The Tobin Tax and Global Civil Society Organisations: The Aftermath of the 2008-9 Financial Crisis

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Introduction: The rise of the movement for the CTT

The currency transaction tax (CTT) – and more generally financial transaction tax – has gained new prominence due to the global financial crisis of 2008-9. The CTT is a simple idea, a tax levied on every currency exchange, set at a level enough low not to hinder transactions needed to finance trade in goods and services or long-term capital investments. James Tobin first proposed this tax in 1972, in the wake of the demise of the Bretton Woods system of fixed exchange rates (later, Tobin was granted a Nobel Prize in economics for reasons not related to this proposal).[1] Tobin argued for a reform of monetary markets. A tax on currency exchange would raise transaction costs and thereby make the volatile financial markets more stable and increase the autonomy of states, particularly autonomy of their monetary policy. The CTT has often been called the Tobin tax, although Tobin himself was not always happy about this association.

Tobin's proposal was ignored in the 1970s but came up forcibly in the 1980s particularly in the context of various financial crises such as the October 1987 crash. However, of the hundred or so currency crises which have taken place since the late 1970s, the most far-reaching ones have occurred since 1990. After the

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1. Originally Tobin made his proposal at a lecture in 1972 (*The Eliot Janeway* lectures were published in Tobin 1974, see 88-92); however, the argument was re-made more thoroughly in his 1978 work. In 1981, Tobin was awarded the Nobel Prize, for reasons *not* related to this proposal, namely for "his most outstanding and significant research contribution to the theory of financial markets and their relation to consumption and investment decisions, production, employment and prices". In the late 1990s, Tobin continued to advocate the currency transaction tax until his death in 2002 (see Eichengreen, Tobin and Wyplosz 1995; and Tobin 1996).

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Mexican (1994-95) crisis and its repercussions, the Asian crisis (1997) – which spread to Russia and Brazil (1998) – alarmed the world. The Asian crisis in particular changed the world political scene. A new transnational political movement for the CTT emerged. The CTT even gave name to ATTAC (*Association pour une Taxe sur les Transactions Financiéres pour l'Aide aux Citoyens*), founded in France in June 1998 around the French journal *Le Monde Diplomatique* and has since then spread to dozens of countries around the world.[2]

Although the movement for the CTT has not, thus far, achieved its main aim of a global currency transactions tax, it has successfully campaigned for the tax in various countries. The movement has raised the issue on the agenda of many national parliaments, the European Parliament and a number of international organisations, including the UN. The parliaments of Canada (1999) and France (2001) have adopted motions supportive of the implementation of the tax. In June 2004, the Belgian Federal Parliament approved a bill implementing a two-tier version of the Tobin tax. According to the legislation, Belgium will introduce the Tobin tax once all countries of the eurozone introduce a similar law.

In July 2005 former Austrian chancellor Wolfgang Schüssel called for a European Union Tobin tax to base the communities' financial structure on more stable and independent grounds. However, after the proposal was rejected by the European Commission, the CTT has usually been discussed in the margins of world politics in terms of the Lula-Chirac initiative (to be discussed below) and under the rubric of finance for development – until 2009, when it once again emerged as a potential remedy for some of the problems created by the powers of mighty global finance.

Three different reasons for the CTT

Following Keynes, Tobin originally argued that over-liquid and "efficient" finance is tantamount to short-termism and thus irrational investments. Powerful financial flows also lead to the lack of states' autonomy in determining economic policy and to general misallocation of resources. Thus the need to "throw some

2. For a full story of the rise of the movement and analysis of its prospects, divisions and problems, see Patomäki 2007a; for a somewhat contrastive postmodernist account that views and celebrates the campaign "for its role in ongoing practices of 'sentimental education'", see Brassett 2009.

sand in the wheels of our excessively efficient international money markets"[3].

In the 1990s, with the exponential growth of foreign exchange markets, the CTT suddenly appeared also as a very significant potential source of revenue for various global purposes. For instance, the CTT was discussed at the World Summit for Social Development in Copenhagen in 1995. Many NGOs and politicians began to advocate for the CTT because of its revenue potential. Financial crises, especially the Asian crisis of 1997-8, and the need for global funds made the "Tobin tax" a key point of contestation in struggles over the course of globalisation.[4]

However, crises have also had the effect of making claims about the efficiency and justice of contemporary global finance look suspect. Because of global interdependencies, financial fluctuations have far-reaching consequences to the lives of those who neither benefit from financial activities nor have any say on the decisions and developments suddenly hampering their lives. The millions bearing the consequences of recurring financial crises seem to get a punishment without doing anything wrong. The 2008-9 has increased unemployment by at least 20 million people and may put 50 million people out of work worldwide.[5] In the global south, the effects of financial crisis on poverty have been similar to the effects of the rapid rise in food prices that started in 2005 and has been estimated to create an additional 100 million undernourished and extremely poor people around the world.[6] The financial crisis has pushed the world even farther away from reaching the Millennium Development Goals. The sharp spike in hunger triggered by the global economic crisis has hit the poorest people in the global south hardest.[7]

In contrast, several of those causally responsible are rescued or bailed out by public funds. Financiers do not seem to face any real hardship even when they fail. On the contrary, thousands of traders, dealers and investors can continue to enjoy their privileged and comfortable life-styles even during a far-reaching

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3. Tobin 1978, 154.

4. See Patomäki 2000; and 2001, ch 4.

5. The Times, 29 Jan 2009.

6. See High Level Task Force on Global Food Security Crisis 2008.

7. The countries that will be hardest hit by the economic crisis are those with high levels of balance-of payments deficits and high food-import dependency. FAO 2009, 23.

financial crisis such as that of 2008-9. Only a few months after being rescued by the US state in late 2008, the employers of the investment bank Goldman Sachs had a salary increase of 46%, earning on average more than half a million US dollars per year.[8]

It is considered unjust to accept the benefits of a practice but refuse to do one's part in maintaining it.[9] The principle of "individual profits, socialised risks" is not fair even in the minimalist sense of equal treatment in terms of contributing to a practice. The point of the CTT is to weaken asymmetric interdependencies, shift the burden of contributing to the sustenance of social practices, and reduce the risks of crises. Moreover, incomes could be transferred from the "speculators" to improving the conditions of those actually or potentially afflicted by the *global casino*.

An argument for the Tobin tax may also start, however, from the shared ideal of democracy. For instance, Tobin's defence of the autonomy of national economic policies is an argument for democratic self-determination.[10] Similarly, if the main worry is that those whose lives are transformed by the consequences of financial outcomes do not have a say on financial developments, the argument is really about democratic self-determination of citizens in an interconnected world. Democratisation also concerns empowerment of the powerless, to realise equal, practically effective – although not necessarily actualised – rights of every person to take part in global collective self-determination.[11] Attempts to tackle global power relations give rise to novel questions about democracy. Whether acknowledged or not, the CTT seems to open up a discussion about global democracy, too.

To summarise, the tax has three main aims:

(1) To curb foreign exchange markets and reduce and slow down transnational flows of short-term capital. Thereby the tax will stabilise financial markets and increase the economic policy autonomy of states.

(2) To create funds for global common goods; this may include aims such as

8. Taloussanomat, 15 Oct 2009.

9. Rawls 1958, 178.

10. Tobin 1978, 159.

11. O'Neill 1991, 301-2; Patomäki 2001, 127-31.

worldwide alleviation of extreme poverty; preventive and compensatory mechanisms for financial crises; global social policy programmes; and global-Keynesian economic policies.

(3) To gain some global-democratic control over global financial markets and the social forces they have helped to unleash and strengthen.

The emancipatory potential of the CTT depends on the way it will be realised. Many visions of the CTT focus on only one of the aims of the tax, thus excluding other concerns. James Tobin's original proposal was only about stability and autonomy of states (1), leaving (2) aside as an uninteresting by-product. Tobin had virtually nothing to say about (3). Some economists have followed Tobin in this regard. Many later proposals have only been interested in creating global funds (2) for limited purposes and imply such a low rate of taxation that the volumes and functioning of foreign exchange markets would be left practically intact.

Also many recent proposals to establish a stand-alone CTT by the European Union would not achieve the three basic goals. There would be no global fund or global democratic control of financial markets. If developing countries were invited to join the regime subject to acceptance of the control of the European Central Bank, the CTT regime would come close to reproducing (neo)colonial structures of finance.

Post-Asian crisis re-assessment

The Asian crisis of 1997-8 did not lead to a significant regulatory change. The New International Financial Architecture (NIFA), the official response to the crisis, was a set of policies and regulations that aimed at making financial liberalisation and deregulation more stable and legitimate. NIFA was not an attempt to reverse or transform these processes or their guiding principles, but to strengthen them.[12]

In fact, the Asian crises provided an opportunity for the US, the IMF, and advocates of the Washington Consensus to impose their preferred model on the Asian tigers. The accusation was that the Asian form of capitalism has been "crony", that is, it is corrupt and based on intimate and illegitimate networks of

12. See Soederberg 2001; 2004.

close friends. This was claimed to be the cause of the Asian crisis. The solution was, of course, to replace the Asian model of "crony capitalism" with "free markets", in order to make financial markets work properly. This was also the condition of the IMF rescue loans. Simultaneously, the Western corporations and banks had the opportunity to buy Asian means of production at a great bargain (e.g. the dollar-valued price of Indonesian factories and enterprises in 1998 was only about 4% of their previous value). As a result of the Asian financial crises, these countries came under neoliberal domination more strongly than ever. Until the crisis they had formed the key exception to the rule of slackening global conditions, since then the key exception has been China.[13]

While the Asian crisis strengthened the grip of the Washington Consensus over the countries facing the crisis, it also led to a new phase in the development of the alter-globalisation movement that is trying to establish alternative principles of global regulation. As a reaction to the alarming situation created by the Asian crisis, a more systematic and organised global campaign for the CTT emerged. This reactive scheme of political mobilisation was reinforced by general frustration with the mainstream Western politics of neoliberal globalization.

However, the main momentum for the CTT was lost by 2003-4 and, moreover, the global CTT campaign is divided. One part of the campaign would be content to use a minimalist version of the tax to raise fresh funds for the purpose of eradication of extreme poverty through conventional development aid, leaving global relations of power and regulatory principles more or less intact. The hope is that if the CTT is made compatible with neoliberalism, its chance for success improves.

The Lula-Chirac Report vs. the Draft Treaty

In 2004, the minimalist version of the CTT gained support in the form of the Lula-Chirac Initiative by the Presidents of Brazil and France, joined by the Presidents of Chile and Spain, and the UN Secretary General (and United Nations University - WIDER). The Lula-Chirac report "Action against Hunger and Poverty"[14] does not focus exclusively on the need to generate global funds, but it seems to assume, by and large, the validity of prevailing economic theories and

13. For a more thorough discussion, see Patomäki 2001, 17-29.

14. Technical Group on Innovative Financing Mechanisms 2004.

policies. It tries to avoid "distorting" free markets and would like to exempt a large part of all currency transactions from the tax (the so-called "market making transactions").

Moreover, the Lula-Chirac report assumes that the CTT can only be implemented if all the major financial centres are within the system from the outset. In other words, the US or any other major financial centre would have veto-power over establishing the tax. Effectively, the same is true for any attempt to realise (even a neoliberal) version of the CTT through the UN system. Even in this rather neoliberal form, the CTT would be, after all, a tax that a few financial corporations (especially banks) should pay. Moreover, the CTT could easily be seen as a precedent for other global taxes. This is one of the key reasons why the US has continued to oppose it.

The solution of some NGOs, such as War on Want, a well-known international development NGO based in London,[15] has been to turn the CTT into a series of independent national taxes, united only by a voluntary global developmental fund based on a one dollar/one vote principle. Instead of a global tax, the CTT would in this conception be just another form of development aid.[16] The real effects of this model would be limited and context-preserving.

The Draft Treaty on Global CTT[17] outlines an alternative model, more in line with the aspirations of ATTAC and many organisations and movements participating in the World Social Forum process. The basic assumption of this model is that global financial markets are undemocratic and tend to be unstable. As explained by James Tobin already in the 1970s, well before the numerous financial crises that we have seen since, "national economies and national governments are not capable of adjusting to massive movements of funds across the foreign exchanges, without real hardship and without significant sacrifice of the objectives of national economic policy with respect to employment, output, and inflation"[18].

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15. Although an autonomous organisation and critical of the neoliberalism of the New Labour government of the UK, War on Want is also supported by the UK's trade unions and has a historical links with the Labour Party. It has been involved in the CTT campaign since 1999.

16. See Kapoor 2004.

17. Patomäki & Denys 2002.

18. Tobin 1978, 154.

According to the Draft Treaty, the tax is set at a sufficiently high level to curb the power of transnational financial flows. Global finance also constitutes structural power. The CTT should thus be a multilaterally agreed global tax controlled by a new democratic body, capable of mitigating the effects of the power of finance. Any sufficiently large grouping of states can establish the tax regime. The Treaty on Global CTT also has the potential to act as an "icebreaker in international law"[19], by setting an example of post-sovereign global regulation and taxation that can also be applied in other fields.

The new CTT Organisation must be capable of learning and self-transformation. The CTTO must be open to different points of view; react rapidly to unexpected changes; and be qualified to assume new tasks if needed. Moreover, there must be a fair, transparent and accountable process whereby decisions concerning the allocation of funds can be reached. Only an efficient and open democratic organisation can meet these essential requirements. A CTTO could stimulate the development of new forms of democratic participation and accountability in global economic governance, by virtue of its exemplary structure and initiatives.

The 2008-9 global financial crisis

The possibility to realise the CTT as a truly global tax, also implying a democratic change in global regulatory principles, is dependent on the possibility of enrolling a sufficient number of states to support the model, and organizing an international conference to discuss a possible treaty. In 2006 I concluded that it will take further crises before this will happen even in the minimalist form. However, I also warned that since the political consequences of a major crisis are always hazardous, it does not seem particularly wise to stand passive and just wait for a new disaster.[20]

As anticipated by several critics of orthodox economic liberalism, the new financial disaster arrived duly in 2008. This time the crisis has been genuinely global.[21] However, it has not involved a sudden currency crisis. If all states –

19. This expression has been coined by Lieven Denys (unpublished).

20. See the conclusions of Patomäki 2007a, 23-5; this report was first published in January 2007 at the World Social Forum in Nairobi, Kenya arrived duly in 2008.

21. The crisis was anticipated, in public, by several scholars, including but not limited to: Baker

including the EU – are simultaneously facing a banking crisis, triggered by a burst of the housing market bubble, and a collapse in stock values, the crisis may not involve any acute problems in foreign exchange (forex) markets.

Yet, there has been a lot of volatility in forex markets, also preceding the 2008-9 crisis. From a global point of view, the exchange rate system is closed. Up and down of any particular value is always in relation to the value of other currencies. Overall the system is zero-sum, i.e. changes cancel each other. Most importantly from the point of the global financial system as a whole, the recent volatility has concerned the position of the US dollar, which is dependent – in addition to the calculations of especially Asian private investors – on the decisions of central banks and governments. Since its introduction, the euro has been the second most widely-held international reserve currency after the US dollar. With more than € 610 billion in circulation as of December 2006 (equivalent to US $802 billion at the exchange rates at the time), the euro has already surpassed the US dollar in terms of combined value of cash in circulation. In August 2005, the euro/dollar exchange rate was at 1.22, standing at above 1.34 in May 2007 and 1.49 on 15 October 2009.

From the perspective of many central banks, the decision to hold dollars as part of their reserves is based on balancing their dependence on the US consumer markets with hedging against the risk that any currency, including the US dollar, contains. For instance, China is not willing to risk a trade conflict with the US (or EU), or the possibility that it will suffer systemic problem assignment through a collapse of the dollar (and thus the value of its holdings of foreign currency and of Bonds). However, with growing surplus capacity and internal economic problems looming, China too may be tempted to try to export its problems, also with the help of devaluing yuan renminbi. The temptation – which is broadly in accordance with the neoliberal belief in relative competitiveness and emphasis on export markets and transnational investments – is strongly reinforced by the example of US unilateralism.

For private investors, the decision to invest in currencies is a matter of maximizing short-term profits, and the private investors' anticipations and

2002; Kolko 2006; Krugman 2005; Pettifor 2006; Patomäki 2005; 2007b: ch 6; 2008: chs 7 and 8; Roubini 2008; about his earlier predictions, Mihm, 2008; and Soros 2008; about his earlier anticipations, see Cassidy, 2008. For an *ex post* discussion and explanation of the financial crisis, see Patomäki 2010.

expectations also play a role in central bank calculations. It is thus possible that a turning-point will be reached despite the intentions of central bankers to move slowly in diversifying their reserves, and despite the attempts of the US to use its political or even military leverage in defending the position of the dollar as the main currency of the world economy. The collapse of US dollar would constitute a global currency crisis.

Two short-term scenarios

According to the IMF estimates from April 2009, total global output in 2009 is expected to decline by 1.3% when measured in terms of purchasing power parity; while per capita output is expected to decline drastically by 2.50% in PPP-terms and 3.68% in market rates terms.[22] Moreover, these developments are unequal. Overall the advanced economies are expected to contract significantly and negative growth also characterises central and Eastern European countries, while "emerging" and developing countries may grow by a modest rate of 1.6%. In some poor regions where population grows much faster than the economy, this can mean negative per capita growth. Unemployment rates are soaring everywhere, leading to further demultiplier effects even when stock markets may already be recovering.

The October 2009 IMF World Economic Outlook looks somewhat more optimistic and projects an average gross growth of 3% for 2010.[23] Despite signs of gradual recovery – mainly due to automatic stabilisers via the state and large-scale rescue packages – it remains in principle possible that the worst is still ahead. The Great Depression began with the stock market crash in October 1929, but the deepest low came in the aftermath of the winter 1932-33 financial collapse in the US and elsewhere. If automatic stabilisers and available policy instruments are not sufficient for avoiding a deepening of the crisis, the on-going pattern might still turn out similar. But I consider this as less likely than gradual and ambiguous recovery within the overall trend of declining growth per capita (see figure 1).[24]

22. IMF 2009a

23. IMF 2009b

24. While there are signs of physical, ecological and social limits of market-measured economic growth, so far the main causes have been related to the lack of aggregate demand. For an explanation of why and how neoliberalisation has co-caused this trend, which is even more striking in the case of OECD and least developed countries, see Patomäki 2008, chs 5 and 6.

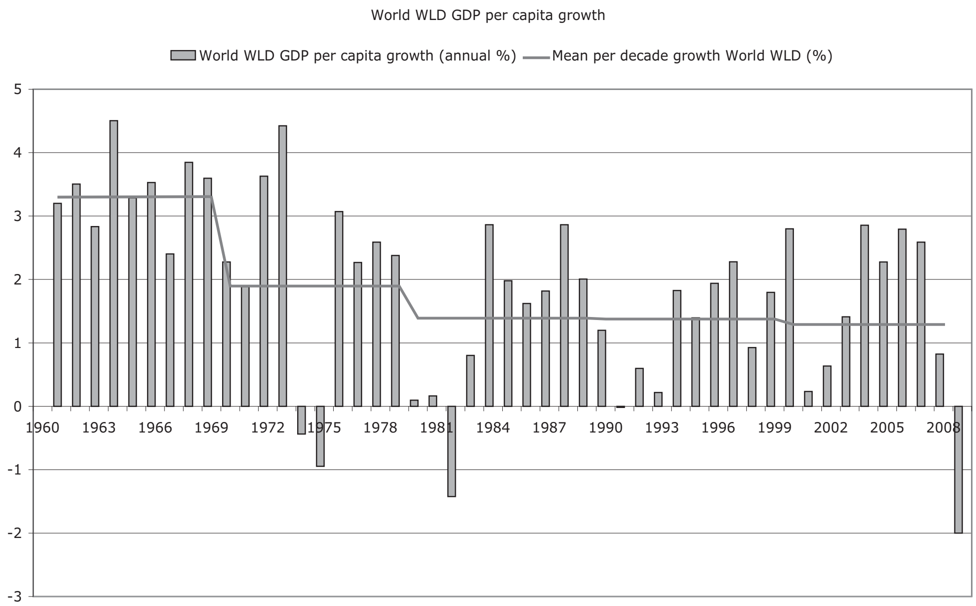

Figure 1. Slow-down of economic growth in the world as a whole
Source: World Development Indicators (WDI) data; and IMF-derived estimate for 2009.

The two main scenarios are thus: (i) relatively quick even if ambiguous recovery followed by a return to neoliberal business-as-usual; and (ii) the current crisis proves deep and long and will lead to a contradictory process of learning. Independently of which scenario is fulfilled, in many parts of the world more misfortune and suffering will ensue in late 2009 and in 2010. The question is whether this suffering can, under the prevailing ethico-political context, generate a new momentum for transformative movements? There has been a general decline in associative activism and democratic participation across the OECD world; and the deeply entrenched relations of structural power in the global political economy work against changes too. From this perspective it seems likely that if (a) the negative per capita growth rate does not exceed the level of 2-3 percent *per annum*, and (b) if the crisis can be contained and an ambiguous recovery starts in 2010 or at the latest in 2011, we will see another round of business-as-usual "reforms".

If the "recovery followed by neoliberal business-as-usual" scenario proves right, the underlying super-bubble that has lasted for three decades will then continue to grow, gradually assembling conditions for a big crash in the late 2010s or early 2020s. The illusionary idea that financial markets can make wealth out of nothing has of course experienced a major setback in 2008-9, but people's memory is short and open to manipulation though official institutions and global media. In this case, the main lesson of the crisis may just be that some of the details of governance were the weak link in the chain. "Fix [those], and capitalism will be just fine"[25]. The on-going crisis has been more potent and global than any of the previous crises but retrospectively, in this scenario, it will be seen as less serious than the next major crisis, which will in all likelihood hit around 2020.

However, should the crisis prove deeper – as still seems possible in late 2009 but increasingly unlikely – two things are likely to happen:

- the tendency towards beggar-thy-neighbour policies will become stronger, especially if the deepening involves a currency crisis; this tendency reinforces neo-imperial competition over resources and markets and accelerates the already on-going armament race
- demands for global reforms will become stronger and more radical and are likely to include the CTT and other global taxes

This scenario is characterised by a dialectic between two opposing tendencies, which may resonate with each other in a complex way: (i) a general tendency towards a repetition of the mistakes of the eras 1871-1914 and the 1920s; and (ii) a tendency towards a rise of a global ethico-political imaginary and new globalist movements that focus on global sustainability, justice and democracy.

If dispersed civil society activities turn out insufficient for realising an emancipatory version of the CTT and other related – or similarly globalist – reforms, a probable response is to rethink the agenda in more ambitious and systemic terms. What kinds of ethico-political goals are justified under current geo-historical circumstances; and what are the best means of achieving them? A likely development is that various organic intellectuals and activists will start to form global political parties and advocate for far-reaching global institutional reforms, conceivably involving the deliberate formation of a democratic world state.[26]

25. Roach 2009, 27.

26. For instance, Myron Frankman, 2002, argues that the CTT addresses only the symptoms not the causes of disturbances and crises. He argues that a global currency, as part of a framework of global democratic institutions, offers the promise of restoring the scope for diversity to the constituent parts of the global landscape. For the idea of global political parties

The Tobin tax in the aftermath of the 2008-9 financial crisis

In terms of politico-economic rationality, the CTT is meant to do three things. Firstly, it would slow down and curb speculative financial flows across currencies by increasing transaction costs. Numerous financial transactions involve two or more currencies, so this would have an effect beyond forex markets. Secondly, the Tobin tax would help to prevent *sudden* collapses of (or speculative surges on) particular currencies. Thirdly, it would enable global redistribution – via tax-and-transfer policies – and elementary global Keynesian investment policies.

Now, the worldwide recession of 2008-9 was not caused by a currency crisis but by credit crunch. The CTT could have only contributed to the avoidance of the crisis by reducing, indirectly, volatility in stock markets. It would also have made it somewhat more difficult to feed the credit bubble especially in the US with the Chinese and other Asian surplus. Moreover, when the crisis hit, the global CTT fund could have been used for financing bail-outs and for counteracting consequences of the crisis – but whether this would be a wise way to use the CTT-fund is open to debate. In any case, without a variety of other regulatory measures and policies in place, the CTT would not have prevented the 2008-9 crisis.

Given the nature of the 2008-9 crisis, it may not come as a surprise that the on-going global financial crisis has not sparked a new wave of worldwide CTT-activism at the grassroots level. For instance, many national ATTACs have concentrated on resisting further neoliberalisation. War on Want and other European NGOs – as part of the European Network on Finance and Development (ENOFAD) – has continued to advocate a minimalist version of the CTT through the crisis.

What is quite interesting – and perhaps also surprising to some – is that some ethico-political learning seems to have occurred at the top of the global financial system.[27] In August 2009, the chair of the London-based Financial

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and its relationship to global state formation, see Sehm-Patomäki & Ulvila, eds., 2007.

27. Similarly, for the experts and ideologues of the Cold War, it seemed utterly implausible that leaders who had risen through the hierarchical and tightly controlled Soviet system would be capable of new thinking and radical reforms (for this point, see e.g. Galtung 2003, 132). More than that, the learning process at the top of the Soviet hierarchy involved transnationally circulated ideas, such as those developed by Western liberal internationalists (supporters of disarmament in particular), peace researchers and Western European non-communist parties of the Left. Perhaps the end of the era of neoliberalism will be in some ways similar, where

Services Authority, Adair Turner, proposed a tax on financial transactions.[28] Turner recommended a comprehensive financial transactions tax and other new regulations to curb the flows and power of global financial markets. While most private financiers, central bankers and economists continue to oppose the idea,[29] the advocates of the CTT have seized upon the idea. On 15 September 2009, ENOFAD released an open letter "International Financial Transaction Tax on the Pittsburgh agenda", supporting the implementation of an International Financial Transaction Tax. This proposal is somewhat different from the CTT. According to ENOFAD, such a tax would be levied at a rate of 0.05% on all cross border financial transactions including currencies, equities and all kinds of derivatives.

The new proposal was discussed in the G20 meeting from 24-25 September 2009. The IMF was mandated to prepare for the next G20 summit a report on instruments to ensure that the financial industry makes "a fair and substantial contribution toward paying for any burdens associated with government interventions to repair the banking system"[30]. Neither the size nor use of revenue from such a tax has been decided. A possibility discussed is to use the proceeds to help finance developing countries during crises. Another possibility, discussed in a recent IMF report, would be to "pre-finance a bailout fund" to handle financial institutions deemed "too big to fail".[31]

Thus far the proposal has been vague about who would collect the tax or decide upon its use. If the International Financial Transaction Tax materialises but turns out to be no more than an international agreement on national taxation of financial transactions, countries would be free to use the revenues as they wish. If co-ordinated by the IMF, the tax could rather involve an attempt to strengthen the role of the IMF and thus the one dollar/one vote principle in the governance of global political economy (since 2004 or so, the IMF has been on the sidelines). Thus, it seems unlikely that the proposal would result in new global-democratic institutions.

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learning at the top of the system will open up the Pandora's Box of green global-Keynesian and global-democratic reforms.

28. Turner 2009.

29. For a summary of the controversy raised by Turner's proposal, see Financial Times 30 August 2009.

30. Point 16 of the "G20 Leaders declaration"; G20 2009.

31. Wall Street Journal 5 October 2009.

Conclusions

The proposal for an International Financial Transaction Tax comes close to the original ideas of Keynes and Tobin.[32] Depending on the rate and precise target of taxation, it would curb volumes of global finance and reduce transnational flows of short-term capital. Thereby the tax would stabilise financial markets and increase, to a degree, the economic policy autonomy of states. The tax would constitute a preventive and compensatory mechanism vis-à-vis financial crises. Its realisation would be an important victory for civil society organisations at least in the sense that it shows, as they have argued, that the CTT is not only technically possible but can also have beneficial effects. At least within states, the tax would make the system fairer in terms of equal treatment in contributing to a practice.

And yet, the International Financial Transaction Tax would fall short of the basic aims of those civil society organisations that have seen the Tobin tax as a means to making a better world ("another world is possible"). Their ambitious aim has been to create funds for global common goods e.g. for the purpose of worldwide alleviation of extreme poverty; global social policy programmes; and global-Keynesian economic policies. Moreover, the emancipatory idea has been to gain some global-democratic control over global financial markets and the forces of greed they have helped to unleash and strengthen; and to turn the tide in favour of social and ecological responsibility and common institutions.

The global dialectic of control may thus take on different forms than what the reformists wish. Moreover, it is uncertain whether an International Financial Transaction Tax could prevent the conditions for a new crisis from building up. Only a tax complemented by comprehensive regulation of credit and financial innovations can significantly reduce the likelihood of a new global crisis. A key question is also whether an International Financial Transaction Tax would be global or not, thus setting an example of post-sovereign global regulation and taxation that can also be applied in other fields. If not, the quest for establishing the first global tax will continue in other fields, the most prominent possibility

32. Tobin adapted the idea from Keynes' General Theory: "The introduction of a substantial Government transfer tax on all transactions might prove the most serviceable reform available, with a view to mitigating the predominance of speculation over enterprise…"; Keynes 1961/36, 159-160.

being a global greenhouse gas tax. Meanwhile, in the 2010s, novel forms of political agency will gradually emerge, setting the stage for the next era in world politics.

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