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THE GLOBAL LUXURIES TAX

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Poverty is not a natural phenomenon but the result of human-made policies and institutions, therefore the solution to the problem of poverty must also be sought in social, economic and political policies and institutions. Furthermore poverty is a global social scar, not merely in the sense that it is present in some form in every corner of the world, but because it is the product of global affairs and institutions. It follows that we must look at global policies for a remedy. This chapter proposes a policy to tackle the problem of global poverty. In putting forward our policy proposal, the Global Luxuries Tax (GLT), we are aware that the challenge of global poverty is too complex and entrenched in the basic structure of global society to harbour the hope of a quick-fix solution. We put forward this proposal in the hope that the GLT can play some role, albeit small, in moving the agenda in the right direction.

The first part of the chapter will highlight two main pitfalls faced by any potential solution to the problem of global poverty; these are objections that any policy solution must be able to avoid or respond to if it is to be taken seriously. The second and third parts will introduce the idea of a Global Luxuries Tax, first in theory and then in practice. In the final part some objections to the GLT will be considered, and appeased.

ONE OF MANY.

A number of ingenious solutions to the problem of global poverty have been put forward in recent years. Apart from the well-trodden path of raising domestic taxes to subsidize a 1% GDP redistribution of resources from the wealthy nations to the poorer nations, other propositions include the Global Resources Dividend (Pogge 2008 and 2011); the Global Fund (Steiner 2011); the Global Share (Casal 2011); extensive reforms of the global tax system (Brock 2008); or even free-movement across borders (Barry and Goodin 1992). All of the above are important contributions to the debate, and all contain valid intuitions that should not be dismissed lightly.

As one might expect, there is no unanimous agreement as to which of these solutions is likely to bring the best results. They all have their strengths but also their alleged weaknesses. There is a case to be made for advocating a pluralist approach whereby all these solutions are defended, recommended, and to the best of our ability implemented. The assumption being that these solutions can complement one another, the shortcomings of one policy being compensated by the strength of an alternative policy, making each policy only one factor in a pluralist, comprehensive, multi-pronged solution.

Pogge’s Global Resources Dividend (GRD) is arguably the most talk about proposal on the table at the moment, and rightly so. Pogge envisages the GRD as a levy paid by resource extracting firms at source: as they extract resources, they pay a certain amount to a world fund. There is something normatively significant about the GRD. Pogge is to be praised not only for suggesting an ingenious solution to the problem of global poverty, but for starting from the assumption, too often conveniently neglected by champions of the status quo, that fairness demands some form of compensation from those who make more extensive use of the planet's resources to those who, involuntarily, use very little.

This proposal is more moderate, or less radical, than the view that holds that all natural resources belong to everyone, globally, to an equal degree, therefore we should not assume that artificial constructs such as sovereign nation states have a prior moral claim over the full extent of all the natural resources. This position was reiterated in 1994 by Hillel Steiner in *An Essay on Rights*, in his account of the Global Fund, which in many ways can be seen as a precursor to the GRD.[1] Following Locke's claim that 'the earth, and all inferior creatures, be common to all men, Steiner (1994, 236) argues for "an equal share of initially unowned things". What Steiner is telling us here is that we don't have to go along with the widely held assumption, never justified but seldom challenged, that the natural resources below the ground are the legal and moral rightful ownership of the arbitrary political outfit above the ground.

In this paper we are going to bypass the Steiner-Pogge controversy regarding the moral (and legal) ownership of unused natural resources, not because it is not an important debate, since it clearly is, but merely because our proposal does not rest on the resolution of this dispute. Instead, we want to highlight two potentially problematic issues that any global policy intent on alleviating global poverty ought to be sensitive to: the Unintended Consequences Objection, and the Implementation Objection.

The Unintended Consequences Objection. This objection suggests that some solutions may not be as effective as it may seem at first, since the policy has unintended consequences that take away from its merits. For example a policy may trigger inflationary pressure which would indent on the funds raised for the benefit of the global poor. The GRD is possibly susceptible to this line of critique. Let's assume that GRD imposes a $3 dividend on every barrel of oil that is extracted from the ground. The $3 will in turn be passed on to the consumers, who will be asked to pay more for the petrol they buy. But since oil is needed for the production of many other goods, the unintended consequence of the GRD is that it will add inflationary pressure on the cost of basic goods worldwide.

The global price of food is a case in point. There is ample empirical evidence to suggest that the price of food worldwide follows closely, and is determined by, the price of crude oil. The World Bank calculated that food prices increased by 8% from December 2011 to March 2012, and they quote higher oil prices as a key factor.[2] As World Bank Vice President for Poverty Reduction and Economic Management (PREM) Otaviano Canuto warns us: "After four months of consecutive price declines, food prices are on the rise again threatening the food security of millions of people. Putting food first must remain a priority for the international community and in our work in developing countries." According to the quarterly Food Price Watch report, maize prices increased by 9 percent, soybean oil by 7 percent, wheat by 6 percent, and sugar by 5 percent. Crude oil prices rose by 13 percent.[3] The risk here is that GRD will increase the price of crude oil, which in turn will generate inflationary pressures on food and other basic products.

As a result, those worst affected by the food price rise are precisely the people that the GRD is supposed to help in the first place, namely the global poor.

The unintended consequences of inflationary pressures generated by the GRD are not a fatal blow to Pogge's policy. It may be possible for measures to be put in place to counteract these tendencies and prevent the price of basic goods to raise more than is warranted. Nevertheless, the Unintended Consequences Objection remains a worry, if only because it threatens to make the GRD less effective than it might seem at first. The same objection could also apply to other possible solutions.

<u>The Implementation Objection.</u> Any policy recommendation being put forward as a solution to the problem of global poverty must not only be within the scope of international politics as it operates today, but it should also be conceivable to put it in practice. One problem is to work out exactly who, on grounds of justice, should pay for the dividend. If the global poverty tax takes the form of a tax on the extraction of natural resources, like in the case of the GRD, it is imperative to work out in detail exactly where the burden of the GRD will fall. A related issue is how to ensure that this tax applies universally, without exceptions. For example, given the existence of financial tax havens around the world, there is reason to worry about potential global poverty tax havens too. Another

THE GLOBAL LUXURIES TAX IN THEORY.

The GLT starts from the basic assumption that the world is divided into two groups of people: the global poor and the global wealthy. These two groups are differentiated by the fact that while the global poor have only enough resources to cover their basic needs (and often not even that), the global wealthy have at their disposal enough resources to cover their basic needs and also enjoy luxuries. The assumption behind the GLT is that the burden to do something about global poverty should fall, first and foremost, on those with an overabundance of resources, namely the global wealthy.

The reason for expecting the global wealthy to bear the burden when it comes to helping the global poor should be obvious to many, one would hope, but it may nevertheless be necessary to briefly reiterate the argument. Even a rudimentary knowledge of world history should be sufficient to remind us that anyone today who has resources at their disposal to spend on luxuries has come upon those resources in a way that somewhere, in the past, involved an injustice. Of course this does not mean that all the wealthy people in the world are criminals; that would be absurd, and inaccurate. We are merely suggesting that the global wealthy are lucky, to the extent that they find themselves at the end of a line of descendants that has benefitted from historical injustice more than it has suffered from it. As Thomas Piketty (2014) has demonstrated on formidable empirical grounds with devastating clarity and rigour, wealth (and capital) has a tendency to multiply over time, and grows faster than other forms of income. Furthermore as Martin O’neill (2007) points out it also passes down the family line in a way that is arbitrary and therefore ultimately unjustified.

The key question is how, and when, the original bundle of resources that has been passed down from benefactor to benefactor, generating the inequality between the global poor and the global wealthy, was originally acquired. We will never know of course, and no one can trace their wealth to that moment in time which Robert Nozick refers to as the 'initial acquisition'. But while historical accuracy on individual wealth accumulation will always remain a mystery, there is a great deal we know about historical injustice.[4] The wealth of the industrialized countries has been accumulated over the centuries in no small part thanks to a long history of colonization, imperialism, slavery and military expansion. It is much too convenient to lay claim over our individual wealth today while forgetting all the injustice of yesterday. So, to use Nozick's terminology once again, targeting the global wealthy is merely the simplest way to enforce some semblance of rectification of injustice. Another way of stating this point is that the burden of proof should be on those who claim or believe that they have acquired their wealth via a fair initial acquisition, not on those who want to justify the redistribution of resources.[5]

A great deal more can and ought to be said about historical global injustice as a determining cause of contemporary inequality and poverty, but that is a debate for another day. However even if we assume the validity of this initial supposition, and we accept that the global wealthy should be at the forefront of the efforts to solve the problem of global poverty, the mechanism according to which wealth is to be appropriated from the global wealthy and redistributed to the global poor needs elucidation. The GLT is a policy that could perform this redistributive maneuver.

The idea behind the GLT is simple: this is a levy collected whenever a person, wherever they happen to live (bar a few exceptions), accesses a certain luxury. The money collected will go towards a Global Poverty Fund to be used to alleviate the worst cases of global poverty.[6] The tax is a miniscule percentage of the price of the good or service being purchased, so that the GLT raises money for the Global Poverty Tax by virtue of the high number of transaction taking place.

As the name suggests, there are three aspects of this policy that require further explanation: What do we mean by ‘tax’? Why does it target ‘luxuries’? And in what sense is it ‘global’? The global dimension of the GLT should be obvious, given the growing process of international integration, especially on economic and financial levels. This is nothing new of course: trade and expansion has been a feature of the world ever since technology made it possible for people and goods to be transported, and all great empires throughout history were built on strategies spanning beyond the domestic sphere, often of a violent nature. The nature and sources of poverty today is not something that can be understood exclusively at the local level, therefore the solution to this problem must also be sought at a supranational level. Poverty is caused by our global institutional arrangements, as Thomas Pogge argues, in fact current global institutional designs are the major impediment to radical changes that would eradicate global poverty. The GLT has global aspirations not only in recognition of the global nature of the causes of poverty today, but also as a reminder that historically wealth accumulation came about as a result of acts of international injustice: imperialism, colonialism, slavery and military expansion.

With the risk of making this proposal unpopular, it is worth emphasizing that the GLT is a tax. We think this is a positive feature of the scheme, as the ability to make a monetary payment for public purposes should be seen in a positive light. Too much has been made in recent years of Nozick’s melodramatic claim that taxation is on a par with forced labour. There is another way to think about taxation, which stems from the principle of solidarity rather than individual egoism: namely, that a tax is a contribution towards the common good.

One of the advantages of this scheme is that the tax in question is progressive, to the extent that those who access luxuries repeatedly will contribute more to the GLT than those who do so less frequently, if at all.[7] Furthermore, there is a voluntary element to this type of taxation, as one is required to make the payment only when they choose to purchase certain luxury goods. Someone who doesn't want to pay this tax has the option of not indulging in the purchase and consumption of luxuries.

Finally, by directing its attention towards the global wealthy, the GLT targets the consumption of luxuries. This requires that we agree on the definition of a 'luxury', and on a list of luxuries to be taxed. The concept of luxury has a long history. As Christopher Berry (1994) explains, over the centuries luxuries have been associated with good that are refined and positively pleasing, goods that have a transient stratus, good that are superfluous, and goods that enjoy high income elasticity of demand. We can perhaps go along with Berry (1994, 41) and adopt what he calls 'almost a definition' of luxury: "a luxury good is a widely desired (because not yet generally attained) good that is believed to be 'pleasing', and the general desirability of which is explained by it being a specific need". The 'specific need' in question is not to be confused with a 'basic need'. Another way of distinguishing luxury goods from other goods is that we have a 'categorical desire' to satisfy certain specific needs, in the sense of the term used by Bernard Williams (1973), but not for basic needs.

The fact that certain luxuries are being taxes should not be interpreted as a punitive measure. This is not like a tax on alcohol or tobacco, where the aim of the tax (apart from raising money for the public coffers) is to give an incentive to people to stop consuming certain goods. The luxuries being taxed by the GLT are not morally or medically problematic, or at least not more so than any other good being consumed, and the tax is not intended to act as a disincentive. On the contrary the idea behind the GLT is that the tax is so small that it will not make a difference to the consumer, so that they will continue to buy the luxury, and in the process raise more funds for the global poor.

To recap, the GLT has a global reach, it targets luxuries, and it generates funds for the global poor by way of taxing the global wealthy. Before we look at some practical implications of this tax, it is necessary to make a further distinction between a Universal GLT and a Partial (or Restricted) GLT. A Universal GLT applies to everyone across the globe that enjoys certain luxuries, even if the person in question lives among the global poor. A Partial GLT applies only to certain areas of the world, namely those countries where the GDP is above a certain threshold. The GLT entails both Universal and a Partial component, depending on the luxury. A Universal GLT targets the individual (and their wealth) wherever they happen to be, indeed the majority of luxuries being taxed by the GLT are Universal. The GLT is not a tax on rich states, but on the consumption of rich individuals. As we shall see, the fact that it does not rely on the compliance of a national government for its implementation, and success, is crucially important. This is one of GLT's main attractions. At the same time, in the case of certain luxuries, it may be desirable to make further distinctions based on location, in which case it becomes a case of a Partial GLT.

THE GLOBAL LUXURIES TAX IN PRACTICE.

On the basis of this working definition of what constitutes a luxury, we can now speculate on the list of luxuries to be taxed by the GLT. After all, the GLT will work if and only if we agree on a list of goods, deemed to be luxuries, which can be the subject of the global tax.

The luxury goods to be taxed by the GLT are not those that come to mind when we think of luxuries. This is not about taxing products and services that are expensive simply because they are expensive. The GLT is not interested in exclusive items of food, drink, clothes and jewelry so expensive that they can be enjoyed only by the very few, or the very foolish. Instead, two criteria determine the items to be taxed by a GLT.

First, because the tax is going to be extremely small, the goods and services being taxed will generate revenue for the Global Poverty Fund as a consequence of the high demand they enjoy, and therefore the subsequent high volume of transactions. From that point of view the luxuries of the GLT are the exact opposite of the very expensive (because very rare) goods and services that hardly anyone can afford to enjoy.

Secondly, the GLT will want to tax goods and services that are not already the subject of taxes at the national level. In other words the GLT should not compete with nation states for the right to tax certain goods. This is important because consumers should not be subjected to multiple regimes of taxation, furthermore it is important that people know that when they pay a GLT they are making a contribution towards the end of global poverty.

With these two criteria in mind it is possible to make a stab at a list of potential luxuries to be taxed by the GLT. Needless to say this exercise is merely speculative, in the sense that its aim is merely to act as a starting point for discussion, therefore we leave open the possibility for more items to be added (and perhaps a few subtracted) from this list.

UNIVERSAL GLT	**PARTIAL GLT**
• Air Travel	• Procreations
• Financial Transactions	• Texting on Mobile Phones

We will start with the list of Universal GLT, as these do not allow for exceptions. We will then look at the Partial GLT, and explain why in certain cases the tax should not be universal.

Air Travel.

In the 21st century we all travel via airplanes more than we ever did before and a lot more than we strictly need to, with half a million people in the air at any one time. Bar a few exceptions, the bulk of air travel is either for reasons of work or leisure. The latter has grown at a much faster rate than the former over the last 50 years, when going abroad for a holiday was a prerogative of a very small selected (lucky) few. Anyone today who gets on an airplane to go on vacation is clearly exercising their desire for a luxury good, hence they would be a good candidate for contributing to the GLT. Accidently, this will also go some way towards solving the moral dilemma, originally set by Ted Honderich, whether someone should go on holiday in Venice or give the money to Oxfam instead. Honderich wants to convince us to forego the trip to Venice, but of course few people are prepared to make that kind of sacrifice, and understandably so. The GLT on air travel allows us to go on vacation to Venice, enjoy the city immortalized to Canaletto, while in the process contributing to the solution of global poverty. A rare case of having your moral cake and eat it too.

Adding US$5 per air ticket would generate a considerable source of revenue for the Global Poor. If we take the EU as an example, between 2009 and 2010 the total number of passengers travelling by air in the EU increased to 777 million. If each passenger was charged an extra $5 for the pleasure and convenience of travelling by air, this tax alone would contribute US$3885 million to the global fund.[8]

Of course not everyone travels for pleasure. There are many who also travel for work, in which case it might seem odd to include their activity as a luxury. These concerns can easily be countered. First of all, adding US$5 per air ticket will not make much difference to business travelers, since in the majority of cases those who travel for work related reasons don't pay for their travels out of their own pocket, instead the business they represent picks up the bill. In fact, there is an argument to be made that anyone travelling business class should pay an added global luxury tax of US$30.

Secondly, it could be argued that adding air travel to GLT may have the unintended consequence of giving an incentive for businesses to find an alternative to sending their employees on long journeys that require taking to the air, for example by investing in video-conferencing technology. If this was indeed an unintended consequence of a GLT on air travel, then this development is to be welcomed, as it would contribute towards cutting carbon emissions and therefore make a positive impact on the environment, and indirectly on the global poor who are most at risk from climate change. The fact that video-conferencing technology is an alternative to work-related air travel only strengthens the argument that air travel is a luxury, in the sense that a luxury good is superfluous, something we can do without. Whether it is for leisure or for business, air travel is a choice, not a necessity.

Financial Transactions.

The idea of an international tax on financial transactions has been on the agenda for a while, for example in the form of a Tobin Tax. Originally defined as a tax on all spot currency conversions, the Tobin Tax is now no longer confined to the currency markets, but includes trading in shares, bonds and derivatives.[9]

It may be necessary to distinguish between two types of financial transactions, namely transactions that are necessary and those that are speculative. Necessary Transaction are those performed by any citizen in the modern world, for example buying foreign currency - perhaps before travelling by air to an academic conference in Venice. The levy on these transactions can be minimal, so much so that one would not even notice this at the end of the month, although they would add up. After all, units are made up by fractions, so even an insignificant amount of tax on single transaction, even as small as US$0.05 can make a difference. The money for the global fund will be generated by the volume of transactions, so that the ordinary citizen will not even notice they are being taxed.

The GLT on financial transactions undertaken for speculative reasons would be much greater, in part because the motivation behind the transaction is not a necessity (hence by definition a luxury), and in part due to the much higher number of transactions incurred by financial institutions. It is crucial that GLT on financial transactions are Universal rather than Partial, in order to avoid the risk of Global Luxury Tax havens in remote parts of the world.

It is unlikely that the GLT on financial transactions will have the unintended consequence of giving individuals and institutions an incentive to hold back from doing a transaction, since the cost per transaction will be extremely small, and even the higher tax on speculative transactions levied will not deter the investors, given that financial institutions are among the richest groups in the world. Also, in a perverse way global financial institutions may even welcome a GLT on financial transactions, as this would make it possible for them to take the moral high-ground, and remind anyone listening, especially the activists of the Occupy Movement, that they are not always the bad guys, instead they are doing their part to help solve the problem of global poverty. For international finance institutions a GLT is a small price to pay for some moral capital.

Procreations.

Apart from Universal GLT, we must also consider Partial GLT. These are taxes that are levied only in certain parts of the world, specifically countries that enjoy a GDP per capita above a certain threshold.[10] According to the International Monetary Fund, in 2010-11, the country with the highest GDP per capita is Luxembourg (US$160,000) and the one with the lowest is the Democratic Republic of the Congo (US$217). For example, we could draw the line at US$10,000 per capita, hence Malaysia would be above the line at US$10,085 and Lebanon would be below the line at US$9,862.

All the countries within the EU are above this threshold. According to Eurostat, approximately 5.4 million children were born each year in the 27 countries of the European Union between 2008 and 2010. The GLT on procreation would tax each family for the birth of their child, perhaps as little as US$5. This would generate US$270,000,000 for the global fund from the EU alone.

The basic assumption behind this tax is that choosing to have a child is a luxury. This idea has a long history, indeed as Marx argued in his Economic and Philosophical Manuscripts of 1844: “There are too many people. Even the existence of men is a pure luxury; and if the worker is ‘ethical’, he will be sparing in procreation”. More recently Paula Casal and Andrew Williams (1995) convincingly argue that procreation may cause a public bad, since adding another human being on the planet will only worsen resource scarcities, in which case it may be legitimate to tax those who have children.[11] It may seem counterintuitive to classify having a baby as a luxury, since procreation is an integral part of the natural cycle, and what is natural cannot be a luxury. But closer analysis suggests otherwise. Even if one were to accept the dubious claim that having a family is a human need, it is important to distinguish between having a family and having a baby (or procreating). Having a baby is only one way to have a family; another way of having a family is by adoption. The difference between procreation and adoption is morally significant. In an era defined by overpopulation each addition to the human race carries negative externalities on non-consenting third parties, which is why having a baby should be taxed, while adopting a baby should not. In fact, a case could be made for parents to be given a financial incentive to adopt rather than procreate.

The GLT on procreation may need to be more nuanced than some of the Universal GLT we have considered so far, since it may not apply across the board as easily as a tax on air travel. For example, it may be desirable to exempt some people from the GLT on procreation. One group that should be exempt from GLT is victims of rape, for obvious reasons, or families whose newborn dies within the first year. Another group is women who live in countries where abortion is illegal, since they don't have the option of interrupting their pregnancy, although in such cases there may be some merit in making governments of countries where abortion is illegal pay for the GLT on procreation. But we don't need to get too concerned about this issue here.

Mobile Phones.

Mobile phones are another modern luxury, even though anyone under the age of 20 will probably vehemently object. Just because mobile phones have made modes of communication terribly convenient, indeed too convenient sometimes, it doesn't mean that they are not a luxury. We know that they are a luxury because it is possible to live without mobile phones (many of us did until recently, and a few still do), and our general proclivity to use our mobile phones incessantly is nothing more than a desire to satisfy a yearning, not a basic need.

The GLT on mobile phones would work by adding an almost insignificant charge on every text message sent via mobile phone, say US$0.01 per message. When one considers that in 2003 in Europe 16 billion messages were sent each month, that in 2009 in the USA 152 billion texts were sent each month (an average of 534 messages per subscriber per month), and that in China in 2007 about 700 billion messages were sent, the GLT on mobile phones could prove to be very lucrative for a global fund.

As in the case for procreation, there are good reasons for making this a partial tax, since some groups should be excluded from paying it. In Africa for example there is simply no alternative to using mobile phones, since the network of landlines is extremely small and inadequate. It would be unfair to tax people for using a form of technology where no alternative exists. This is why mobile telephony is truly revolutionary in Africa.[12] The fact that there are apps widely used in Africa for monitoring the gestation periods of dairy cows, and likely birth dates of calves (iCow), and for verifying the legitimacy of medicines, and check for expiry dates, given that Africa can be a dumping ground for counterfeit pharmaceuticals (mPedigree), suggests that mobiles phones perform a vital function in African society.[13]

But apart from these exceptions, the rule should be that anyone who texts could make a contribution to the global fund. The contribution per person would be minimal, even for the most enthusiastic text users, but it could make a considerable impact in the fight against global poverty. For example in the Republic of Ireland in 2006 on average 114 messages were sent per person per month. At US$0.01 per text that would mean US$1.14 per person per month.[14] A small cost for the average Irish person, but a potential life-safer in many parts of the world.

OBJECTIONS TO THE GLOBAL LUXURIES TAX.

If GLT is to be a serious contender as one of the policies that could, if enacted, make a difference to world poverty, then any potential weaknesses must come under scrutiny. In Part I above it was suggested that any solution to global poverty is susceptible to two objections: the Unintended Consequences Objection and the Implementation Objection. We must consider how the GLT fares on these two issues.

The first issue is the Unintended Consequences Objection, namely the idea that this tax would not help the global poor as much as we may anticipate. As we saw in Part I, the unintended consequence of Pogge's GRD is that it would have inflationary pressure on global prices, therefore the money raised and passed on to the global poor would not have the purchasing power required to push people out of the poverty trap. Are there similar unintended consequences to the GLT? We don't think so, or at least not to the same extent compared to the GRD. There is no reason to suspect that GLT will have the same impact on general prices, since the GLT taxes luxuries. Unlike natural resources, luxuries do not feed into the production line of other goods. Thus, the fact that the price of a luxury like airfare or financial transactions or a text on a mobile phone or a new baby goes up will not affect the price of other goods. Compared to GRD, the GLT has the advantage of taxing consumers at the moment when goods are being purchased and enjoyed (or in the case of procreation at the moment when a child is born), which suggests that the tax will affect only those targeted by the GLT, and the GLT will not have further unintended consequences.

The Implementation Objection raises issues of a more complex nature. According to this objection, any policy recommendation being put forward as a solution to the problem of global poverty must not only be within the scope of international politics as it operates today, but it should also be easy to put in practice. In other words, it must pertain to the discipline of political science rather than science fiction. The fact that the tax of the GLT is miniscule goes some way towards alleviating some concerns one may have. Of course one could still object that what are luxuries for some are necessities for others, therefore taxing luxuries is potentially unfair to those who have no choice in the matter. The GLT gets around this objection by introducing the distinction between the Universal GLT, which applies to everyone across the globe, and the Partial GLT, which applies only to certain areas of the globe where the GDP is above a certain threshold.

Unlike Pogge's GRD, the GLT is not vulnerable to certain implementation objections, such as: How can we identify the relevant sum of economic value of any given resource that the tax would be applied to? At which point of the primary production should the tax be applied? How can we generate enough goodwill among rich nation-states that they would be willing to commit themselves to supranational institutional reforms?[15] The GLT imposes a tax based on consumption. This means that we don't need to get involved with the difficult question of quantifying the economic value of a resource. All is required is to come up with an (admittedly arbitrary) amount for this tax. For example, we suggested US$5 for each economy-class air ticket. Of course this amount can be revised, but as long as it is inconspicuous and will not be resented by the consumers, it can be more or less than the US$5 being suggested. Since the tax applies at the point of consumption rather than production, we don't have to worry about the complexities of the production process. The tax will be paid by the consumers at the moment they pay for the goods they purchase. When it comes to solving the problem of global poverty, issues regarding the goodwill of rich nation-states will never go away, since rich nations are not only responsible for the poverty but they also stand to lose most from any solution to the problem. Yet the GLT does not need the compliance of nation-states, since the international organization responsible for collecting the GLT will deal directly with the multinationals that produce the goods being taxed, without having to go through any intermediate third-party. The issue of natural resources is of course a much more complex issue, since sovereign states will claim to have a right over their natural resources. The fact that the GLT is not taxing natural resources makes it possible to get around this potential stumbling block.

There are, however, two further issues regarding the implementation of the GLT that need to be considered: How can we be sure that the exact amount will be paid to the global fund? What punishment can be meted out if those who are supposed to pay fail or refuse to do so?

The items listed as susceptible for a GLT are chosen in part with an eye to what is practical in terms of collecting the tax. There are many goods that qualify as a luxury which will not be taxed, merely because it would be much messier to know with any precision how many goods were in fact consumed. Hence, we are suggesting taxing air-travel rather than caviar, texting via mobile-phone rather than e-mails, procreation rather than champagne, etc. The point is that it would be extremely easy to have access to the information concerning the consumption of luxury goods being taxed. Statistics on air travel, financial transactions, babies born and even texting are readily available. This is in part because the manufacturers or service providers not only declare their output, but have an incentive to boost their numbers. When an air carrier reports back to their shareholders, they will have an incentive to show that passenger numbers on their airline carriers have gone up compared to the previous year. So the statistics on air-travel exist already. The expectation is for the GLT to be passed on directly to the consumers, so that the private companies selling a good being taxed by the GLT will not be effected by this tax. As for procreation, anyone in the process of giving birth will have other things on their mind than the GLT, so it is unlikely that they will object to a minimal flat tax. Not to mention the fact that compared to the cost of raising a child, the flat tax imposed by the GLT is almost laughably small.

Finally, what can be done if the multinationals involved decide to pocket the GLT and not pass it on to the global fund? We believe that this is highly unlikely, since the risk of being 'named and shamed' would not make it worth their while. The harm to the reputation of a company that kept the revenue of a GLT meant to fight global poverty would be so great that it would be irrational for any company to entertain that thought, even in the cut-throat competitive world we live in. However, in order to give an incentive to these companies to pass on the GLT to the global fund, we could agree that these companies get to keep 10% of the funds being raised through the GLT. This would give them an added incentive to market their luxury products even more than before.

CONCLUSION

There is a tendency in academic circles for scholars to present their ideas as radical and original alternatives to the existing body of literature. Academics feel compelled to dismiss all competing ideas before offering their preferred solution to a specific problem. This tendency is unhelpful and should be resisted. In this paper we put forward a policy that we believe could contribute to the fight against world poverty, the GLT. We are not suggesting that this is the only or even the best solution to the problem. Instead, we believe that the most effective approach to the problem of global poverty requires tackling the problem via a whole range of different measures, from reforming the international tax regime to taxing natural resources to reforming the global rules that dictate the interactions between nations at a political and economic level. The GLT is simply one measure amongst many others that can deliver for the global poor.

We have also argued that to be taken seriously, any policy recommendation has to respond to two possible objections, namely the Unforeseen Consequences Objection and the Implementation Objection. We believe that the GLT deals adequately with these objections, and it has some advantages respect other possible solutions to the problem of global poverty. But of course there is still much work to be done. Raising the funds to fight global poverty is a huge challenge, but even if one were to succeed on that front, another issue arises around the fairness and practicality of distributing the funds. How to distribute the resources in the Global Poverty Fund raises more difficulties than raising the funds in the first place, but precisely how to deal with this issue is for another day.

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NOTES

[1] The same intuition can be found in Thomas Paine's *Agrarian Justice*, written in 1795.

[2] Two other factors mentioned by the World Bank are adverse weather conditions and Asia's strong demand for food imports.

[3] The World Bank. Press Release No:2012/411/PREM.

[4] See Daniel Butt (2009) and Spinner-Halev (2012).

[5] For a defence of the opposite view, namely that past wrongs should not be rectified, see Perez (2012).

[6] According to Thomas Pogge $506 billion per annum would suffice to help the 3.08 billion people (47 percent of world population) who currently live below $2.50 per day. See the interview with Pogge on *Policy Innovations*, 31 May, 2011: http://www.policyinnovations.org/ideas/briefings/data/000201

[7] The history of the concept of taxation, and the justice of a progressive taxation, are perfectly captured by Helmut P. Gaisbauer, Gottfried Schweiger and Clemens Sedmak (2013).

[8] The idea of air-ticket taxation to pay for climate change has been raised before. The International Institute for Environment and Development calculates that a small tax of just US6$ per economy-class ticket and US$62 for business class tickets could generate as much as US$10 Billion. See Tom Birch and Muyeye Chambwera, 'Fundraising Flights: A Levy on International Air Travel for Adaptation', IIED, March 2011.

[9] For an endorsement of the Tobin Tax, see Brock (2008).

[10] There is of course a serious problem with relying too much on GDP as an indicator of poverty, especially in poor countries – see Morten Jerven, 'Lies, Damn Lies and GDP', *The Guardian*, 20 November 2012.

[11] See also Casal and Williams (2004).

[12] 'Digital Revolution Lights up Africa with Maps, Mobiles, Money and Markets', *The Guardian*, Tuesday 30 October 2012.

[13] 'Africa's Apps: Farming to Gaming', *The Guardian*, Tuesday 30 October 2012.

[14] RTE News, Tueday 26 September 2006.

[15] For incisive critiques of the GRD, see Fuller (2008); Hayward (2005); Haubrich (2004).