

Denmark debates curbs on speculation

by Michelle Rasmussen

On Feb. 24, the Danish Parliament debated a proposal by the Socialist People's Party (a populist conservative party), that the government, through international organizations, investigate the possibility of implementing a so-called "Tobin tax," on all speculative financial transactions. The proposal reflected a certain insight into the nature of the ongoing collapse of the global financial system.

The "Tobin tax," named after its author, Prof. James Tobin of Yale University, was to tax speculative profits in currency transactions. A similar proposal was put forward by Lyndon LaRouche in March 1993, as a means to help dry out the global financial bubble. LaRouche's proposal, to levy a one-tenth of 1% tax on speculative, mainly derivatives-related financial transactions, found great interest in many state legislatures in the United States and among governments around the world, also for its ability to generate revenue for hard-pressed budgets.

The introduction to the Socialist People's Party (SF) proposal reads: "The international financial crisis in the fall of 1998, has shown how delicate the global financial system is. Only because of quick . . . intervention, from especially the Federal Reserve Bank, was a collapse successfully avoided. . . . The rules of the game in the financial markets are unchanged, so the financial crisis can flare up at any time. . . .

"There is need for:

"1. Effective regulation of funds, etc. which make highly leveraged and therefore highly risky investments. The near total collapse of the American so-called hedge fund LTCM [Long Term Capital Management], which threatened to spread to the entire financial world, and which was only avoided through a support intervention from other banks mustered by the Federal Reserve Bank, shows the massive need for intervention against those kinds of 'inverted pyramid' constructions. Here is a clear example showing that the market cannot function, because it would have had unacceptable consequences for outsiders to 'let fall what cannot stand by itself.'

"2. An internationally acknowledged and supported capability for individual countries to introduce braking mechanisms to prevent speculative capital flight, like that taking place from a series of Southeast Asian countries. Chile is an example of a country which, with some success, but unilaterally, has created such a 'braking mechanism.'

"3. Limitation of the very large movements of speculative

capital which can create violent ups and downs in currency rates, and put pressure on currency arrangements, without having any real economic foundation."

The Socialist People's Party proposal dealt only with the third point. As an additional argument as to why restrictions on financial transactions have to be implemented, the introduction reads: "Currency transactions exceed 10,000 billion [Danish] crowns a day, and thereby are many times greater than the combined production in the whole world. . . . The events, like those in Southeast Asia, bring into question the claim that liberalization and globalization of the financial markets is the road to prosperity and progress."

Calls for a New Bretton Woods

During the debate on the floor, Peter Skaarup, a Member of Parliament from the Danish People's Party, twice called for convoking a New Bretton Woods conference, which would organize a new financial system to restart world production and trade. LaRouche has proposed centering a new system on major infrastructure projects, including the Eurasian Land-Bridge. Skaarup complimented his party for bringing this important debate to the Parliament, and he referenced the hearing on the international financial crisis held by the Danish Parliament on Feb. 24.

Skaarup then criticized the International Monetary Fund (IMF). "We agree that there is a problem, when large amounts of money from the IMF are poured into Brazil, South Korea, and maybe soon Japan, to solve these crises, and to help these countries. . . . Therefore, we wish that these problems be solved by convening a new Bretton Woods conference, where, among other things, the IMF might be changed, so that there is a stop to pouring large amounts of money into coffers which are completely empty, and where the amounts often flow right through."

Unfortunately, the proposal by the Socialist People's Party includes the idea that the revenues from a Tobin tax should go directly to the United Nations. This was firmly rejected by Skaarup, who said, "But we agree with SF that we have to find some solutions within the international system, and we hope, among other things, that SF also will join us in pressing for the convening of a New Bretton Woods conference."

The debate also reflected the unfortunate fact that the Danish government, at least officially, refuses to recognize the danger inherent in the international financial crisis. The government position was expressed by Economics Minister Marianne Jelved, who, taking the point from the IMF, blamed the crisis on the Asian countries, because of their "unbalanced economies" and "structural problems." Jelved proposes that the IMF and the World Bank oversee the implementation of new capital and currency rules, and more transparency of individual nations' economies. She stated that there currently is a "social-liberal regulation of the global financial market."