



Funding Political, Economic, and Social Justice through a Currency Transaction Tax: The Levy for Multilateralism

The World Federalist Movement-Institute for Global Policy (IGP) offers for consideration a democratic and equitable method for distributing the funds from a currency transaction tax (CTT). The revenue generated by a CTT could amount to USD 71 billion per year, using a conservative tax rate of .01%. Approximately half of the revenue would be used for a series of trust funds devoted to the United Nations' priority issues, including peace and security, the environment, development, health, and human rights. The other half would support national parliaments and regional organizations, providing the incentive for countries to participate in the tax mechanism.

The proposal takes forward and integrates a number of important policies of WFM-IGP, including:

- 1) Promotion of international regulation of harmful and often disastrous trade speculation in national currencies
- 2) The need to provide regional and international organisations with resources necessary to address global crises,
- 3) The goal of advancing independent funding for multilateralism to mitigate gross inequities and deficits in the funding of international organisations,
- 4) The value of concrete incentives for advancing democratic principles in global governance, and
- 5) Enhancing equitable treatment for all major sectors in international affairs, including the three pillars of the UN's work – peace and security, development, and human rights.

WFM-IGP has favored the Tobin Tax to discourage harmful currency speculation, proposals for a levy on air travel to support sustainable development, taxes on weapons trading, sanctions and reparations for violations of international humanitarian laws, among others. However, almost all proposals have failed, not because of technical challenges, but due to a lack of political will and even fierce political opposition.

Within the last six months the catastrophic global financial crisis has opened opportunities for proposals that would have been labeled utopian a year ago. Indeed, the heads of most powerful governments have called for fundamental reforms of global financial architecture.

WFM-IGP's proposal calls for governments, parliaments and global civil society to enact a very small global levy or tax on international currency transactions. Though miniscule,

the levy would yield an amount between tens of billions to hundreds of billions of dollars/Euros, while at the same time discouraging destructive currency trade practices. The revenues would be divided between global international institutions, regional bodies, and the parliaments of participating countries

Funds designated for the global international organizations would be deposited equally into ten or more “sectoral trust funds,” including on: peace and security, development and eradication of poverty, human rights, education, advancement of women, health and eradication of disease, environmental protection, children, disarmament, and debt relief.

The allocation of funds in each sector would be determined by the relevant international organizations, according to formulae and decision-making processes decided preferably by consensus, with a consultative role for non-governmental organizations with relevant expertise. (NGOs should participate on the basis of the principles in UN ECOSOC Resolution 1996/31.) Each sector or trust fund is to decide its own formulae and processes, and no funds from a particular sectoral trust fund can be disbursed until these agreements have been made. Thus, some sectors may proceed quickly, others may require much time and negotiation. While they deliberate, however, their trust fund will be accumulating revenue from the CTT. The governing agreements would be subject to a review mechanism with a specified timeline.

The formula for distribution to national parliaments and regional and international organizations would be prescribed in whole or part in the founding treaty. We initially propose that international organizations receive 50%, national parliaments receive 40%, and regional organizations receive 10% of the CTT’s revenues.

The incentive for governments, parliaments, international organizations and global civil society to support this initiative is elementary: funding, while discouraging harmful currency speculation trading. Whether the levy would generate \$50 or \$500 billion, this amount would represent a monumental boost to the goals and programmes of multilateral bodies. The redistribution of the same amount will not only have a negligible effect on the global economy, but also serve as a beneficial regulatory mechanism.