Transnational Corporations, International Agencies/Organizations and Employee Ownership

Policy Workgroup Report

to the

Capital Ownership Group

DRAFT

Introduction

The Capital Ownership Group was established to:

Create a coalition that promotes broadened ownership of productive capital;

reduce inequality of income and wealth and increase sustainable economic growth;

expand opportunities for people to realize their productive and creative potential;

stabilize local communities by improving living standards;

and enhance the quality of life for all.

As one of several discussion groups created by The Capital Ownership Group, the workgroup on **Broadening Employee Ownership Transnationally** was established to explore a number of areas:

(1) structuring broad employee ownership in multinational or transnational corporations; (2) how international agencies can encourage broader employee ownership; (3) the experience with organizing transnational bodies to support employee ownership; (4) the possibility of imposing a transaction tax on certain speculative global economic transactions;

(5) consider avenues to put employee and other forms of broader ownership into the mainstream of international development efforts; and (6) other methods for broadening ownership through transnational actions.

There are presently 48 subscribers to EOTRANS. Unfortunately, there has been relatively little discussion in this workgroup. However, the level of discussion has picked up, despite the fact that the number of active participants is small when compared to the number of subscribers. I suspect other groups have had a similar experience. As moderator for this workgroup, I have not been as active as perhaps I should have been in trying to get more of an exchange going among the members of the Workgroup. I hope to rectify that situation as we continue to move forward.

This report will look at the following areas of interest in an effort to kind of see just what is currently going on out there. Certainly, there is much more taking place in the transnational arena than will be presented in this brief report; hopefully, the following will help to develop or generate some ideas about ways that COG can potentially and positively affect the broadening of ownership and the issue of the inequality of income and wealth that has become a very negative trademark of globalization:

1. Multinational Corporations

2. The International Labor Movement, more specifically the ICEM and their effort to deal with the undesirable aspects of globalization

3. The ILO, the World Bank, the IMF and the United Nations and their emphasis on decent work and the reduction of poverty

4. The possibility of imposing a transaction tax on certain speculative global economic transactions

Multinational Corporations and Employee Ownership

As business has become more global, there seems also to have developed a concurrent and growing trend toward the globalization of various kinds of employee ownership plans among multinational or transnational corporations. The *National Center for Employee Ownership(NCEO)* has been looking into this for several years now and has plans to establish a website containing information on the spread of employee ownership among global corporations. The website is expected to be operational sometime this year.

According to a 1998 survey by the consulting firm, Arthur Andersen, of the 1,250 largest global companies, 43% operate some type of global share plans for executives, while 27% operate global share plans for all of their employees. In addition, roughly another 8% planned to introduce broad-based plans in 1999. (*NCEO Employee Ownership Update, 11/22/98*).

The trend has apparently continued. At the *Seventh Annual Conference on Global Equity-Based Compensation*, held in San Francisco in November 1999, a number of consulting firms participating in the Conference indicated that an increasing number of their clients were establishing some form of global employee ownership plan. In terms of actual numbers, the *NCEO's Employee Ownership Update, 11/22/99* noted that at least 100 large U.S. multinational corporations now have plans that offer stock options or similar equity packages to most or all of their employees worldwide, covering millions of employees. Further, it appears that a growing number of companies in other parts of the world are doing the same.

Why are we seeing an expansion of such plans throughout the world? NCEO staff member Veronica Manson, in a 1996 article (*which may be found in the NCEO website library*) titled "Globalizing Employee Ownership Plans for Multinational Corporations," found that the tendency toward the globalization of business has led to a globalization of the work force, the increased mobility of which has prompted many multinationals to try to maintain consistent and uniform employment policies throughout the world in order to be fair to all of its employees, regardless of the country where they are stationed. This has apparently applied to employee ownership plans in some companies as well as to more basic benefits and other employment policies. Ms. Manson also found that many corporations have made employee ownership a rather distinctive feature of their public image. To keep that image consistent, such companies have found a need to include their foreign employees in their employee ownership plans.

Further, according to Steven Gross and Per Wingerup in the July 1999 issue of *Compensation & Benefits Review,* one of the key business objectives in the 21st century is being able to attract, retain and motivate employees globally. It can certainly be a delicate balancing act to attempt to keep employees happy and motivated in just a single location company, much less in a global company with facilities and employees in a number of countries, each with different cultures, pay practices and the like, especially in view of just how small the world is becoming in terms of the ease of communications and information flow. Gross and Wingerup came to the conclusion that companies need to take a broad view of pay and rewards as they form global organizations. While the article does not specifically deal with employee ownership plans, however, such plans would very easily seem to fit into their desire to see more uniform and far-reaching types of motivational remuneration.

In the United States, where employee ownership is relatively well-established and defined, ESOPs and other types of ownership programs have been generally shown to stabilize the workforce, reduce the incidence of turnover and motivate employees to “behave like owners” when it comes to their own jobs and how they perform them. For a multinational to implement such a system in its facilities worldwide, however, runs into some obvious problems. There are, of course, legal problems that must be addressed in addition to the fact that different cultures may have different feelings about the overall concept of employee ownership. Because of these obstacles, it is far from easy to put together an international employee ownership plan. Ms. Manson, in the article cited above, however, lists some of the characteristic features of the international ESOP, a new model that may allow the extension of the benefits of employee ownership to employees working in overseas subsidiaries:

1. The international ESOP trust is established in a low- or no-tax country;
2. The foreign subsidiaries make periodic cash contributions to the trust to purchase stock of the U.S. parent company;
3. The shares are then allocated to individual employee accounts;
4. The company can set vesting schedules;
5. The contributions to the international ESOP trust can be determined according to a formula that takes into consideration the number of employees in that subsidiary or other factors.

Increasing employee ownership in multinational or transnational corporations is a desirable objective, especially in view of the mission of COG in promoting broadened ownership of productive capital as a means of reducing inequality of wealth, expanding opportunities for people to achieve their productive and creative potential, stabilizing local communities and enhancing the quality of life for all. Lofty goals, to be sure, but increasing multinational employee ownership is certainly a good start.

But, is the kind of transnational employee ownership that is currently developing in a number of corporations a form of real ownership which conveys some degree of influence for the employees in the overall operation of the business, or is it more in the vein of a management tool adopted simply to motivate its workers? It is probably some of both with emphasis on the later. Victor Thorpe tends to regard much of what is going on in this arena as a way to institutionalize corporate paternalism and keep pressure on actual wages by linking a portion of wage distribution to profitability; i.e, a motivational device. Nevertheless, Thorpe believes that the multinational companies will inevitably and eventually need to be transformed from solely profit-minded corporations into more socially-oriented organizations. He also believes that this is taking place, regarding the expansion of ethical codes of conduct, social and environmental auditing, and the shift in self-image from ‘corporation’ to ‘organization’ as evidence of a shift in collective corporate consciousness. The corporate rationale behind this shift, in Thorpe’s view, is sustainability of the organization.

While there are certainly differing opinions about the ‘quality’ and substance of employee ownership in multinational corporations, there is substantial evidence that it is increasing in one form or another.

Which begs the question---what can we do to reach toward this end? How can we encourage more multinational corporations as well as other companies that employee ownership is a good thing for their employees and a good thing for them?

As part of the workgroup discussion, one interesting and as it turned out, controversial, proposal was put forward by Don Ward. Upon learning that Walmart had relatively recently opened up their stock purchase plan to employees of a British acquisition, Ward raised the question of whether there might be the possibility that a major international retailer like a Walmart might be persuaded to introduce the concept of employee stock purchase, employee stock options and ESOPs to their suppliers. Ward’s point was that stock ownership puts money in consumers’ pockets and as the big retailers go international, they probably won’t do real well in a country where the average wage is only $1 or $2 a day. Retailers need customers that have money to spend. And, in Ward’s view, the primary way that people can get money legally is through profitable businesses or other enterprises which pay a good wage and hopefully provide some sort of stock-owning opportunity including ownership of the enterprise. While WalMart is not employee-owned, the company has apparently been big on promoting employee involvement and employee behavior similar to that which usually accompanies employee ownership. Ward is of the opinion that if a WalMart or other giant retailer would get behind the employee ownership idea worldwide and give some sort of preferences to their suppliers that are employee-owned enterprises, it would give additional impetus to the whole employee ownership discussion.

In response, Victor Thorpe countered with a view that WalMart and probably other huge retailers are not particularly good candidates for employee ownership themselves, except perhaps to use it as a motivational tool, and would not be terribly likely to attempt to influence its suppliers to go down that road. Thorpe also does not hold WalMart employee relations policies in very high regard and raises questions about the company’s real commitment to worker rights, whether in its own company, or in its supplier companies. Thorpe would prefer a model more like Scott Bader, or United Airlines, which he regards as still an interesting model despite its current problems.

In another proposal, Shann Turnbull has suggested that a program of providing tax incentives to international corporations be used to attract investment on a basis that more ownership be systematically reverted to local employees and the community. Under Turnbull’s proposal, “tax advantages would be provided through introducing a cashflow tax system on the condition that when investments were written off for tax, the ownership would also be written off by it being transferred to the employees and other citizens employed by or acting as suppliers, customers and members of the host community.”

Turnbull's point is that, by localizing ownership and control in this way, a more universal and meaningful ownership would be introduced. Employee ownership would be more than a motivational device. Turnbull's proposal has also been presented to other discussion groups as well.

Joseph Doggett called the attention of the members of the discussion group to the 1994 European Union directive for establishing European Works Councils which had as its primary aim improving the rights of employees. The purpose of the directive was to provide employees with information that could significantly affect their lives via three mechanisms:

(1) There should be dialogue between management and the employees; (2) There was to be equal treatment of employees across borders; and (3) Any subsidiary of a multinational corporation must act in accord with local customs and practices.

Working within items (2) and (3), it could be argued that fair and equal treatment across borders, taking into consideration local customs and practices, would compel a multinational company that had employee ownership in some form to extend that to employees in all European Union member states. Apparently, however, most multinationals have done little to follow the directive with regard to the extension of employee ownership.

One Trade Union's Response to the Growing Inequality of Income and Wealth: ICEM

By way of introduction, the International Federation of Chemical, Energy, Mine and General Workers Unions (ICEM), based in Brussels, Belgium was formed in January 1996 as the result of the merger of two existing trade union secretariats in the mining, chemical and energy sectors. It has more than 20 million members worldwide and, recognizing that 70% of world trade is directly managed by multinational corporations, has developed a strategy for global unionism. The strategy was formalized in November 1999 in the ICEM Second World Congress document **Facing Global Power: Strategies for Global Unionism.** I chose to take a look at the ICEM and examine its position relative to employee ownership because of past association with this international trade union secretariat.

Among a number of its strategies, the ICEM calls for the reform of corporate governance. Quoting from the document:

"Organized labor has an important and direct role to play in bringing the corporation back to society. Those who control companies have become increasingly remote from the process of production over recent decades. Power has shifted from the entrepreneur boss, the inventor and the industrialist to banks, financiers and directors who are largely unknown to the workers who toil in the factories that they command.

..........The broader social interest is usually best served by investment decisions based on the longer-term view and by investors firmly rooted within their community or country of origin. Supplements to this investment entering from outside should likewise be required to conform to the longer-term interests of the community. The danger posed by globalization springs primarily from its tendency to encourage unstable, flighty investments that switch their allegiance from country to country according to their own criteria of advantage."

Having said this, the ICEM Congress goes on to lay out what it considers the best way to get there:

"The best way to ensure that investment stays loyal to its roots is to give a solid stake in the company to the workers and the community who have invested their lives and the infrastructure of their town to its maintenance. A new power relationship needs to be built within the company. Real decision-making power, reinforced by legal ownership rights, needs to be vested in the workers of the undertaking and in the communities within which they operate. Countries that already have such laws have a better record of capital stability than others. However, these laws and advantages, achieved historically at the national level, are now under pressure from the force of globalization and will need a strong defense........

We need to recapture the moral high ground with claims that those who are employed and who live around the plant should have their natural rights protected at least as thoroughly as those who are only owners of the property. Workers should be recognized as those who have made the most personal investment in the undertaking. Their years of labor have established a natural right of "work equity" within the company that is more fundamental and more valid that the interest of those who have only a passing relationship to the value of its shares. The local community that has provided infrastructure and support services to the factory has also made an equally valid investment in the future of the undertaking. Labor needs to campaign for recognition of these rights under the law. For example, before companies are allowed to close a plant, to merge it or to sell it, why should workers and the local community not have a recognized legal right of first option to buy it at preferential rates? Why should bankruptcy laws put workers and the community at the end of the queue for compensation rather than first?"

This is about as good an endorsement of the concept of some type of employee ownership by an international trade union secretariat as I have seen. This Congress document actually built upon a piece written by Victor Thorpe, then-ICEM General Secretary, for the quarterly in-house magazine *ICEM Info*, in late 1997, and reiterated in a speech by Thorpe in December 1998. Previously, the ICEM had largely concentrated on being an offsetting force to the multinational corporations' power by forming company networks, organizing solidarity actions, and other clearing house activities designed to give unions around the world greater access to information and support for the collective bargaining process.

The ICEM, in recent years, has also been pushing for what they refer to as global collective agreements. These agreements, according to the Congress document, are not intended to substitute for the normal collective bargaining agreements; the point of departure is the company's agreement to apply the ILO core labor conventions: on basic trade union rights to organize and bargain collectively; against child labor, bonded or forced labor; on equality of opportunity and treatment in employment; on fair payment of wages and benefits according to good industry standards. At this time, the ICEM has signed two full global collective agreements-----with the Norwegian state oil company Statoil and with Freudenberg. The Statoil agreement actually goes beyond the ILO conventions and the basic intent of the global collective agreements in that it pledges neutrality in union organizing campaigns at any of its locations. In addition, discussions are apparently ongoing with several other global companies as well.

The present General Secretary of the ICEM, Fred Higgs, is making it his top priority to get such discussions going with more global corporations. Perhaps as such agreements become more common, it would not be outside the realm of possibility to include provisions relating specifically to broadening of ownership, the recognition of workers' sweat equity and the reduction of income and wealth inequality.

The ICEM is also part of the UN's Global Compact and has proposed that such global collective agreements are the best way forward for the Global Compact, inasmuch as free collective bargaining is one of the rights enshrined in the Compact. The global collective agreements could also be utilized to monitor and secure compliance with the principles in the Global Compact.

The United Nations, the World Bank, the IMF and the ILO: Where Do They Stand?

Part of the scope of work for this group has been to explore how international agencies might be able to encourage broader employee ownership. There has been a great deal of concern that the policies of agencies like the IMF and the World Bank have actually been contributing forces in the growing inequality of income and wealth throughout the world. However, new initiatives by this group of international agencies seem to more fully recognize the reality that inequality of income and wealth is one of the major characteristics of the global economy and that such inequality must be successfully addressed before it gets even worse. In that sense, they seem to have more in common with the mission of The Capital Ownership Group than they did just a few short years ago.

According to a November 1999 briefing paper by Angela Wood of the *Bretton Woods Project*, both the International Monetary Fund and the World Bank have come to the conclusion that they need to put poverty reduction at the heart of their agendas. This was also recently evidenced in remarks made at the German Foundation for International Development in Berlin on March 14, 2000, by Eduardo Aninat, Deputy Managing Director of the IMF, who noted that "The key innovation in this new approach is to derive programs from a comprehensive strategy for poverty reduction drawn up by governments, with the involvement of a broad range of key stakeholders, including civil society and the donor community." The IMF has laid out this strategy in the so-called Poverty Reduction Strategy Paper (PRSP) intended to encourage countries to develop and implement effective national poverty strategies and to insure consistency between a country's macroeconomic, structural and social policies and the goals of poverty reduction and social development. There should be an employee ownership plank in the IMF's strategy.

Similarly, Wood notes, "the World Bank.........has launched the Comprehensive Development Framework and the Social Principles," which at their core, puts poverty reduction at the top of the list. One new element of the development framework, as outlined in a memo by James Wolfensohn of the World Bank, appears to be that reforms should not be carried out in isolation nor without a clear understanding of its effect on the process as a whole. Instead, the linkages between macroeconomic, structural and social reforms should be analyzed to insure that they are all focused on the overriding objective of poverty reduction and that they reinforce one another.

The just released (September 12, 2000) World Bank report *World Development Report 2000/2001: Attacking Poverty* recommends mobilization behind three priority areas:

Opportunity: Expanding economic opportunity for poor people by stimulating economic growth, making markets work better for poor people and working for their inclusion, particularly by building up their assets, such as land and

education;

Empowerment: Strengthening the ability of poor people to shape decisions that affect their lives;

Security: Reducing poor people's vulnerability to sickness, economic shocks, unemployment, etc.

It is not very much of a stretch to see that there is a place for the promotion of employee ownership within these World Bank initiatives. Employee ownership provides employment, empowerment and because with participative employee ownership it has been shown that such enterprises are more productive, an increased level of security.

The International Labor Organization (ILO) has also been in the process of putting out a new agenda. It calls its new compact the "ILO decent work agenda." In a speech to the staff of the World Bank, given March 2, 2000, Juan Somavia, Director-General of the ILO, points out that:

"the benefits of globalization as it is currently unfolding are not reaching enough people............the global economy is not creating enough jobs, and especially not enough jobs that meet people's aspirations for a decent life..........The failure to improve both the quantity and quality of employment worldwide is making working families afraid of a race to the bottom......We know enough about market fundamentals--it's time to pay attention to the fundamentals in people's lives.......We have to design a new policy architecture that makes poverty reduction through the creation of decent jobs a central component of integrated policies for a people oriented globalization........The ILO's constituents last year endorsed my proposal that the single overriding goal of the ILO for the next decade and beyond, must be to promote opportunities for people to obtain decent productive work, in conditions of freedom, equity, security and human dignity."

Another international organization that is trying to deal with the fact that more than 1/5 of the world's population lives in extreme poverty is the United Nations, especially through the United Nations Development Program. The UNDP is the United Nations' largest source of assistance for development and is the main body for coordinating its development work. The UNDP has taken the view that poverty is a complex and multidimensional phenomenon, involving people's lack of empowerment, as well as their lack of income and basic services. Part of the UNDP's mission is to help countries achieve sustainable human development by helping them build capacity to carry out development programs in poverty eradication, employment creation and sustainable livelihoods. Sustained economic growth is a vital ingredient for long-term reductions in the level of poverty in the world.

The UNDP supports the kinds of programs that assist in developing economic and social policies and programs to address a whole range of factors that contribute to poverty. The UNDP supports programs that seek to, among other things, (1) generate opportunities for employment and sustainable livelihoods; and (2) empower men and women through access to assets and productive resources. While the UNDP supports other types of programs, as well, that deal with basic human needs, these seem to be the most appropriate to a discussion of the extension of employee ownership.

There should certainly be a place for employee ownership in the design of some of these poverty reduction strategies. As such, COG and like-minded groups should perhaps try to work with the UNDP to design an employee ownership component to its poverty reduction strategies. UNDP could, for example, provide some funding for education about employee ownership in countries where employee ownership might be suitable, and it could require such education as a part or condition of its intervention.

Last summer, the United Nations established the Global Compact, a UN-sponsored platform for encouraging and promoting good corporate practices in the areas of human rights, labor and the environment. It is an entry point for the business community to work in partnership with UN organizations in support of the principles and broader goals of the United Nations and provides a basis for structured dialogue between the UN, business, labor and civil society on improving corporate practices in the social arena. Some 50 multinational companies, as much as anything, to combat the backlash that has come with increasing globalization, witness the WTO protests in Seattle and the subsequent protest in Washington, DC, signed the Global Compact which is intended to promote the implementation of nine principles derived from the Universal Declaration of Human Rights, the ILO's fundamental principles on rights at work, and the Rio Principles on environment and development. All 50 companies committed to implementing the nine principles of the Global Compact in their own corporate management practices. They will also, and this is important, engage in a variety of partnership projects with the United Nations that are intended to advance the goals of the UN, especially poverty reduction in developing countries. Companies have great influence, great reach and they can, when properly motivated, set good examples. We must expect these 50 companies to set good examples for others to follow. In the long run, especially, it is in their business interest to do the right thing. Sustainability is also a part of the corporate vocabulary.

In the area of human rights, the multinational companies that are part of the Global Compact will:

(1) support and respect the protection of international human rights and

(2) to make sure that their own corporations are not complicit in human rights abuses.

With regard to labor standards, these companies are committed to uphold:

(1) freedom of association and recognition of the right to collective bargaining,

(2) the elimination of forced and compulsory labor,

(3) the abolition of child labor, and

(4) the elimination of discrimination in employment.

With respect to the environment, these companies further committed to:

(1) support a precautionary approach to environmental challenges,

(2) undertake initiatives to promote greater environmental responsibility, and

(3) encourage the development and diffusion of environmentally friendly technologies.

There certainly would appear to some synergies between and among the programs of these international agencies. They all seem to be interested in working with the other and with other groups or agencies toward, among other things, the common thread of the reduction of poverty in the world and an improvement in the standard and quality of living for the world population. They may not be singing the very same song and they may not even be singing from the same songbook, but they are all singing.

While the promotion of employee ownership does not appear to be an "established" part of the strategies being put forth by these international organizations, it would seem that they might be more open than they have been in the past to exploring the addition of such a plank in their poverty reduction initiatives. Could, for example, the World Bank and the IMF be somehow persuaded to include at least the exploration of the feasibility of employee ownership as a requirement for their projects? Or at least indicate a preference for employee ownership in some form as a component in light of their expressed desire and recent increased emphasis on poverty reduction? Could they potentially work with transnational corporations to encourage and urge or otherwise incentivize them to extend employee ownership as a tool in the effort to reduce poverty and income inequality? What other actions could be taken to help speed along the process of poverty reduction?

There are a lot of organizations, many of them local or national, some international, that are dealing with the negative consequences of globalization. The collective message seems to be that policies must change if the world is to see increased equality and decreased levels of poverty. Is there hope that the international agencies and organizations such as the IMF, the World Bank, and others, can be persuaded to more fully endorse and support the concept of employee ownership as a valuable tool in the overall change process? Deb Olson called the workgroup's attention to a September 24, 2000 New York Times article, written by Roger Cohen, titled "Growing Up and Getting Practical Since Seattle," that seems to think there is some hope. Cohen writes:

"But officials seem convinced that beyond debt relief, an enormous effort must now be made to give more people the basic tools to benefit from a global economy: education, lifetime training, access to technology, encouragement for the stock ownership that alone will spread America's brand of popular capitalism, in which even blue-collar workers benefit from investing. Without such measures, the distorting effects of the wild premium placed by modern markets on talent and technology seem likely to grow, miring a third of humanity in abject poverty."

It seems clear that there is now an acceptance by the World Bank and the IMF that debt relief is a necessity. Generally, these agencies have conditioned such debt relief or additional borrowing on structural readjustment requirements, which many would argue have done nothing but make the poverty situation worse. Karen May has proposed to the workgroup that COG should promote its policies of broadened ownership as the alternative to structural readjustment as the condition for such debt relief. Promoting broadened ownership has been shown to be good for domestic economies on the macro level and good for people at the micro level. The message to the decision makers, in May's words, should be something concrete and positive, like "Forgive the debt conditional upon strengthening economies with shared ownership." May essentially sees the process as developing a strategy to determine who has access to the decision-makers, how can COG get that access and what are the points of leverage to get COG's message to the right people?

As COG moves forward, it is clear that we need to more fully develop strategies to get our message effectively across to these international agencies and organizations. We need to make a place for COG at that table.

Imposing a Transaction Tax

At the COG Meeting in Chicago in April, a number of basic ideas were presented on things that could possibly be done transnationally in order to reduce inequality and reduce poverty in the world. One item on that list was the establishment of an international fund based on the Tobin tax.

What are Tobin taxes? They essentially are simple sales taxes on currency trades across borders. The original concept was developed and proposed in 1978 by James Tobin, a Nobel Prize winning economist at Yale. The idea has continually gained supporters over the years and the approach has been refined. Tobin proposed that a small tax of between .1 and .5 percent on currency exchange transactions would serve two purposes. It would limit the damage from excessive exchange rate volatility as well as raising significant revenue for global causes, such as poverty reduction.

According to available data, every day more than $1.8 trillion in currency exchanges moves across national borders. By way of comparison, the trade in goods and services for all countries for an entire year is only $4.3 trillion. In other words, in just a few days, foreign exchange transactions exceed the entire annual volume of world trade in goods and services. Of those currency exchanges, upwards of 90 percent of these transactions are of a purely speculative nature where investors simply are betting on whether currency values and interest rates will move up or down. They are gambling.

These speculative transactions themselves often cause short-term fluctuations of exchange rates, leading to even more speculation and threatening the stability of countries whose currencies are being traded. There is overwhelming evidence that the lack of stability helps to cause financial crises with increasing frequency, witness the crises in Southeast Asia, Russia and Brazil in just the last few years. In the past, central bank reserves were sufficient to combat speculation on a country's currency; now, the daily market volume created by the speculators dwarfs all of the world's central banks combined. When a country cannot defend its currency, it effectively loses control of its monetary policy.

The Asian currency crisis lowered the world growth projection for 1998 by one percent and increased worldwide unemployment by 10 million people. These kinds of crises have not only a direct economic impact, including the exacerbation of global economic inequality, the reduction or elimination of which is a primary goal of the Capital Ownership Group and many other groups like us, but they also have the related impacts, which are both economic and social, of increased unemployment, price increases and disruptions, plant closures, poverty, human rights violations, diversion of resources from sustainable development and social upheaval which burden poor, indigenous and middle-income populations most heavily.

In addition, such effects are obviously not limited to the country whose currency is being speculated. There is usually a spillover effect as they try to export their problems by often dumping their products on other countries' markets and leading to increased unemployment and wage pressures in those countries as well, witness the problems the Asian and Russian crises have caused in the United States steel industry.

It is the opinion of those who support the concept of the Tobin Tax that this kind of excessive speculation could be rather substantially curbed by a very small tax of between .1 and .5 percent on each cross border currency transaction. It is felt that such a tax reduces incentives for such short-term speculation while remaining small enough to leave longer-term investments essentially unaffected with the result being more stability in exchange rates and less disruption to the world's economies. Victor Thorpe believes that the best utilization of a Tobin tax would be to tax highly speculative capital transactions at a higher rate than the .5 percent level suggested by Tobin, as an even greater disincentive to anti-social investment behavior, and to phase down the tax towards zero for less speculative, more firmly rooted investment transactions. Thorpe defines highly speculative transactions as those in place for less than one month.

While curbing the gambling type of speculation and allowing individual countries to have more control over their own currencies and their own internal monetary policies, such a tax would be expected to produce revenues that have been estimated at anywhere between $50 billion and $300 billion a year which could be utilized to provide urgently needed resources to fight global problems such as disease, poverty, hunger and other priorities or crises. There would obviously have to be priorities, guidelines and safeguards accepted and adopted to avoid improper use or corruption. There would also need to be some method firmly established and agreed upon as to how the tax would be collected, who would collect it and how would it be disbursed.

Of course, to be really effective the adoption and enforcement of such Tobin taxes should probably be done in coordination with a rather sizable number of countries. The United Nations has indicated it is going to study the Tobin Tax issue.

There is considerable support internationally for such a transaction tax. The Canadian Parliament has passed a resolution; resolutions have been introduced in the European Parliament, the French Parliament, the British House of Commons and there has been substantive discussion of the issue in the parliaments of Switzerland and Germany, plus a chapter in the Finnish government rules. A resolution was introduced into the U.S. Congress on April 11, 2000 which called for enacting such a tax and for the U.S. to build support for and advocate this position at the World Bank and the IMF, as well as within other regional and international organizations, including the OECD, the G-8 and the newly established G-20. At this point, nothing substantive has been done with respect to this resolution. It has been referred to the U.S. House of Representatives' Committees on Banking, International Affairs and Ways and Means. Even so, the introduction of such a resolution has served to provide some education and raise the profile of the Tobin tax issue in the United States Congress.

Last year, the International Confederation of Free Trade Unions (ICFTU), the premier world body linking national labor centers included an endorsement of the Tobin tax in its submission to the World Trade Organization and the World Bank.

Certainly one possible use of some of the revenues generated by such a tax could be to create an international fund to be used to assist in the establishment of employee ownership in appropriate situations as a long-term tool in the fight against poverty.

Shann Turnbull of Australia, however, argues strongly against justifying the Tobin tax by using it to finance employee ownership. While he feels that "a Tobin tax, like leveraged ESOPs, provide a useful way to mitigate the inherent design defects in the current institutions of capitalism, they both represent band-aid solutions and so can be useful to mitigate problems but not eliminate their cause." In Turnbull's view, the basic deficiency in the monetary system is the way that money is created by central banks which are state monopolies that manage money in inappropriate ways. Turnbull argues that Tobin taxes do not cure this problem and that only eliminating the monopoly power of the central banks can do that.

Steve Clem

Moderator