Report from Bonn by Rainer Apel

Late, but not too late

German politicians are debating a derivatives tax, as the trade unions fear massive unemployment.

Under the pressure of increasing turbulence on the world financial markets, several political figures in Germany are finally calling for action against the speculators.

The Federation of Labor (DGB), one of the most important institutions of the nation, has issued a call for action. DGB executive member Michael Geuenich declared in Düsseldorf that, "utopian as it may sound for many, the call for a tax on international currency speculation is of utmost urgency," because speculation has turned "into the crucial point of vulnerability for the world economic system as a whole."

With daily turnovers of over $1 trillion, currency speculators are "chasing the world economy from one crisis to the next," only to secure short-term gains, he said. Under such volatile circumstances, "rational and long-term investments are made impossible," and the damage caused to entire national economies is devastating. "If speculators today can use computer technology around the clock on a global scale, it should also be possible to use the same technology to tax such deals." This should be put on the agenda of international meetings, he recommended, endorsing a proposal made by U.S. economist James Tobin for a 0.5% tax on derivatives transactions. (The actual author of the derivatives tax proposal was Lyndon LaRouche, whose March 9, 1993 call for such a tax has circulated widely, including in Germany.)

The DGB initiative is spectacular because the 10 million-member labor federation does not usually comment on monetary affairs, but limits itself to trade union issues. The political background to this DGB move is the fact that many industrial firms in Germany have become engaged in risky derivatives deals, and this fact is coming more and more into the public view. Against the background of several big defaults last year in connection with derivatives losses, these new revelations are raising concerns about corporate collapses leading to huge job losses.

Furthermore, of particular political interest are remarks made in Bonn on March 30 by Gregor Gysi, leading member of the parliamentary group of the PDS, the party of the former East German communists. Speaking during the parliamentary debate on the budget for FY 1995, Gysi said that if the government feels in need of increased tax revenues to secure its budget, it should take the revenue where it is to be found: in the derivatives trade, which has seen an annual growth of 53% since 1990 in Germany. Corporate revenues from capital gains, Gysi said, were once at 7% and have now reached a level of 50%: "This means that there is no longer production, but only speculation. This is the real problem."

Referring to the bankruptcy of Barings Bank, Gysi said that the "banking collapse in Great Britain signals where the shift from productive to monetary capital leads to. Already now, it is becoming apparent that we have an overhang of money which someday can lead to a disastrous Black Friday."

Gysi then endorsed the Tobin proposal for a tax on derivatives, saying that if this were applied to Germany, with its giant volume of 6,000 billion deutschemarks in annual derivatives tradings, the state would gain DM 30 billion in annual tax revenues. A tax of 2% would yield DM 120 billion annually, which could be used to create new jobs.

It is true that with a voting base of less than 5% of the national electorate, the PDS is a small party, and under normal circumstances, the government would not pay much attention to it. But circumstances have changed significantly since the national elections in October 1994, and the Finance Ministry felt compelled to respond unusually quickly to a "small parliamentary motion" presented by the PDS in early March, concerning derivatives.

In its March 24 response, the ministry for the first time made it public that the government is also engaged in trading in derivatives, adding, in an effort to play the problem down, that it has a more "conservative approach" in its debt management than, for example, the states and the municipalities.

The government's exposure to risks in the derivatives markets has already sounded the alarm bells at the Federal Accounting Office, but the information which the office referred to in its recent announcement that it would look into the problem, was of a confidential nature. The Finance Ministry's response to the PDS motion has made the issue public, and that is very important, because the German Parliament will debate the issue of derivatives and monetary risks in a plenary session after Easter, and calls for a derivatives tax have gained support among many parliamentarians.

To push this debate ahead, the Civil Rights Movement-Solidarity party, headed by Helga Zepp-LaRouche, has mailed all members of parliament a petition on this issue.