development Organisations will organise a workshop with Spahn at the Cologne summit, partly as an opportunity for NGO networking on the subject. Taxing speculation will also be part of CIDSE's lobby agenda at the Copenhagen +5 review in 2000. On this occasion, CIDSE may collaborate with the World Council of Churches and Aprodev, a Protestant development agency network.

7. Conclusions and comments on possible advocacy

Political viability

There will be an uphill struggle merely to get an international currency tax on the agenda. While recent crises have opened up discussion on a range of financial reforms, and decision-makers are looking around for answers, the Tobin idea is not prominent amongst them. Moreover, the fear of further crises has abated and there is almost an air of complacency in parts of the financial establishment, above all in the US. Nevertheless, there is continuing concern about exchange rate turbulence amongst many in government and the business community, and Japan, France and Germany have called recently for stabilising markets through linking the three key currencies – dollar, yen and euro. If the US economy enters stormy waters, which is possible given the unsustainable characteristics of its growth, the political scenario will change significantly and there may be openness to policy measures hitherto off the agenda.

Any proposal on the distribution of tax revenue (to collecting governments, the UN, the Bretton Woods institutions, relief and development programmes, etc.) can be expected to encounter stiff opposition from one quarter or another. Countries that are currency trade centres will want to keep the money for themselves, developing countries will want resources for development, and the major industrialised countries will not wish to relinquish the purse strings of multilateral organisations. This raises the issue of the political trade-off between the two objectives of the tax, and the associated strategic choices. The most politically viable tax proposal would allow revenue-collecting governments to keep most of the money, with perhaps a small contribution to development, multilateral organisations and other 'good causes' of which the major industrialised countries approve. In other words, if one wants the tax approved because of its stabilising effect it is probably necessary to sacrifice to some degree the development financing aspect, keeping the proposals and expectations modest. This is probably the best option especially given that once an international tax is in place and working, it may be possible to gradually shift more resources into 'good causes'. A similar argument may apply to the Tobin/Spahn discussion, since the latter's proposal does widen the complexity and controversy of the issue - in trying for too much, one risks getting nothing.

Potential allies

Clearly, the capacity to shift policy depends on having allies. The UN organisations are potential supporters of the tax, as are developing countries that have suffered from capital volatility, that want to see more resources for development, or that might be revenue collectors. More enlightened industrialised countries might also take up the idea, including Sweden and Norway, which have themselves been hit by severe currency problems.

During 1998, several NGO initiatives and networks on the Tobin tax have emerged in developed as well as developing countries - the Brazilian ATTAC, active in São Paulo, is one of them. NGO networking in developing countries most affected by international financial speculation could be supported as part of any international campaign. Existing Tobin networks in Europe and North America could be other advocacy partners. Apart from this growing but still modest Tobin-specific activity, NGOs, churches, trade unions and others are doing more work on international financial issues which can incorporate the currency tax idea. In the case of the CIDSE and the ecumenical organisations, a more substantial commitment may be developing, which can build on their constituencies' participation in the Jubilee campaign.

The concept of a currency transaction tax is easily understood by the public, even if the operational detail is complex. The very name 'Tobin tax', though probably a liability in lobby, is an asset in campaigning. Many developed countries, including the UK, have had relatively recent experience of currency instability and the effects of speculation, which helps their citizens to realise they are interested parties and to understand the issues. The debt relief campaigns reveal that what might seem initially like difficult issues can mobilise the public and may provide a springboard for work on other financial topics such as the Tobin tax. The fact that, in 1998, 32% of currency transactions were negotiated in London could be researched more and used in campaigning.[9] The issue of a Tobin tax and the other international policies needed to properly regulate the financial system are 'naturals' for global networks and world-wide federations such as Oxfam International.

Box 8: A Halifax Initiative list of possible Tobin tax promotion activies

1. Clarify and publicise the aims of the Tobin tax and its collateral benefits.
2. Model the impacts of a Tobin tax applied:
- at various rates;
- to various instruments;
- in terms of environmental and social consequences as well as economic results.
3. Complete a more detailed cost analysis, including operating costs of an international supervisory agency.
4. Analyse, evaluate and select a suitable international supervisory agency. Build a mandate there.
5. Link application of the program to other benefits, to promote compliance.
6. Define rigorous standards for the application of revenues.
7. Participate in the development of related changes to international finance systems (such as risk reduction procedures), so that changes are complementary.
8. Use forums established for other purposes to promote the tax, such as the Bank for International Settlements.

Source: Halifax 1996

[9] Lobbying pension funds and life assurance companies to adopt codes of conduct for 'investing' in developing countries might seem an attractive parallel action, since they are susceptible to public pressure, but preliminary research by CAFOD shows that only a tiny proportion of their resources (probably less than 0.4%) go to 'emerging markets', and this would not necessarily be volatile (CAFOD, 1999).

What could be achieved by a Tobin tax campaign?

A Tobin tax could help reduce instability of currency markets, which would in turn reduce the incidence and depth of economic crises, and the associated social costs. However, 'hot money' is only part of the problem in the crises we have seen in the 1990s, and currency transactions are only part of the problem of 'hot money', so the beneficial effect of the Tobin tax on its own should not be overstated. Advocacy work should therefore include the tax proposal, and even give it a reasonably high profile, but within the framework of a set of recommendations for both policy and institutional reform. In our view, a currency transaction tax does not merit the limelight as a 'stabiliser', but is worthy of particular attention if one takes the revenue-generating function into consideration.

Even if a Tobin-type proposal does not prosper in the foreseeable future, advocacy can bring benefits in terms of public and decision-maker awareness of international financial issues and the need for internationally co-ordinated policy responses. The idea of global taxation and regulation certainly has a future.

The second dimension of the proposal - the generation of large sums of money for development, humanitarian assistance, peace-keeping, environmental protection, etc - is an extremely attractive proposition. Even if watered down by the realities of power politics, it would be a great step forward, not least because of what it would mean about advances in intergovernmental co-operation and in the concept of global citizenship. Again, even if there is little progress in the foreseeable future, there are education benefits in raising the idea. Some long-term, radical ideas are needed in our advocacy portfolio, along with the practical, workable-now proposals. However, as noted, the more visionary the proposals for spending tax revenue, the harder it may be to gain political acceptance for the tax. The best strategy would seem to be to promote the less controversial suggestions regarding use of revenue and then seek to increase the allocation to development over the longer term. We should also look into and promote other forms of internationally-agreed taxation of capital and companies, as essential revenue-generating mechanisms for social and economic development.

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