

movements.

His endorsement of the Tobin tax - a central element in the anti-globalisation campaign - was the most noticeable shift in policy. Until now he has resolutely avoided any commitment on this issue even though as a presidential candidate in 1995 he supported the idea of taxing the speculative movement of capital across frontiers.

The French presidency of the European Union last year would have presented an ideal opportunity for an initiative on the Tobin tax as he was already under pressure from parliamentary deputies and leaders of the anti-globalisation movement. Instead, Mr Jospin chose to follow the advice of Laurent Fabius, finance minister, who warned in August 2000 the levy was impractical and risked destabilising foreign exchange markets.

Nevertheless, on Tuesday Mr Jospin was prepared to say: "We must discuss the issues (of globalisation) and I am in favour of France taking an initiative so that Europe endorses the Tobin tax."

France, he said, would offer proposals to the Sep-

ment embraces a large number of loosely grouped associations and NGOs, whose members range from radical small farmers and Greens to the unemployed.

These groupings are reckoned to account for between six and 10 per cent of the potential vote for Mr Jospin and his leftwing allies. It is precisely the prospect of this vote either abstaining or going to one of the far left groupings in next year's presidential and parliamentary polls that worries the Jospin camp. If he cannot capture this vote, the chances of winning these elections, especially the second round of the presidential election, will be very slim.

If one accepts the argument of political expediency, then the commitment to raise the Tobin tax with Ecofin could end up as no more than a cynical gesture. Mr Jospin knows France cannot muster sufficient support to take the proposal forward. But at the same time Paris is seen as being sympathetic to the anti-globalisation cause. The premier can thus earn bonus points with a volatile segment of the electorate

US opposed to tax to curb speculators

By Ed Crooks,
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Professor James Tobin himself has little expectation that the tax on currency dealing he proposed 30 years ago will come into force, despite support from the likes of Lionel Jospin, the French premier.

"Having a tax of this kind adopted depends on international agreement," he says. "And since the US is dead against it, it is not going to happen."

Prof Tobin suggested the tax in 1971, following the break-up of the Bretton Woods international currency system that fixed the price of the dollar in terms of gold.

He has always stressed that its objective would not be to block international capital flows, or to raise resources for fighting poverty, but to stabilise currency markets by inhibiting short-term speculation, allowing countries to pursue more independent economic policies.

Initial suspicion from other economists, who saw the Tobin tax as unnecessarily reducing the efficiency of the currency markets, has been tempered by more recent work on the economics of financial speculation,

which has suggested that the tax could play a useful role.

The real problem with the tax, however, is practical: the question of enforcement. Prof Tobin argues that at least the top 15 or 20 centres for currency dealing would need to agree to levy the tax, to prevent avoidance.

But international financial markets are now so mobile that it would be relatively easy for currency dealing to escape to offshore tax havens.

The suggested rate at which the tax would be levied, such as the 0.5 per cent on currency transactions proposed by Prof Tobin, would anyway not be enough to deter all currency speculation. It would still have been worthwhile to have sold short the Turkish lira when it fell by 22 per cent in a single day last February, for example.

France's support will not even win round the rest of the European Union, let alone the world's other leading financial centres.

The British government, for example, yesterday said it was "sympathetic" to the idea of raising more money for development, but is expected to reject any attempt to make the Tobin tax a reality.