Global Policy Forum

Global Taxes and Fees

Recent Developments and Overcoming Obstacles

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Global taxes and fees - whether levied on carbon, aviation fuel or international financial transactions - can fulfill the twin goals of generating funds for peace and sustainable development as well as incorporating social and environmental costs into private decision making.(1) Until recently, substantial efforts were being made to move the debate on global taxation forward. However, the United States government has blocked a dialogue from taking place within United Nations fora. Led by Senator Helms, US payments to the United Nations are now conditional upon the UN abandoning efforts which "develop, advocate, promote, or publicize proposals" that impose taxes or fees on US citizens.(2)

Despite this unfortunate and unjustifiable constraint, there is strong evidence, both within the United States and the international community, of vibrant support for various forms of global taxation. ATI Foundation opinion polls indicate high approval ratings in the US for a 0.5% tax on international currency trades (69%) and for a tax on carbon combustion emissions (79%).(3) Support for internationally levied charges is particularly strong within the European Union, where common policies and measures are being pursued on a variety of issues. A growing body of official EU policies supports the use of environmental taxation and a reduction in labor and capital taxes (a so-called tax shift, or environmental tax reform, ETR). Citizen groups and NGOs are also active in the debate, lobbying governments and international organizations to adopt regional or global taxes.

This paper is divided into two sections. The first examines the current situation of three potential global taxes. My purpose is not to rehash the virtues of these taxes, but to provide an overview of recent events and the prospects for implementation. Taking into account the obstacles identified, the second section outlines an action program to promote implementation.

1. Global Taxes (4)

Potential global levies include a tax on international trade, arms transfers as well as on global commons such as the oceans, cyberspace, communications frequencies, orbit, etc. This section addresses three major "global taxes" - carbon taxes, aviation fuel charges and currency exchange fees. They are considered potentially "global" because they deal with issues that are global in scope, such as climate change and global economic stability. Actions taken by individual countries will necessarily have a limited effect in mitigating problems of this dimension. Effective preventative action must therefore be global in scope - the response must be commensurate with the scale of the problem. This is consistent with the principle of subsidiarity - problems are best solved in the subsystem where they arise, in this case, at the global level.

Carbon Taxes (5)

Carbon taxes have been proposed as a means to combat the threat of global warming. These taxes are economically and environmentally desirable because they tax the externality - carbon, the most important human-influenced greenhouse gas (GHG) - directly. Coal generates the greatest amount of carbon emissions (.30 tons/million Btu) and would therefore be taxed in greater proportion than oil and natural gas, which have lower carbon concentrations (.24 and .16 tons of carbon/million Btu respectively). Renewable energy sources like solar and wind, of course, are carbon-free and thus unaffected by carbon taxes.

The carbon tax debate is currently most active in the European Union, where a harmonized carbon/energy tax has been the "pillar" of EU climate policy proposals.(6) In 1992 and 1995 the European Commission presented proposals for EU-wide energy/carbon taxation. The most recent European Commission proposal is the March 1997 draft directive promoting a minimum level for the indirect taxation of all energy products.(7) This proposal effectively supercedes the 1992 and 1995 carbon/energy tax proposals, although they have not formally been withdrawn.(8) The proposal specifies minimum taxation levels for motor and heating fuels, fossil fuels and electricity, and incremental tax increases in 2000 and 2002. Renewable energy, aviation and shipping taxes are either exempted or left to the discretion of member states. This proposal has not yet been approved by the Council of Ministers of the European Union and become binding on member states.

The United Kingdom is the member state most opposed to implementing a harmonized energy/carbon tax. According to an informed UK Treasury (HMT)(9) source, "the UK is against an EU carbon/energy tax as are other countries because we think there is no need for EU action when [greenhouse gas emissions reductions] can be achieved by member states according to their own requirements and circumstances." The UK has also voiced opposition to such taxes on the grounds that they will damage the international competitiveness of the UK and EU vis-í -vis the United States which has only small duties on fossil fuels. Within EU member states, most industry groups are also opposed to

carbon levies, and prefer to achieve emissions reductions through "voluntary agreements" with government.
Despite unsuccessful attempts to harmonize energy/carbon taxes at the EU level, five member states - Denmark, Finland, Norway, Sweden and the Netherlands - have implemented carbon/energy taxes at the national level.(10) Implementation at the national level, particularly in countries outside the EU, is an important preliminary step towards a broader and more effective regional or global tax.
Several other recent initiatives in EU member states will increase the likelihood of eventual harmonized action. In the United Kingdom, the Advisory Committee on Business and the Environment (ACBE) recently recommended that the Government further investigate the potential of a carbon tax, which may be necessary to meet the UK's GHG reduction targets (20% reduction by 2010, based on 1990 levels). According to the April 1998 ACBE report presented to the Prime Minister, "such a tax must be part of a comprehensive programme of measures and introduced on the basis that it does not lessen UK business competitiveness, that is revenues are fully recycled by encouraging low carbon technology and by being otherwise revenue neutral."(11) In the Netherlands, the third environmental policy plan (NEPP3, February 1998) proposes a doubling of energy taxation, with revenues being used to reduce income and corporate taxes.(12)

Although the debate is most active in the European Union, it goes on in every region.64. In the March/April 1998 Foreign Affairs, Harvard Professor Richard N. Cooper advocated a "wiser approach" (with reference to the Kyoto Protocol) in which "all countries could agree to impose a common carbon emissions tax, which would increase the price of fossil fuels in proportion to their carbon content." Likewise, a recent article in The Economist concludes that "it is political poison, but a carbon tax still makes sense."(13)

Despite recent happenings, globally levied carbon taxes face an uphill battle, and the politics are intertwined with the UN Framework Convention on Climate Change (UNFCCC) negotiation process. At the third UNFCCC Conference of the Parties (COP) in Kyoto in December, Parties approved provisions for a greenhouse gas emissions trading system, as a mechanism to achieve binding emissions reduction targets. This provision was pushed strongly by the US and also reflects the US government's distaste for taxation of any kind. Although an emissions trading regime does not preclude a worldwide carbon tax, the two are commonly seen as competing policy prescriptions. Thus a global emissions trading system does not auger well for carbon tax policies.(14)

Other "flexibility mechanisms" agreed to in Kyoto, such as joint implementation (JI), may also militate against carbon tax adoption. In 1990 Denmark implemented a national carbon tax on households, which was increased and broadened to include industrial sectors in 1996. This tax is currently under

reconsideration, as officials believe that funding carbon reduction projects in other countries (through JI projects) may be cheaper than imposing taxes on domestic industry.(15) Overall, recent discussions in OECD, G8, EU and UNFCCC fora have emphasized flexibility mechanisms like emissions trading and JI to the neglect of carbon taxation.

Aviation Taxes

Although airplane travel accounts for only 3% of global carbon dioxide emissions, it is the fastest growing source of emissions and is expected to triple by 2015. Thus, like carbon taxes, aviation fuel taxes are discussed chiefly in the context of climate change. Currently, airline fuel is the cheapest in the world, as the industry is exempted from fuel taxes. This encourages excessive air travel and puts other, less polluting forms of transportation like rail at a competitive disadvantage.

As with carbon taxation, the debate on aviation/jet fuel taxes is extremely active in the European Union. The Dutch EU Presidency (January - June 1997) was instrumental in bringing the discussion to the EU and international level. The European Commission was requested, by EU finance ministers, to undertake a study investigating the potential of an EU-wide aviation tax. Although the Commission pledged to complete the study by the end of 1997, results are now not expected until Fall 1998. The UK is a major opponent of tax, and is concerned about a loss of international competitiveness among the European airline industry, primarily vis-a-vis the United States and other non-European countries.

Because the issue is tied into transport policy, as well as climate change policy, NGO activity on aviation fuel taxes has been particularly robust. In December 1997, Friends of the Earth Netherlands organized a demonstration against air traffic growth and emissions with over 75 environment and citizens' groups from European and other countries. This attempt to raise concern for increasing environmental damage caused by aviation coincided with the Kyoto Protocol climate change negotiations.

On the global front, the EU pushed for agreement on the principle of a global tax on aviation fuel at Earth Summit II in June 1997. The US, along with Australia, was and continues to be the most outspoken opponent of a worldwide levy on aviation fuel, basing its arguments on economic grounds. Lack of US support will hamper EU aviation tax implementation, as the main impediment is the fear that countries not using the tax (outside the EU) would have a competitive advantage. The UK believes only a worldwide flat-rate tax would work.(16)

Whether such competitiveness concerns are valid is now being hotly debated. According to a 23 March 1998 study commissioned by the NGO coalition

European Federation for Transport and Environment (T&E), the EU could unilaterally impose aviation taxes without significantly impairing the EU aviation industry's global competitiveness. The study was sponsored by several EU governments, carried out by a Dutch NGO and presented to the EU Presidency and the European Commission.(17)

Most recently, an April 1998 meeting of OECD Environment Ministers failed to reach agreement on the need for an aviation fuel tax. However, Ministers did agree to an important principle - that prices of natural resources should "as far as possible reflect the true environmental and social costs of production, consumption and scarcity."(18) Agreement to such broad principles is an important preliminary step in the consensus building process.

Aviation fuel taxes remain the most promising of the potentially global taxes examined in this paper. The small reach of the tax (only the aviation sector), strong international concern for GHG emissions increases from air travel and relatively united EU support for the tax make a such a global tax entirely realistic. Most importantly, aviation taxes have an opportunity to develop incrementally. The Netherlands has already expressed interest in unilaterally adopting the tax.(19) Such incremental steps can slowly assuage concerns of international competitiveness. The main barrier remains US opposition.

Currency Exchange Fees (20)
James Tobin, David Felix and others have examined the possibility of levying a charge on international monetary transactions to promote international economic stability. Such a fee would dampen exchange rate speculation, which accounts for about 80 percent of all currency trades. These speculative movements, which can take place rapidly and unpredictably, threaten to empty central banks' currency reserves and destabilize national and regional economies. Considering that annual currency trading is 10 times the global GNP, the revenue generating potential of a tax is also tremendous. A modest 0.5 percent tax would generate over $1.5 trillion per year (the total UN annual budget is about $10 billion) for peace and sustainable development. At the very least, these revenues could fund the crisis control of economies in distress, obviating the need for IMF-orchestrated "bailouts."

Talk about a currency exchange fee has rekindled in the context of the Asian financial crisis that begin in the summer of 1997. Recent articles have appeared in several scholarly journals examining the feasibility and desirability of a "Tobin Tax."(21) Governments have also began to take a tougher stance on speculators, "attempting to portray them as profit-making opportunists whose interests clash with their own higher aims."(22) However, the problem is beyond the scope of what national regulators have the capacity to deal with or even understand.

On the IMF/World Bank front, at last September's annual meetings, the Malaysian Prime Minister proposed regulating currency trading, particularly in relation to hedge fund activities. The Bank has kept a dialogue with the Malaysian Finance Ministry on the subject, and in February James Wolfensohn announced that the Bank is studying ways to moderate foreign currency flows in the light of instability in Asian financial markets.

However, IMF activity seems to be moving in another direction. Perhaps the best positioned extant body to manage such a regime, the IMF is attempting to amend its Articles of Agreement to make capital account liberalization a "specific purpose of the IMF."(23) This would increase, rather than decrease potentially destabilizing financial flows. Intense lobbying efforts in Washington are attempting to block this change, and mainstream economists are even beginning to speak out against capital account liberalization.(24)
Of the three taxes discussed in this paper, currency exchange fees face the most imposing obstacles to implementation. In addition to the fact that the US cut off discussion of a "Tobin Tax" in UN circles, I identify three main reasons why such proposals have been unable to gain momentum. First, there is no opportunity for currency exchange fees to develop incrementally. There is virtually no chance that a "lead state" would unilaterally adopt such a tax, prompting other states follow. This contrasts to an aviation tax regime which could develop in a piecemeal fashion, from the EU to the OECD to a global level. Unless these exchange fees are levied globally, "free-riding" will predominate, precluding the stabilizing effect that proponents desire. Relatedly, a currency exchange fee presents a massive coordination problem. Developing such a fee would require an international convention or treaty. All nations would need to agree to a tax rate, institutional configuration, non-compliance procedures, amendment procedures and a system of revenue sharing.

Second, the fact that such fees raise large revenues, may actually be problematic. Potential fighting over the use of revenues is extremely likely. In particular, protracted North-South equity battles are expected. Third, Ruben Mendez points out that a "massive and expensive administrative structure" would be required to adopt the system. A "watertight system seems improbable, and currency traders could develop other financial instruments to avoid the tax. (25) These obstacles are not insuperable. In fact, the potentially enormous global benefits of such a tax may show that these barriers can be overcome.

2. Moving Forward

What can policymakers, NGOs, citizens and international organizations do to promote the adoption of global levies? This section aims to illustrate several steps that can and are being taken to further the case for global taxes. Reducing subsidies, instituting tax reform (in particular environmental tax reform), starting on a small scale, and building coalitions are a few of the ways that can further

the chances of implementation. These are ways not only of overcoming political obstacles, but the distributional, competitive and employment drawbacks that tax opponents emphasize.

Reduce Subsidies

In many cases, particularly for carbon-based fuels, tax breaks and subsidies are now having the opposite effect of a tax, encouraging excessive consumption. For example (26):

- Percentage depletion allowances in the US (e.g. for coal and oil) in excess of extraction and development costs amount to more than $1 billion per year.
- Annual coal subsidies in seven OECD countries amount to $10.3 billion.
- Oil companies receive a 15 percent income tax credit for domestic oil recovered using the "enhanced oil recovery method" and may deduct 70 percent of "intangible drilling costs", such as wages, fuel, repairs, hauling and site preparation.
- Only 79 percent of infrastructure investment costs are borne directly by road users, the remainder comes from general tax revenues.

The above examples are only indicative. Examples abound of implicit and explicit subsidies that encourage fossil fuel consumption and energy inefficiency. A study by the Institute for Local Self-Reliance estimates that annual oil subsidies in the US translate into 32 cents a gallon of gas.(27) Case studies by the Annex 1 Expert Group on the UNFCCC claim that removing price supports for fossil fuels can result in emissions reductions of "tens of millions of tons" in coal reliant countries. Such findings indicate that if allowances, tax breaks and subsidies were eliminated, the effectiveness of carbon taxes would be amplified, halving mitigation costs in some cases.(28) Removing existing subsidies that understate prices of carbon fuels like coal is a major reform priority, and even a prerequisite for a tax shift and full-cost pricing.

Subsidies will not simply disappear. De Moor and Calamai's recommendation is to "make subsidies visible, publicize their costs and effects, and list the winners and losers."(30) Friends of the Earth's "Green Scissors" and "Environmental Tax Reform" campaigns are successful examples of disseminating information about price supports given to fossil fuel consuming industries. These efforts must be amplified and duplicated.

Revenue Neutrality and Tax Reform

Proposed global taxes and charges need not necessarily increase the overall fiscal burden of nation-states or harm the poorest segments of society. Global tax revenues may accrue to national governments, allowing for decreases in domestic taxes on labor or capital, as well as decreases in assessed dues to international organizations or official development assistance (ODA). This so-called "environmental tax reform" (ETR) calls for a shift away from taxes levied

on "goods," such as labor and capital, to taxes levied on "bads," such as environmentally destructive and socially harmful economic activities.(31) Thus, the question becomes, "would you rather be taxed on your income and investments, or the pollution you generate?"

Considering the formidable obstacles that face any global tax initiative, Hans d'Orville correctly asserts that "unspecified, generalized calls for charges or taxes to fund multilateral activities must therefore be avoided at all cost."(32) Tax proposals should be crafted in a way that leaves the overall fiscal burden unchanged. The ill-fated Clinton Btu tax is indicative of the importance of revenue-neutrality and ETR. Revenues for this tax were pegged for deficit reduction, not other purposes that could offset employment, growth or distributional concerns of the tax.(33) If "new" taxes are not judiciously packaged and presented in a politically palatable way, failure is assured.

In the US, Minnesota is proposing such a "tax shift" at the state level - the Economic Efficiency and Pollution Prevention Act (EEPRA) of 1998 (HF 1190). The $1.5 billion in environmental taxes, including a carbon tax, would be offset by reductions in payroll and income taxes by $1.5 billion (i.e. the tax would be revenue-neutral).(34) According to Michael Noble of Minnesotans for an Energy Efficient Economy, "the coal and utility and oil interests have been largely successful in putting out PR that totally ignores that this is a tax shift. They treat the entire proposal like it was a $1.5 billion dollar tax increase."(35)

It must be emphasized that there are employment benefits that would accompany environmental tax reform.(36) In 1994, there were over one million jobs in the environmental industry and employment growth was twice the overall rate.(37) This job market can be expanded further if environmental taxes are accompanied by a series of other policies which promote low carbon or carbon free energy production. For example, improving railways, encouraging solar initiatives and fuel efficiency will open up new pockets of employment opportunities. The EU's white paper on Growth, Competitiveness and Employment estimates that a reduction in employers' contributions to social security of about one percent of GNP (the amount equal to the carbon tax revenue) would reduce the unemployment rate 2.5 percent over a four year period.(38)

ETR also provides a means of addressing important distributional concerns of global taxes. For example, changing the levels of personal allowances in the domestic tax code (i.e. increasing the base amount of untaxed income) or expanding earned income tax credits (EITC) are simple, straightforward ways of reducing the tax burden for low income groups.(39) Because of the revenue generating ability of global taxes, regressivity is perhaps the most correctable of all barriers to implementation. Global taxes will be regressive only if they are

designed without structures that ensure compensation, which is highly unlikely, given the political climate surrounding taxation.

Start Small

Proposals that attempt to levy a stiff tax on all fossil fuels consumed globally will go nowhere. The process of implementing global levies will necessarily be slow and incremental. Thus it is important to take these small, incremental steps now, so that larger ones are possible in the future. "Starting small" means that tax proposals can begin with small percentages, levied at the local or state level. Increasing the boldness and scale of the tax are secondary steps.

First, low rates are less politically daunting - a $5/ton carbon tax is more likely to receive support than a $100/ton tax. Although small taxes may not be strong enough to induce large shifts in consumption preferences, they are an important start. Deciding on tax rates will be an iterated process, and as scientific and economic understanding increases, tax rates can be adjusted. The first challenge is to get the tax implemented.

Second, some taxes, particularly environment levies, need not be global in scope. Where appropriate, taxes should be first initiated on local or state basis and move to national, regional to global levels. As mentioned earlier, Minnesota is providing an example in the US, by attempting to address climate change at the state level through a carbon tax.(40) There is also a bill in the Vermont state legislature proposing a $100/ton carbon tax with the revenues returned to taxpayers.(41)

Low tax rates can help mitigate loss of competitiveness feared by opponents. This is a classic collective action problem - unilateral adoption of a tax of any kind will create perceived winners and losers. However, if tax rates are low, unilateral adoption is more likely. Competitor states, countries or industries can subsequently follow suit without fear of a loss of international competitiveness. In the case of aviation fuel taxes for example, the UK if the main blocking state in the European Union arguing that the British aviation industry will be damaged by US competitors that are not subject to the same levies. If the EU implements a modest aviation fuel tax, the US is more likely to participate in the regime. In the case of carbon taxes and competitiveness, strong evidence indicates that unilateral tax adoption would not threaten US competitiveness.(42) If environmental tax reform is going to gain wide currency, strong lead states are needed to solve this collective action problem.

Other levies such as currency exchange or international trade fees are not conducive to state, national or regional implementation - only a global tax will prevent "free riders" and tax avoidance strategies by private actors. In this case, the rates should be initially set extremely low. Even these modest tax levels can

generate significant revenues, as proponents of the "Tobin tax" frequently point out. For normal citizens and private firms, these taxes will be virtually undetectable.

Generally, taxes should abide by the principle of subsidiarity - a global problem (e.g. climate change) requires a global solution. Similarly, transnational activities such as trade and currency exchanges cannot be addressed with national taxes. Thus, it is recognized that a tax introduced unilaterally by Minnesota to combat climate change will never be sufficient to address a problem of this scale. However, these are necessary intermediate steps that can set important examples. Although such state- and national-level initiatives face formidable obstacles, they are generally less formidable than national or global level opposition. Winning small battles today will help overcome larger ones down the road.

Choose Your Words Carefully

The very word "tax" is loaded with negative connotations and is often synonymous with political death. For this reason, couching proposals in terms of a fee, levy or charge will be decidedly more palatable to policymakers. A "charge" or "user fee" in fact makes more sense in the context of placing restrictions on the use of global commons (like air, sea, electromagnetic frequencies, spaces in orbit, etc) because it is the opposite of "free," the current cost. Likewise, revenue neutral tax proposals should clearly emphasize, and demonstrate quantitatively, that there is no new tax, only a shifting of the tax burden from one base to another.

Build Coalitions

Finally, in many instances large sectors of the population would stand to gain from the implementation of global taxes discussed in this paper. In the case of environmental taxes, David Roodman correctly points out that the polluting industries are "better organized and financed than those who stand to gain [from environmental taxes] - including the general public."(43) To overcome this, policymakers and lobbyists must mobilize not only public support, but also industry constituents, to counter powerful opposition. There is also strong reason to believe that a proposal which decreases taxes on labor and/or capital will have vibrant support within many industries. This was not possible with Clinton's Btu tax, since revenue was earmarked for deficit reduction.

Some segments of the global population have straightforward and unambiguous reasons for supporting global levies and ETR. For other groups, however, the relationship is less clear. This section presents a cross-cutting set of interest groups, industrial sectors and institutions that have reason to support global fees and/or ETR. The list presented below is not mutually exclusive, or necessarily comprehensive.

Environmentalists.
Taxes, as well as strategic subsidies, are effective means of sending appropriate price signals to industry and consumers, and are a necessary step toward achieving sustainable patterns of consumption and production. A global carbon tax, for example, will reduce consumption of fossil fuels while boosting the attractiveness of non-fossil based, renewable energy sources. Thus, environmentalists have obvious reasons for supporting this movement and will play a lead role in coordinating and building other coalitions. Friends of the Earth, for example, is already playing a role in encouraging environmental tax reform and the removal of harmful subsidies.

The United Nations and UN supporters.
The UN has been mired in a financial crisis for much of the 1990s, as UN dues have been withheld for a variety of reasons. Global taxes could raise money and create the "automaticity" that is necessary to keep the UN from depending on the political vagaries of member states and annual "soul searching" of national governments. This notion is not far fetched - in the March/April issue of Foreign Affairs, Harvard Professor Richard N. Cooper suggests that one possibility for global (carbon) tax revenue collection is the international community, noting the UN's mounting peacekeeping and other costs.(44)

Although extensive work has been done within the United Nations on the issue of global taxation, UN efforts have been silenced by the US government. The Office of Development Studies within the UNDP was strongly dedicated to the issue of global taxation before US Congressional action stopped their efforts. Likewise the Global Commission to Fund the United Nations was doing extensive work on the subject of financing alternatives, which included global tax proposals. The fact that these efforts have stalled is not indicative of a lack of interest but of political and financial blackmail. With this in mind, building coalitions outside of UN auspices in particularly critical.

Alternative energy and energy efficiency.
Alternative energy and other industries that increase the energy efficiency of industrial and consumer activity stand to gain from a tax on carbon. Such a tax would increase the competitiveness of non-carbon (e.g. solar or wind) or low-carbon (e.g. natural gas) energy sources. Many of these industries are represented by associations that lobby on behalf of their constituents. One example includes the International Co-generation Alliance that represents European co-generation manufacturers, which stand to gain from any climate change mitigation efforts.

High technology firms.

Similarly, hi-tech industries are not typically fossil fuel intensive. This alone is not sufficient reason for Silicon Valley to support carbon taxes. However, these firms will benefit from the future "dematerialization" of certain subsectors of the economy, a process which will accelerate if the costs of manufacturing rise.(45)

Trade unions.
Trade unions are generally against strong environmental measures, arguing that they result in higher unemployment. However, institutions representing labor interests should have a particular interest in the subject environmental tax reform - a movement that has the potential to shift the tax burden away from "goods" such as labor and toward "bads" such as pollution, an obvious benefit for labor groups.

Developing countries.
The United Nations Convention on Environment and Development ("Earth Summit") - estimated the costs of sustainable development at $600 billion per year. Of these funds, $125 billion should be in the form of ODA from developed countries. However, ODA and other resources for sustainable development are in decline and are becoming subjected to contentious debates at the national level. The weaknesses of the current system, based on voluntary contributions, are becoming increasingly apparent, and a global levy such as a carbon or currency exchange fee could be structured in a way that developing countries receive some of the funds that have been promised, but not forthcoming. Developed countries could also support such global levies for this reason - no longer would they need to push through politically difficult appropriations bills for ODA or UN dues. Funding from international sources could at least ease the pressure to appropriate domestic tax revenues for international purposes.

Fiscal conservatives.
The time when Jesse Helms and company join the ETR movement is not near. However, there is some reason to believe that conservative, fiscally minded politicians will support initiatives that lower taxes on capital and labor, which ETR could provide. Also, internalizing the costs associated with economic activity is a very conservative notion. In fact, OECD Ministers recently agreed to ensure that "prices of natural resources as far as possible reflect the true environmental and social costs of production, consumption and scarcity, in particular by gradually phasing out environmentally damaging subsidies."(46) A true fiscal conservative would demand that funds for international purposes come from international sources.(47)

3. Conclusion
Recent activity on three potentially global taxes - a carbon tax, aviation fuel tax and currency exchange fee - has been particularly robust. Political obstacles faced by these initiatives are formidable, though by no means insuperable.

Ruben Mendez correctly points out that attitudes and political flavors change over time - until 1913 the federal income tax in the US was unconstitutional.(48) Thus the changes necessary to make governments eventually accept international taxation as a more appropriate and less painful way of raising money and protecting the global environment will take place over long time horizons. The process has already begun, and should be accelerated by taking actions such as reducing subsidies, making new taxes revenue neutral (ETR), starting small and building strong coalitions that support global taxes.

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1. There is a large body of literature supporting and explaining the rationale for global taxes. See Global Policy Forum: socecon/glotax/socecon/glotax/index.htm
2. See US Senate Bill 1519, 104th Congress, 2nd Session, 22 January 1996; H.R. 2159 Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1998 (26 November 97: Signed by President and became Public Law No: 105-118.); and H.R. 312 IH, 105th Congress, 1st Session (Prohibition on United Nations Taxation Act of 1997).
3. Kay, Alan F, "Reforming the UN: the View of the American People," in *The United Nations: Policy and Financing Alternatives*, by (eds.) Harlan Cleveland, Hazel Henderson and Inge Kaul (Washington, DC: The Global Commission to Fund the United Nations, 1995).
4. Taxes, fees, levies, duties and charges are used more or less interchangeably.
5. Taxes based on the *carbon content* of the fuel consumed should be distinguished from other energy taxes. A true energy tax, or Btu tax, places the levy on the *amount energy consumed*. An ad valorem tax, taxes the final product, such as gasoline or heating fuel.
6. UNFCCC, United Kingdom of Great Britain and Northern Ireland: Report on the in-depth review of the national communication of the United Kingdom. FCCC/IDR.1/GBR*, 24 February 1997: 16.
7. Commission of the European Communities - Proposal for a Council Directive: Restructuring the Community Framework for the Taxation on Energy Products, 1997.
8. Wuppertal Bulletin on Ecological Tax Reform, Volume 3, no. 21 Summer 1997: 9.
9. Her Majesty's Treasury, UK is responsible for tax and general economic and financial policy. Despite opposition to EU-wide carbon taxes, the UK is strongly committed to taxation (such as motor fuel taxes) as a means to mitigate domestic GHG emissions. HMT and Department of Environment, Transport and the Regions sources.
10. However, industry exemptions are common in all of these carbon/energy taxes. See Muller, Frank, "Mitigating Climate Change: The Case for Energy Taxes" Environment 38:2; March 1996.
11. "Climate Change Report Presented To The Prime Minister," Department of the Environment, Transport and the Regions (United Kingdom), Press Release

264\ENV, 31 March 1998.
12. "Dutch green plan boosts energy taxation." Ends Environment Daily 6 February 1998.
13. Cooper, Richard N., "Toward a Real Global Warming Treaty," Foreign Affairs March/April, 1998 and "Cleaner Energy," The Economist 18-24 April 1998: 17.
14. For a comparison of the two instruments, see Global Policy Forum, "Carbon Taxes vs. Emissions Trading: What's the difference, and which is better?" Available: finance/alternat/carbon/ ct_et.htm.
15. "Danish bid to scrap CO2 tax down but not out" ENDS Environment Daily 26 January 1998.
16. Paul Brown. "EU Seeks Tax on Aircraft Pollution." The Observer 22 June 1997.
17. "No obstacles' to EU aviation pollution charge." ENDS Environment Daily, 23 March 1998.
18. "Industrial Countries Agree To Cut Pollution-Causing Subsidies." Agence France-Presse 3 April 1998.
19. See statement by Dutch Transport Minister: ENDS Environment Daily 23 March 1998.
20. Global currency trade amounts to approximately $1.3 trillion per day (by comparison, on the US stock market - NYSE, AMEX and NASDAQ combined - a "tiny" $10 billion per day is traded). Of this massive amount - cross-border purchases of goods and services which require foreign exchange account for only 2 percent ($5 trillion per year) of the total trading. Another $50 trillion per year (about 17 percent) of foreign exchange trading takes place with futures, options and derivatives to hedge against future exchange rate fluctuations. Exchange rate speculation - short or long term profit-seeking transactions - accounts for the remaining transactions, at least 80 percent. See Ruben P. Mendez, "Financing the United Nations and the International Public Sector: Problems and Reform," Global Governance, 3 (1997), 283-310.; Mahbub ul Haq, Inge Kaul and Isabelle Grunberg, (eds.), The Tobin Tax: Coping with Financial Volatility (New York, Oxford University Press, 1996).
21. See P. Arestis and M. Sawyer, "How Many Cheers for the Tobin Tax?" and J. G. Smith, "Commentary: Exchange Rate Instability and the Tobin Tax," Cambridge Journal of Economics, Volume 21, Issue 6: November 1997.
22. "Who controls the world economy?" Financial Times Asia Intelligence Wire 23 February 1998.
23. See IMF, "Capital Account Convertibility," April 1998. Available: http://www.imf.org/external/np/exr/facts/ convert.htm. Viewed 24 April 1998.
24. See Jagdish Bhagwati, "The Capital Myth: The Difference Between Trade in Widgets and Dollars," Foreign Affairs, May/June 1998.
25. Mendez, 1997: 298.26. OECD, 1997. With oil, percentage deductions are tied to the prices. Deductions increase one percent for every dollar under $20 per barrel. Tax credits for oil companies information cited from "Dirty Little Secrets" Friends of the Earth, 1997 (http://www.foe.org/DLS). Specifically, see Section 43

(1990) and 243 of the US Internal Revenue Code. For more information on subsidies, see Michaelis, 1996; Roodman, David Malin, Paying the Piper: Subsidies, Politics, and the Environment, Worldwatch Paper 133 (Washington, DC: Worldwatch Institute, December 1996).
27. The ILSR is an NGO lobbying for green tax reform, including carbon tax implementation, in Minnesota. See David Morris, "Green Taxes Report," Available: http://www.ilsr.org/ecotax/greentax.html and "The Price of Gasoline is Higher than You Think," Available: http://www.styleweekly.com/editoria/back46.htm.
28. Michaelis, Laurie, "Reforming Coal and Electricity Subsidies," Working Paper 2, Annex 1 Expert Group on the UNFCCC, 1996: 17-18 and Appendix A. This is in relation to returning CO2 emissions to 1990 levels by 2000 in Australia, Germany and Italy.
29. Andre De Moor and Peter Calamai. Subsidizing Unsustainable Development: Undermining the Earth with Public Funds (Earth Council Institute of Canada, 1997): 50.
30. See http://www.foe.org/DLS/.
31. Often referred to as "Ecological Tax Reform."
32. Hans d'Orville and Dragoljub Najman. Towards a New Multilateralism: Funding Global Priorities (New York: Independent Commission on Population and Quality of Life, 1995): 59.
33. This tax was expected to generate $72 billion over a five year period and simultaneously reduce US dependence on fossil fuels. Michael Kraft. Environmental Policy and Politics: Toward the 21st Century (New York: HarperCollins, 1996): 129.
34. Bill H.F No. 1190. Introduced: 80th Legislative Session, 1997-1998. The full text of the bill is available at: http://www.revisor.leg.state.mn.us/cgi-bin/bldbill.pl?bill=H1190.0&session=ls80.
35. Josh Wilson. "Power Plays: Forget Kyoto - U.S. states are making their own plans to cut greenhouse emissions -- and Big Coal is fighting for its life." 9 December 1997. Mother Jones Interactive. Available: http://www.motherjones.com/news_wire/wilson.html.
36. This has received a great deal of attention in the literature. See for example OECD, 1997; Muller, 1996 and Richard D. Morgenstern, "Environmental Taxes: Is There a Double Dividend?" in Environment, 38:3, April 1996.
37. Cited in Muller, 1996:40.
38. Cited in Muller, 1996:40. The paper is available on line at http://europa.eu.int/index-en.htm.
39. Jams Poterba, "Tax Policy to Combat Global Warming: On Designing a Carbon Tax" in Dornbusch and Poterba (eds.) Global Warming: Economic Policy Responses (Cambridge, MA: MIT Press, 1991): 82-83; there is also the possibility of using explicit "tax credits for energy expenditures" for low income households. See also OECD, 1997: 42-43.
40. See "Sustainable Minnesota" http://www.me3.org/projects/greentax/.

41. Bill H.0736. Introduced: 1997-1998 Legislative Session. "Energy Plan And Greenhouse Gas Action Plan." The full text of the bill is available at: http://www.leg.state.vt.us/docs/1998/bills/intro/H-736.HTM.
42. A study by Robert Repetto and Crescencia Maurer shows that national differences in energy flows do not drive foreign investment, as US carbon tax opponents frequently suggest. See Repetto and Maurer, "US Competitiveness is Not at Risk in the Climate Negotiations," World Resources Institute, October 1997. Available: http://www.wri.org/cpi/notes/ comp-us.html.
43. Roodman, 1997:48,49.
44. Cooper, 1998.
45. For example, it has been suggested that the dematerialization of the compact disk or home video market would take place if it became more cost-effective to store such material on central servers. This would allow consumers to purchase the "right" to listen or view, rather than purchase a material item, such as a CD or video cassette.
46. "Industrial Countries Agree To Cut Pollution-Causing Subsidies." Agence France-Presse 3 April 1998.
47. The problem, or course, is that many fiscal conservatives in the US do not believe in "international purposes."
48. Ruben P. Mendez. International Public Finance, (New York: Oxford University Press, 1992): 219.