

NEWSLETTER FROM THE PARLIAMENTARIAN WORLD APPEAL FOR THE “TOBIN TAX” *Washington Call*

<http://tobintaxcall.free.fr>

You will find attached the March 2002 Newsletter from « World Parliamentarians for the “Tobin Tax” ». To obtain further information or if you would like to have this newsletter sent to other Parliamentarians, NGOs or other interested parties, you may contact us by e-mail at: tobintaxcall@free.fr

Yours sincerely,

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«Capital Tax, Fiscal Systems and Globalisation» Intergroup of the European Parliament

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Summary :

- 1 – “Tobin Tax” orphan
- 2 – Germany: Development Minister presents the Paul Bernd Spahn study favourable to a “Tobin Tax”
- 3 – Great Britain: “Tobin Tax” motion at the House of Commons
- 4 – Switzerland: Parliamentary Initiative in favour of “Tobin Tax”
- 5 – United Nations International Conference on Financing for
- 6 – European Commission report on Globalisation
- 7 – Fight against money laundering
 - France : Adoption of a Final Declaration at the Conference of Parliaments of the European Union against money laundering
 - Book : « La boîte noire » (The black box) by Denis Robert

1 – “Tobin Tax” orphan

The American economist and 1981 Nobel laureate, James Tobin, passed away on 11 March 2002. In 1972, Dr Tobin formalised the idea of a tax on international financial transactions against the background of the US abandoning the parity between the dollar and gold the previous year. His proposal, inspired from Keynes’s ideas that followed the 1929 crisis, was to install a low rate tax on short term capital movement on the international currency transaction market. The revenues of such a tax were to be applied to development aid. The “Tobin Tax” was born. The idea launched by Tobin was not only a proposal to stabilise financial markets but it was the first world tax to be invented. The tax was then forgotten for many years but raised interest again after the 1997 Asian crisis was triggered by a currency collapse, and simultaneously with the development of ATTAC and other protest movements against liberal globalisation. The tax has nowadays become a symbol against uncontrolled financial power and for redistribution of wealth between North and South.

Without disavowing his own tax, he distanced himself somewhat from it when movements of protest against globalisation embraced the idea of his tax, and especially after the violent demonstrations at the G8 Summit in Genoa. We now regret not to have had the time to hear him at the European Parliament, to have his analysis of the tax and his views on the conditions of implementation of such a tax. We also would have liked to have the opportunity to explain to him that the movements of protest against globalisation, with which he did not share all views, had nothing to do with the few violent-prone organisations. We now would like to prove that his powerful idea can overcome many reserves and emerge as the first world tax for solidarity. This would be the best way for us to pay our respects.

2 – Germany: Development Minister presents the Paul Bernd Spahn study favourable to a “Tobin Tax”

At a Berlin Conference on 20 February 2002, German Development Minister Ms. Wieczorek-Zeul introduced a study commissioned by Paul B. Spahn, a Finance Economist formerly working for the IMF.

Refuting usual objections against the installation of such a tax, this study applies itself to demonstrating the feasibility of the tax, as the author had done during the economist hearing organised at the European Parliament in June 2001 by the “Capital Tax, Fiscal Systems and Globalisation” Intergroup. Paul Bernd Spahn reiterates in this document his idea of combining two taxes, “Tobin-cum-Circuit-Breaker Tax”: one with a low rate to be applied to normal economic activities and another at a higher level rate to counter speculative attacks.

The study also points out that it is not necessary for all countries to participate in order to introduce a Tobin Tax. It can be imposed « by single OECD countries or - even better - within a group of countries, for example in the EU », Spahn explains. He suggests the creation of a European Fund for Economic Development to administrate the revenues raised by this tax at a European level.

On the publication of this document, Peter Wahl, expert on Finance Markets of the German NGO WEED (World Economy, Ecology and Development) and of ATTAC Germany, called on the EU to take the first steps: « We call on the German Government to take the initiative. In particular, the German-French Working Group established by G. Schröder and L. Jospin should take the opportunity and push for the Tax in the Euro zone».

The study by Paul Bernd Spahn can be found at the following address: <http://www.wiwi.uni-frankfurt.de/professoren/spahn/tobintax/>

3 – Great Britain: “Tobin Tax” motion at the House of Commons

Following the French example whose parliament recently voted in favour of a «Tobin Tax », Harry Barnes, Labour MP tabled a motion in favour of the installation of such a tax. Mr Barnes' motion has attracted the initial support of a number of personalities from 6 different political groups, including former ministers: Peter Bottomley (former Conservative Northern Ireland and Transport Minister), Jenny Tonge (Liberal Democrat Spokesperson on International Development), Adam Price (Plaid Cymru), Lady Sylvia Hermon (Ulster Unionist Party), Eddie McGrady (Social and Democratic Labour Party), John Battle (former Labour Foreign Office Minister and member of the International Development Select Committee), Tony Worthington (former Labour Northern Ireland

Minister and member of the International Development Select Committee), Tony Colman (Labour member of the International Development Select Committee, Helen Clarke (Labour member of the Environmental Audit Select Committee), David Chaytor (Labour) and Bob Russell (Liberal Democrat).

The Commons motion is part of a concerted campaign led by War on Want to win backing for Tobin. A Commons reception on Tobin was hosted on Tobin Tax Day on 13 March at which a cinema advert was screened. The advert, with the voice-over being done by the actor Ewan McGregor to the music of Radiohead, has been censored for television because of its political message. Who knows, next might be the World Call of artists for the « Tobin Tax »!

Text of the motion :

Tackling Global Poverty

That this House notes that International currency transactions total more than \$1 trillion a day and that the vast majority of this is unrelated to the real economy of tangible trade goods and services;

Believes that such enormous speculative flows have contributed to serious economic damage to countries and regions such as Mexico (1994), Southeast Asia (1997), Russia (1998), Brazil (1999) and Argentina (2001);

Further believes that a small levy on such currency speculation, the Tobin tax, named after the Nobel Laureate who originated the concept, could both dampen down the scale and scope of speculation and raise substantial revenues, potentially in excess of \$50 billion each year, for projects targeted towards ending global poverty;

Is pleased that this initiative now enjoys the backing of a number of governments and parliaments across the world, including France, whose parliament recently passed a law authorising its implementation;

Is heartened by the words of the Chancellor that innovative ways need to be urgently found (including currency taxes) to finance development;

Wishes the Chancellor a successful mission to the UN 'Financing for Development' conference in Monterrey, Mexico; urges him to take steps towards the introduction of an internationally co-ordinated Currency Transactions Tax, with the proceeds ring-fenced for international sustainable development objectives;

And further urges the Chancellor to ensure that these proceeds do not replace either existing international aid disbursements, or agreed commitments to increase international aid.

*Information published thanks to Steve Tibbett from War on Want. www.waronwant.org
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4 - Switzerland: Parliamentary Initiative in favour of “Tobin Tax”

The Swiss Parliament was to take a position on 14 March on a parliamentary initiative by Josef Zisyadis, member of the Swiss Labour Party, proposing the introduction of a “Tobin Tax”. The

debate was eventually postponed to next April or June. We will keep you informed with the advance of this initiative.

Further information can be obtained by contacting Christiane Jaquet-Berger by e-mail at: jaquet.christiane@urbanet.ch

5 – United Nations International Conference on Financing for Development

We knew the “Monterrey Consensus”, project for the final declaration of the conference, had been finalised for several weeks and did not contain any new commitments or directions that would allow a real change in the financing of southern developing countries. It had however been the objective of this UN conference.

As for the European Union, it reached a compromise *a minima* on 14 March, on the level of public aid for development. Far from the promise made ten years ago to devote 0.7% of GDP, the fifteen agreed for those who have not yet reached the union average (0.33% of GNP) to do so by 2006 and for the others not to decrease the current level of aid. How can we be satisfied with such a compromise just before the opening of the Conference on Financing for Development? Doesn't this prove once again the necessity for new ways to redistribute wealth in the world? If the governments are not able to keep to their commitments and to call upon existing resources, they can no longer ignore studying new avenues such as taxation of international transactions. This kind of tax on currency transactions market could raise as much as 50 to 250 billion dollars depending on tax rates and different estimates. Even if the amount were less because of a limited number of participating countries, wouldn't this be worthwhile? The Zedillo report, which was prepared for the Monterrey Conference, estimates the cost of eradication of most extreme forms of poverty at 80 billion dollars per year for 10 years. Is everything we can do in this sense not worthwhile trying?

6 – European Commission report on Globalisation

The European Commission published in February a report, including a study on the “Tobin Tax” that had been commissioned last October by the ECOFIN Council. Unsurprisingly, the Commission rejected the “Tobin Tax” without bringing any new argument against it.

In its study, the Commission however recognises that the harm done by financial crises to developing and developed countries is not the result of bad internal politics but the produce of the inherent fragility of the international financial system. This report therefore favours a reform of the international financial system.

7 – Fight against money laundering

- France : Adoption of a Final Declaration at the Conference of Parliaments of the European Union against money laundering

Following the example of the Geneva Appeal of Judges (Bernard Bertossa, Renaud Van Ruymbeke, Eva Joly, Benoît Dejemeppe...), the parliaments of the European Union have adopted the “Paris Declaration against money laundering” at a conference held at the French National Assembly on 7 and 8 February.

The declaration, emphasising the importance and urgency of the action to be taken against money laundering and financial delinquency, is based on four themes: transparency of capital movements; sanctions against non-cooperating countries and territories; judiciary, political and administrative cooperation; prudential rules.

This Declaration aims at giving the parliaments a common reference point and drafting what could later become a demanding law in the area.

The full text of the Paris Declaration on money laundering can be found on the website of the Parliamentarians World Appeal: <http://tobintaxcall.free.fr>

- Book : « La boîte noire » (The black box) by Denis Robert

We recall the scandal caused by the publication of *Révélation*¹. This book had managed to shake international financial world in revealing the opaque functioning of the clearing house Clearstream (numerous hidden accounts allowing a double accounting system and the covering up of suspicious operations on a world scale). It had also been the occasion to witness, from some Luxembourg authorities, threatening in the form of search or direct threats against the author of the book and against those who had dared tarnish the Luxembourg image. It was also the occasion to witness attempts to discredit the revelations of the book (see Newsletter n°6). After having been forced to open a judicial enquiry, the Luxembourg justice, eventually closed it. Too early according to Denis Robert.

Denis Robert, who had co-authored the first book, decided to come back with a second book, *La boîte noire*², with details on the secrets the firm was hiding. He has notably collected the testimony of a former employee before the French Assembly parliamentary committee against money laundering, who explained with corroborated evidence how, under orders, he erased suspicious transactions from the system. This computer system clearing operation appears to have been later repeated at the request of André Lussi, former Clearstream managing director, after the publication of *Révélation*\$....

After the publication by the parliamentary committee against money laundering of a report containing overwhelming evidence against Luxembourg³, the publication of this new book can only underline the unacceptable position of the European Commission, which refused to exert any control over the respect by Member States of European legislation against money laundering.

The information report on the obstacles to control and repression of financial delinquency and on money laundering can be found on the French National Assembly website: <http://www.assemblee-nationale.fr>

¹ « Révélation\$ » - Ernest BACKES and Denis ROBERT - Les Arènes – February 2001

² « La boîte noire » - Denis ROBERT –Les Arènes – January 2002

³ Rapport d'information n°2311 de l'Assemblée nationale réalisé par la mission commune sur les obstacles au contrôle et à la répression de la délinquance financière et du blanchiment des capitaux en Europe – Volume 5 – January 2002
« Le Grand Duché du Luxembourg »