

*claims.*"<sup>3</sup> If extremely narrowly interpreted, Article 17 of the UN Charter (providing that the expenses of the Organization shall be borne by the members as apportioned by the General Assembly) may also provide a legal basis for challenging those advocating alternative financing. In addition, many of the areas identified as potential sources of funding overlap with, or are the province of specialized agencies within the UN system or may even fall outside the system all together. Detailed study of these legal aspects should be a first item of business.

These initial caveats aside, alternative financing schemes fall into three broad categories. The first is the so-called "Tobin tax" on international foreign exchange transactions. The second are taxes or levies on travel, transport, communications or other international transactions. The third category is a tax on the use of a part of the Global Commons, such as seabed rights or pollution taxes. Several of these approaches are reviewed below.

### **The Tobin Tax on Foreign Exchange Transactions**

Any system requires identification of a tax base that is politically acceptable. One such proposal is the Tobin tax - which is designed to improve the efficiency of the largest global market - the foreign exchange market. Tobin in his 1978 address<sup>4</sup> argued that a tax on foreign exchange transactions would dampen speculative activity (which is of no intrinsic benefit in terms of economic efficiency), facilitate trade, investment and employment and raise potentially large revenues. It might also allow governments to pursue more independent monetary policies by allowing greater disparity of short-term interest rates.

However, serious practical problems exist in implementing the tax, especially the decentralized, unregulated, electronically mediated nature of foreign exchange markets in most industrialized countries and the incentive to move money to tax havens. Apart from economic efficiency arguments, as presented below, a simple yet fundamental question remains. How does one ensure the compliance of all nations to this proposed convention?

In an earlier Staff Commentary, James McCormack argues that "despite its intuitive appeal, the Tobin tax would not have the desired effects. It is meant to

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<sup>3</sup> "Workshop on Unconventional Approaches to United Nations Financing: An Interim Report", Jane Boulden, Canadian Centre for Global Security, Ottawa, November 1995.

<sup>4</sup> James Tobin, "A Proposal for International Monetary Reform", Presidential Address to the Eastern Economic Association, published in Eastern Economic Journal, 4, 1978. For further reading on the topic, see David Felix, "The Tobin Tax Proposal", Futures, Vol. 27, No. 2, March 1995.