

## **Book review: 'Debating the Tobin Tax'**

Editors James Weaver, Randall Dodd and Jamie Baker

(New Rules for Global Finance Coalition, Washington DC, November 2003)

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In a time where the identification of new sources of finance is seen as a determining factor for the implementation of the UN Millennium Development Goals by 2015, the debate about taxation of currency transactions has become even more vigorous. With the global currency trade amounting to approximately US\$1.3 trillion per day, a modest currency transaction tax at 0.10 % could generate annual revenue in the billions, depending on the reduction in trade volume it would bring. Accordingly, the feasibility of such a tax is the source of great debate.

The book 'Debating the Tobin Tax' explores the arguments for and against the currency transaction tax; the Tobin Tax. The tax proposal is named after its inventor in 1972, the late Noble Laureate economist James Tobin, whose intention was to reduce disruptive speculation in foreign exchange markets by imposing a small tax on dealings in foreign currency. Unattended for decades the Tobin tax saw resurgence in the 1990s when it was recognized as a mechanism to achieve greater stability in financial markets.

As Jo Marie Griesgraber, Chair of New Rules for Global Finance, states in her summarizing concluding chapter of the book, the debate is dominated by ongoing disagreement about the desirability, effects and feasibility of the Tobin tax. The proponents argue that the Tobin tax will reduce currency volatility and thus damaging speculation while efficiently raising significant tax revenue. They also argue that it will enhance the power of domestic monetary policy and reassert national economic sovereignty. In agreement with the need for regulation of financial markets, the opponents, however, argue that the Tobin tax would not accomplish its purported goal of stabilizing financial markets. Instead they envision that it would result in lower financial market stability and higher volatility in prices and capital flows. They also question its achievability technically and administratively as well as politically.

'Debating the Tobin Tax' is a collection of papers presented at a conference in January 2003 hosted by New Rules for Global Finance Coalition, complemented with two primers designed as introductions to the Tobin tax and related issues. With its informative compilation of supporting and opposing papers the book gives good justice to the debate. The papers are nicely interlinked in such a way that they seem to respond to each other. To its advantage, the book does not take a stand on the question of the desirability, effect or feasibility of the Tobin tax but provides instead the reader with a broad idea of the complexities involved.

The technical economic aspect of feasibility for a global taxation of currency transactions is addressed in the book. The other and possibly the most crucial aspect of feasibility is the political. Lately, an increasing interest in the issue has arisen among politicians, however, ensuring the necessary global political will for realization of the Tobin tax is the great challenge ahead.