

FOR THE IMPLEMENTATION OF THE TOBIN TAX

The original idea of the Tobin Tax – whose main objective was to reduce short-term speculation in international financial markets – has fallen short from its goals and the recent crisis of the American Subprime, which would later and very quickly evolve to the biggest financial crisis after 1929, is a clear indicator of it.

The countries that signed the Bretton Woods pact, thus creating the first major regulator of worldwide economy, were required to pursue a monetary policy that maintained the exchange rates of their currencies within a certain value that would be attached to the dollar, which in turn would be linked to gold. This system, as it is widely accepted and recognised, helped stabilize the Western economies, as well as provided increased state intervention, in particular the Keynesian economic models that helped inspire the milestone of Democratic Socialism. In 1971, the President of the United States broke with the Bretton Woods agreements, opening Pandora's box to the gradual but effective deregulation of the economy worldwide.

It was in light of these events, that in the 1970's, Tobin proposed the creation of a tax that defined that each financial transaction would be subject to a rate of around 0.5%, in order to limit financial speculation internationally. His aim was to dissuade speculators and the many investors who invest their money in foreign exchange on a very short-term basis. For Tobin this was and still remains one of the biggest problems of global economy. This measure would help regulate the extreme volatility of exchange rates. As we know, currency exchanges can transmit disturbances that derive from international financial markets - that in their turn can undermine national governments. In the European Union, one of the possible solutions to prevent this from happening is already under way: the adoption of a common currency. However, a common currency isn't enough to resolve this situation and we must struggle to walk towards bigger regulation of the economy, in particular by adding to the common currency a common monetary and fiscal policy. However, this must be done in observance of the characteristics of each country, of their economies and of capital gains from each community, as well as greater financial segmentation between nations or currency areas, conferring their central banks greater autonomy in policies tailored to specific economic issues, their institutions and objectives.

The European Union is one of the most challenging but also incredible political projects ever to be built, but it will not endure if the greed of speculators and the obsession with profit instead of values of Liberty, Equality and Solidarity continue to lead; if we don't manage to deepen the connection between its Member States and Brussels, specially by implementing a new Federalist political framework, with clear economic regulation, democratized economy and clear rules, and a well-defined goal of serving the people instead of multinational companies.

YES must therefore defend the mandatory application of the Tobin Tax on all major international transactions as a way to regulate global economy. It is not the perfect solution, nor will it bring

salvation. It will, nonetheless, be a start for economic regulation and its application should not, in any case, be seen as casual or only used in cosmetic situations.

Furthermore, the tobin tax can only be a first step. A financial transaction tax beyond the Tobin tax is needed to regulate also medium- and long-term speculation.