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SOLVING THE WORLD'S DEBT PROBLEM

\$43 trillion - that's how much is owed by governments to external debt-holders, according to The Economist's global debt clock. In 2012 it will rise to \$46 trillion.

Here are some of the numbers, showing debt per person and per GDP :

Greece:	\$34,154	135% of GDP
Italy:	\$37,220	120% of GDP
Portugal:	\$16,751	88% of GDP
Spain:	\$19,184	88% of GDP
Canada:	\$38,262	82% of GDP
US:	\$33,135	68% of GDP

Strange... there's Canada with a larger debt to GDP ratio than the US. So how come the government has been telling us what good shape Canada is, in compared to the US?

That's a small matter, however, compared to the big problem, which is how nations can stop the debt from growing, and begin to pay it down. It is because of the debts that governments are cutting back on environmental budgets and social spending at the very time when we need it. What is the way out of the mess? A sustainable world must have sustainable finances.

But first, how did we get into this mess? Maybe understanding that will help us get out of it.

The largest single cause, I have come to believe, is the successful campaign by some of the world's largest banks, corporations and greediest individuals to avoid paying taxes.

Their effort started in the 1920s when corporations operating in two countries wanted to avoid paying double taxes. That sounds fair - except that their solution was to locate their head offices in obscure havens where they paid almost no taxes at all.

The story of how the world's offshore tax havens developed is told in jaw-dropping detail in *Treasure Islands - Tax Havens and The Men Who Stole the World*, by Nicholas Shaxson (2011).

It started with Britain's top bankers who were determined not to lose their global imperial status after World War II. Once they had created their network, the havens spread to such a degree that the US itself is now the world's largest tax haven, both federally and through states such as Delaware and Nevada.



In 2008, the US government Accountability Office reported that 83 of the largest 200 US corporations had subsidiaries in tax havens. Google operates in countries where tax rates are 20% to 35%, but by shifting its profits to Bermuda, it cut its tax rate to 2.4%. Facebook and Microsoft do the same.

The Tax Justice Network reports that 99% of Europe's largest companies do the same. In 2007, Britain's National Audit Office reported that a third of the country's largest 700 businesses had paid no tax at all in the previous year.

There are 72 secretive tax havens around the world. Rupert Murdoch's News Corporation has 152 subsidiaries in tax havens, to ensure that they pay the lowest possible tax. In 2005 the Tax Justice Network reported that tax-avoiding individuals held about \$11.5 trillion in offshore wealth, against a global GDP of \$74 trillion.

This is a big topic, but my goal is to find solutions to the total debt problem, so I'll skip to the chase. The best way to tackle a big problem is to think big, so let's do just that.

At 3% bond interest on \$43 trillion, governments have to find \$1.3 trillion a year to service the debt. How could they

do this, and then pay down the debt to zero? Here's a possible a six-point plan.

1. The Tax Justice Network estimates that if all global tax havens were closed, by a variety of means, governments would collect \$255 billion a year more in tax revenues. However, since developing nations are losing \$122 billion a year and Britain alone is losing \$170 billion a year, the total may be closer to \$500 billion.

2. In 2009, the Austrian Institute for Economic Research estimated that a global financial transactions tax of 0.05% would yield \$690 billion a year.

3. If a worldwide disarmament and peace-making treaty cut annual \$1.6 trillion military expenditures by 80%, that would save \$1.3 trillion a year.

4. A global carbon tax at \$25 rising to \$50 a tonne on 40 billion tonnes a year of CO₂ would raise \$1 to \$2 trillion. Including methane from human activities would add \$250 billion a year.

5. A tax on junk food, based on the estimate for Britain, would raise \$900 billion a year.

6. Studies show that if the US was to legalize and tax marijuana if would generate combined savings and revenues of \$10 to \$14 billion a year. So globally, maybe \$50 billion a year.

Taken together, this comes to a total savings and new income of \$4.5 to \$5.5 trillion a year, enough for governments to service their bonds *and* pay down the global debt by \$3 to \$4 trillion a year.

If we could move as a world to do all this over the next five years, the world could be out of debt and back on a financially stable keel within twenty years, while also ending most global financial corruption, ending most wars, tackling climate change, tackling obesity, and ending the war on drugs.

For references and footnotes see www.earthfuture.com/econews.

- Guy Dauncey