Bailing out the poor

International solidarity tax

During the recent global economic crisis governments bailed out banks and financial institutions which are again making profits. But who bails out the poor or pays for ecological disasters? **Sandra van Niekerk** discusses the idea of a global solidarity levy or tax to raise the revenue to tackle climate change or to finance Millennium Development Goals.

'A small tax on all financial transactions at a rate of one per thousand could provide up to $600-billion a year – quite enough to repair our social benefits system in the North, pull the South out of endemic poverty and convert to an entirely green economy,' Susan George, ATTAC-France

The global economic crisis has thrown into stark relief the problems facing the working class – huge global and national inequalities, poverty, unemployment, environmental degradation, susceptibility to diseases like malaria, tuberculosis and AIDS, joblessness, and lack of access to basic services. These are not new issues, they are issues the working class has been struggling around for many years.

The economic crisis also threw into stark relief the uncontrolled nature of financial capital, and the ability of this sector of the capitalist economy to make vast profits with little effective state regulation or taxation. Capitalist governments in many countries have spent billions on bailing out financial institutions and banks that faced collapse because of the crisis.

In 2000 even capitalist governments from around the world recognised the extent of the worldwide problems, and came up with a set of targets to try and lessen them.

These have become known as the Millennium Development Goals (MDGs), meant to be achieved by 2015. It has become clear that most countries are far from achieving these goals.

A range of institutions, organisations and governments have identified a particular set of mechanisms to address some of these issues. These mechanisms can broadly be referred to as financial transaction taxes.

Some of the taxes that governments and other institutions are motivating for apply within the borders of a country, and are used for national purposes. For instance, Cosatu (Congress of South African Trade Unions) in its 2010 economic policy document, *A Growth Path to Full Employment: Cosatu Policy Perspective*, calls for a tax on financial transactions. This is seen as 'including a capital gains tax above a certain minimum threshold: to limit short-term capital flows and to encourage productive investment; and "speed bumps" on short-term capital flows, to discourage hot money.'

Other taxes that governments and institutions are proposing are international taxes which can be raised within the borders of a country, but are used to fund global activities. I will focus on the proposed international or global taxes.

BACKGROUND

In 1972 the idea of the Tobin tax, a tax on currency, was introduced. Many on the Left and in the ANC in South Africa supported the idea of a Tobin Tax as a way to prevent speculative outflows of capital.

But there were other progressive economists who were not in favour of the Tobin Tax. They saw it as an ineffective way of controlling the speculative outflows of capital and argued instead for stricter national capital controls. There were also many who argued that implementation of the Tobin tax was simply not technically feasible.

However, there was support for the Tobin tax among many social movement organisations. The Porto Alegre Manifesto in 2005 stated: 'Implement international taxes on financial transactions (most notably the Tobin tax on speculative capital), on direct foreign investments, on consolidated profit from multinationals, on weapons trade and on activities accompanied by large greenhouse effect gas emissions. Such financial means, complemented by public development help which should imperatively be 0.7% of the GNP of rich countries, should be directed towards fighting big epidemics (like AIDS), guarantee access to all humanity to clean water, housing, energy, health services and medication, education, and other social services.'

CALLS FOR INTERNATIONAL TAX

This idea of using a global tax to fund global development or global public goods has recently taken off in many countries around the world, supported by civil society organisations, trade unions and governments.

The motivation for introducing such a tax has shifted from that of primarily a means of controlling speculation, to a more varied set of ideas.

These ideas include using the tax money to facilitate international development as part of a push to ensure greater fairness by taxing the rich and redistributing the wealth globally in order to achieve global public goods. Such ideas also include using the tax to tackle global problems such as climate change or to raise revenue to finance the MDGs. Many, however, still motivate using the tax as a mechanism to control the financial sector.

WHAT IS AN INTERNATIONAL TAX?

There are a great many variations on the theme of an international tax which are called for and supported by different organisations in different countries. Two of the dominant variations under discussion which various organisations are campaigning for are the Robin Hood Tax and the Global Solidarity Levy.

Non-governmental and civil society organisations largely support and campaign for the Robin Hood Tax. There is also support for it from a number of politicians, business people and celebrities. The campaign originated in the United Kingdom but has a presence in a number of countries in Europe, Australia, Canada, and the United States – countries where governments paid out huge sums of money to bail out banks and financial institutions at the peak of the global economic crisis.

The Robin Hood Tax is a financial transaction tax on the banks, and financial sector in general. The idea is that banks and other organisations in the financial sector should pay 0.05% in tax for every transaction involving the purchase and sale of stocks, bonds, commodities, unit trusts, mutual funds, and derivatives such as futures and options. The money raised in this way would be used to fight poverty and climate change internationally, as well as to protect public services.

As the Robin Hood Tax website (http://robinhoodtax.org/) points out that the banks and financial institutions that governments spent billions bailing out are already back to making massive profits, and paying out huge bonuses to their executives, while ordinary people face cuts in public services as governments try to compensate for the billions paid out in bailouts.

A successful solidarity tax is the Air Ticket Solidarity Levy where money goes into a global fund for buying medicines to combat TB, HIV and Malaria.

The origins of the Global Solidarity Levy lie in the Leading Group on Innovative Financing for Development, which is a group of about 60 countries, international institutions and non-governmental organisations (NGOs), formed in 2006. The Group was set up with the aim of exploring 'innovative funding mechanisms' to meet the MDG.

One of the successful funding mechanisms set up in a number of countries is the Air Ticket Solidarity Levy. Countries that have agreed to implement this levy apply a domestic tax on airline tickets. The money raised goes into a global fund which is administered by Unitaid.

Unitaid is an international facility for buying medicines for illnesses such as tuberculosis, AIDS and malaria. The price of these medicines is brought down by buying them centrally and then distributing them in different countries. The airport tax levy and the process of purchasing the medicines centrally is helping to meet the health MDGs.

The Leading Group on Innovative Financing for Development set up a taskforce to explore different options for financial levies. This taskforce produced a report 'Globalizing Solidarity: The case for financial levies', which ultimately supported one option that they called a Global Solidarity Levy.

The Global Solidarity Levy is a centrally collected multi-currency transaction tax. It would apply to foreign exchange transactions on all major currencies. It is important to note that it is meant to be a global tax, which means it would operate across the world and not just in one country. If it only operated in one country, there is the danger that institutions would simply move to countries where it didn't operate.

The money raised through this levy would go into a global fund, and be used to fund 'global public goods' like climate change, meeting the MDGs, alleviating poverty in various ways, and so on.

SUPPORTERS OF INTERNATIONAL TAX

A number of trade union bodies and civil society organisations support the introduction of some kind of financial transaction tax.

For instance, US trade union federation the AFL-CIO adopted a 'call to action on jobs' in March 2010, which includes support for a financial transaction tax: 'The AFL-CIO joins the International Trade Union Confederation in supporting a financial speculation tax, and we call upon the Obama administration to support the proposals for an internationally coordinated adoption of such a tax by the world's major financial market countries. Such a tax would levy a small fee on all financial market transactions, including derivatives, futures and options. This tax would have no impact on real investors, would discourage financial speculation and would produce significant amounts of on-going revenue – on the order of $100-billion to $300-billion annually.'

The International Trade Union Confederation (ITUC) World Congress also called for 'the introduction of a global tax on financial transactions as well as foreign exchange transactions.'

The Public Services International (PSI) also supports the introduction of financial transaction taxes. At the South African Public Sector Summit, held in March 2010, Peter Waldorff, the PSI general secretary, called on South African governments to introduce a financial transaction to generate funds.

A solidarity levy could help to achieve Millenium Development Goals.

The Asia-Pacific Region of PSI has also taken up the campaign very actively. They held an initial Campaign Launching Workshop in August 2009, and are supporting the call for a Global Solidarity Levy, along the lines envisioned by the Leading Group on Innovative Financing for Development. The Southern African Region of PSI held its first workshop to discuss the idea of supporting such a levy at the end of 2010.

CONCLUSION

As mentioned, Cosatu has called for a financial transaction tax in its 2010 *Growth Path* document. Nactu (National Council of Trade Unions) has also supported a financial transaction tax in a June 2010 statement, 'to finance economic recovery, job creation, achievement of developmental goals and climate change costs.'

This means that both trade union federations are calling for a nationally raised and used, financial transaction tax. PSI, on the other hand, is calling for a global transaction tax, to finance global public goods.

It is important that organisations taking up these campaigns are clear on what they are calling for: a national tax or a global tax? A tax with the emphasis on controlling speculative financial capital, or with an emphasis on raising finances?

It is also important that organisations recognise the limitations of a campaign for a financial transaction tax. Such taxes in themselves are not going to control speculative capital, or wrest control of banks and financial institutions away from capital. All they can do is raise some finances and subject banks and financial institutions to greater taxation and, possibly, more regulation.

Ultimately, any campaign for a financial transaction tax would be part of a broader campaign for socialism. It cannot be a substitute for a socialist campaign. LB

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