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A GLOBAL PENSION PLAN

By 2050 the world's population is predicted to be just over 9 billion, of whom an unprecedented 22 per cent—some 2 billion people—will be over 60 years old. Without a radical shift in current policies well over half of these, around 1.2 billion, will lack adequate income security, according to a recent UN report, *World Economic and Social Survey 2007: Development in an Ageing World*. Already, as the authors note, 'Eighty per cent of the world's population do not have sufficient protection in old age to enable them to face health, disability and income risks . . . In developing countries alone, about 342 million older persons currently lack adequate income security.' [1]

The ageing of advanced capitalist societies, above all in Europe and Japan, has become a familiar theme in recent years. But though its causes—rising longevity and a falling birth rate—are strongest in the rich countries and the most rapidly developing states, they are not confined to these regions. By 2050 Asia, including India and China, is expected to have no fewer than 1,249 million old people, comprising 24 per cent of the population.[2] In 2005 Africa had only 48 million over-60s, forming 5.2 per cent of the total population; but by 2050 the size of this group is set to quadruple to 207 million, making up 10.3 per cent of the total population. In other words, Africa is expected to have more old people than Latin America and the Caribbean (with 187 million aged 60-plus), and nearly as many as Europe's 229 million of that age.

What is more, it is the frail and vulnerable 'old old' that is the most rapidly growing age cohort in all parts of the world. Today there are 88 million over-80s worldwide; by 2040 it is predicted that there will be 98 million in China alone, 47 million in India and 13 million in Brazil. The global figure for over-80s will rise to 402 million by 2050, according to

UN Population Division mid-range projections. As the UN's *Development in an Ageing World* notes:

> The demographic transition poses an enormous challenge . . . For the unprotected the notion of retirement does not exist; they must continue to rely on their work, which is a greater challenge for those in advanced age (80 years or over). To survive, older persons also count on the support of the family and the community, which, if also resource-constrained, may not be able to offer solid social insurance. In this regard, older persons who are single, widowed or childless (particularly women) face an even higher risk of destitution.[3]

Global protection

The universal, publicly financed old-age pension has been a popular and effective means for reducing poverty and extending social citizenship in all developed states. In the age of globalization it is right that this tried and tested device for protecting the livelihood of the elderly should be installed at a planetary level, by means of a Global Pension paid at a modest rate to every older person, to be financed by a very modest tax on global financial transactions and corporate wealth. In the first instance the worldwide old-age pension could be set at one dollar a day, bearing in mind that even this small sum would help to lift hundreds of millions of the aged out of poverty in every part of the globe.

Poverty and inequality are so great in today's world that quite modest remedial measures can have a large impact. There are 2.5 billion people living on less than $2 a day, with a probable majority of the elderly falling within this category. The poorest 10 per cent of the world population receive only 0.7 per cent of global income, while the richest decile command some 54 per cent. In this 'champagne glass' world, the well-off sip at the glass's brimming bowl, and the impoverished or struggling

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[1] UN Department of Economic and Social Affairs, *World Economic and Social Survey 2007: Development in an Ageing World*, New York June 2007, p. 89. (Hereafter *Development in an Ageing World*.) This paper develops a proposal first presented to a panel organized by Global Action on Aging at the UN in New York on 14 February 2007, for the participants in the concurrent meeting of the UN Social and Economic Council. I would like to thank Jay Ginn, Diane Elson, Susanne Paul, Manuel Riesco and Matthieu Leimgruber for comments and suggestions.

[2] These figures are taken from *World Population Prospects: the 2006 Revision*, available on the website of the UN Population Division.

[3] *Development in an Ageing World*, p. 89.

remainder supply the slender stem. In such conditions a dollar a day is less than a rounding error to the wealthy, yet would be a life-line to the global aged poor.[4]

State pension schemes have helped to limit old-age poverty in the developed world, but have not abolished it. In the developing countries, pension arrangements reach only a fifth of the population, and are often very modest anyway. Formal retirement-income schemes cover fewer than 15 per cent of the world's households. Even states like India and Chile, with growing economies and considerable administrative capacity, fail to deliver basic pensions. India's old-age pension is means-tested and amounts to only $2 *a month* for those able to claim it.[5] While India's poor urban dwellers are not poor enough to claim, its poor rural dwellers find it too costly to do so (a 'pension walla' may collect the pittance but will charge a heavy commission). Chile's pension system has been held up as a model, yet it leaves 40 per cent of the population entirely uncovered and furnishes only weak coverage to a further 40 per cent.

The current link between pension entitlements and paid work is notably bad for women and for all those outside formal employment. Because women tend to live a few years longer than men, the majority of the elderly are female: today women comprise 55 per cent of over-60s worldwide, with the figure rising to 65 per cent in North America and 70 per cent in Europe. Worldwide, women made up 63.5 per cent of over-80s in 2005, a figure that is expected to drop slightly to 61.4 per cent by 2050. Since women's unpaid labour in the home does not count as a contribution to all private, and most public, pension systems, over 75 per cent of the elderly poor are female. Moreover the older woman's work of caring for other family members is not just a question of the past but continues in the present as she cares for her spouse, her grandchildren and the

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[4] UNDP, *Development Report 2006*. Such outrageous disparities lead Thomas Pogge to make a powerful case for sweeping and radical redistribution in *World Poverty and Human Rights*, Cambridge 2002. The proposals I outline here would be a modest contribution to the measures needed to accomplish this, complementary to those that he suggests.

[5] The yawning gaps in pension provision are well documented in Larry Willmore, 'Universal Pensions in Developing Countries', *World Development*, vol. 35, no. 1 (2007), pp. 24–51. For India see Rajeev Ahuja, 'Old-Age Income Security for the Poor', *Economic and Political Weekly*, 13 September 2003.

sick.[6] In countries afflicted by HIV/AIDS older women are essential to family survival, as they take on their children's parenting role. Over 60 per cent of orphans in South Africa and Zimbabwe, and 50 per cent of orphans in Botswana, Malawi and Tanzania, live with their grandparents.[7] If a reliable way could be found to channel $30 a month, or $90 a quarter, to the aged in the developing countries this would not only massively reduce poverty but would put resources in the hands of those who could make good use of them.

As populations age further, greater strain is put on the elder-care arrangements in family and kinship networks.[8] At present, 75 per cent of older people in Asia and Latin America still live with their children and grandchildren, whereas in Europe and North America 73 per cent of the elderly live on their own. However, the trend towards the elderly living either alone or only with their spouse is rising everywhere.[9] Older people living on their own are at most risk of poverty, especially where there is little or no pension provision. But where the larger family unit is poor, the growing proportion of the dependent elderly aggravates their poverty. Of course, live-in grandparents and other older relatives can help with childcare and other tasks; but if they are entirely without income this can be a factor that nudges the whole family below the poverty line. Even a very modest pension would help to alleviate this uncomfortable tension. The Global Pension should suit both residential patterns and strengthen the ability of families to confront their problems, whether encompassing co-residence or not.

Counter-trends?

The forecast absolute numbers of the old concern people already alive and could only prove false if there is some unforeseen large-scale rise in the death rate, due to epidemics or other catastrophes. But the worldwide

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[6] The disproportionate domestic burden on women is a theme of the successive reports of UNIFEM. See, for example, UNIFEM, *The Progress of the World's Women*, New York 2000.

[7] *Development in an Ageing World*, p. 95.

[8] A strain described in Jeremy Seabrook, *A World Growing Old*, London 2003.

[9] *Development in an Ageing World*, pp. 93–5. These co-residence patterns mean there are fewer 'elderly households' in the developing world, and help to explain why the data on old-age poverty in the developing world are less clear-cut than for the developed world. The large, multi-generational family often gives tangible reality to the phrase 'generational solidarity'. But rising numbers of older people in poor households will aggravate their problems, while availability of the pension would ease them.

proportion of the older population could be lessened if there were a dramatic rise in the birth rate. In most advanced countries the birth rate has dropped well below the replacement rate, which is an average of roughly 2.1 children per woman. In Europe the birth rate has dropped to between 1.2 and 1.8 children per woman, with 30 per cent of women having no children and many limiting themselves to one. This overall trend is well-established throughout the developed world and is now evident in the developing world as well. Because the decline became steep three or four decades ago its consequences will be with us for a long time.

While both increased longevity and a lowered birth rate contribute to the ageing of populations, if the latter drops more heavily than the former rises, the population shrinks. The Japanese birth rate has dropped to an average of only 1.3 children for each woman in her child-bearing years. For the first time Japan's population actually shrank in 2005, by a few thousand, and between 2005 and 2030 it is set to fall from 127 million to 100 million.[10] By mid-century, fifty states will have populations lower than they were in 2000, and the total world population could well be declining by the last decades of the 21st century. Some recovery from very low birth rates is already occurring (e.g. in Italy) but replacement rates might still not be regained. If shrinking populations are combined with other measures to ease the pressure on resources and reduce emissions of greenhouse gases, it could well be very positive. Nevertheless the likely costs of an ageing society will still have to be met, and these will be high.

It is often claimed that the ageing of the population can be offset by immigration. The projections I have quoted assume the continuation of current migration trends; while such flows can mitigate the ageing effect on a country-by-country basis, they cannot, of course, reduce the ageing of the global population. Indeed in so far as the migratory flow is from more 'youthful' populations to regions where the birth rate is much lower, and life expectancy longer, it is likely that migrants will adopt the demographic patterns of their hosts, a process that will itself increase ageing effects in the global population.

Very few countries have arrangements adequate to meet the rising future needs of the elderly. In the developing world and poor countries, the aged

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[10] 'Greying Japan', *The Economist*, 6 January 2006. These trends are well discussed in Göran Therborn, *Between Sex and Power*, London 2004, pp. 229–59.

are often sunk in absolute or extreme poverty, while in the richer countries they suffer relative poverty. As aged populations double or treble both these problems will grow. In a recent critical examination of official projections I give reasons to believe that both the United States and the European Union are on course to a shortfall in resources dedicated to these purposes of around 4 per cent of GDP by 2035.[11] In continental Europe per capita public pensions are to be heavily slashed—roughly cut in half. In the US and UK, occupational pension schemes have lost much value or are under threat, while individual schemes are inefficient and offer poor coverage. Commercial suppliers of private pensions spend heavily on marketing, customization and salaries; many exploit the tempting information gap between knowledgeable provider and bemused customer. Even though favoured by lavish tax concessions, the financial services industry has failed to furnish adequate pension coverage to those on low and medium incomes. If private financing of pensions fails so many in the rich countries, because of cost ratios and information asymmetry, it will be even less appropriate in developing countries.[12] The Global Pension could help to identify a shared worldwide problem, and devise manageable and cooperative ways of tackling it.

At present, most official reports relating to 'old age' in the more developed OECD countries put those aged 65 years and above in this category, while the global statistics presented by the UN Population Division define the

[11] Robin Blackburn, *Age Shock: How Finance Is Failing Us*, London and New York 2006, pp. 61–74. In this book I draw on recent forecasts made by the UK Pensions Commission, the Economic Policy Committee of the European Commission, the US Congressional Budget Office and by contributors to *OECD Economic Studies* to identify the size of this shortfall. While over-65s are set to double in absolute size within a generation, and become between a fifth and a quarter of the total population, their share of income will—under current public and private arrangements—be stuck at around a tenth of GDP. Simply to maintain pensioners' relative incomes at their present level would require an extra 4 per cent of GDP. There is still significant pensioner poverty today, but matters will become much worse by 2030 and 2040 as already enacted reductions in entitlement come into effect. If the UK government succeeds in its plans for a National Pension Savings Scheme, it will reduce the projected shortfall of over 4 per cent of GDP by only 0.7 per cent by 2050 (*Age Shock*, p. 266).

[12] *Development in an Ageing World* notes some of the weaknesses of private provision but does not register the structural problem of heavy charges, stemming from exorbitant salaries, profit-gouging and marketing costs. In a section of *Age Shock* entitled 'High Finance and Distressed Debt' I also argue that credit derivatives based on subprime mortgages and private equity deals would not be good for pension funds.

old as those aged 60 and above. Because life expectancy is lower in the less developed regions it might well be appropriate to pay the proposed Global Pension to those aged 60 and over, while raising the qualifying age to 65 in the OECD states. (Alternatively, one might use each country's pension age as the qualifying benchmark, or calibrate the figure to local life expectancy in some way; but these more complex approaches will not be attempted here.) At the suggested qualifying ages—65 for the OECD, 60 elsewhere—there are some 560 million men and women who are in this older category today. The cost of introducing a Global Pension of a dollar a day in the next few years would therefore be around $205 billion a year, one fifth of the projected cost to the US of the Iraq War, or one half of the annual US military budget prior to the Iraq invasion. However, that cost will double by around 2030, and treble by mid-century.

The Global Pension would be a universal social-insurance scheme, not an aid programme. It would channel financial resources direct to the elderly in their communities, whether rich or poor, urban or rural. The costs of administration would, so far as possible, be spent in those communities. It would be a non-means-tested as well as non-contributory 'social pension', as has been recommended by Help the Aged International. Requiring pension recipients to undergo a means test is demeaning and discourages the poor from saving. It can easily stigmatize the elderly, especially older women. Anthropologists have identified an interesting characteristic of village support networks in parts of West Africa, where young men are encouraged to constitute work teams to help all villagers carry out urgent tasks at difficult moments of the planting and harvesting cycle. This help is far more important to some—e.g. older widows—than to others, but this differential need is not rendered visible in a way that would highlight the neediness, or compromise the dignity, of the older person. The more successful welfare states, as we know, have also practised universalism in the interests of broadening support and maintaining respect to the recipient, who is not singled out as an object of charity.[13] Under the proposed universal system, direct taxation could claw back some of the money paid to the better-off, while the really wealthy may pass up the dollar a day.[14]

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[13] John Van D. Lewis, 'Domestic Labor Intensity and the Incorporation of Malian Peasant Farmers into Localized Descent Groups', *American Ethnologist*, vol. 8, no. 1 (February 1981), pp. 53–73; and Richard Sennett, *Respect*, London 2003.

[14] The case for non-means-tested pensions is powerfully advanced in Larry Willmore, 'Universal Pensions for Developing Countries', *World Development*, vol. 35, no. 1 (2007).

A cheque for $90 a quarter would not banish old-age poverty in the advanced countries, but it would reduce it a little. It would be welcomed by many of the elderly, making a modest but useful contribution to their straitened budgets. In richer countries there are still stubborn pockets of poverty among the aged—especially older women. In the US as many as 45.5 per cent of older women living alone have less than 50 per cent of median income. Even in Sweden, one of the world's most advanced welfare states, the figure for this index of old-age poverty is 16.5 per cent, while in other parts of the European Union it can range up to the US level.[15] As programmed entitlement cuts are made to European pensions, poverty rates will soar. In the United States President Bush's plan to weaken Social Security was defeated, but already there is talk of 'saving' the programme by means of future economies. A campaign for the Global Pension would draw attention to old-age poverty and encourage all governments, according to their means, to do more to combat it.

Worrying as the economic outlook is for the elderly in most of the OECD countries, the situation is, of course, worse in much of the former Soviet Union, and much worse in many parts of Asia, Africa and Latin America where the aged in the countryside and the slums often have no coverage at all—circumstances which could themselves supply their own grim corrective to the assumption that recent improvements in life expectancy will be maintained.

An excluded category

But why single out the aged—why not tackle poverty at any age? Over the last several decades, mounting concern at the horrendous dimensions of global poverty has prompted a variety of schemes to reduce it; but despite the proliferation of such measures, there are no international programmes specifically dedicated to tackling poverty among the old. The widely cited Millennium Development Goals do not include a single aspiration directly related to support of the elderly. The only such goal that would be relevant—though the aged are not specifically mentioned—is the commitment to make sure that nobody lives on less than one dollar a day. In general, international action on poverty is dominated by a development agenda which ensures that specific measures

[15] Timothy Smeeding and Susanna Sandstrom, 'Poverty and Income Maintenance in Old Age', Center for Retirement Research Working Paper 29, 2004.

not only achieve a worthy objective—say, the education of women—but also stimulate economic growth. The plight of the elderly often does not lend itself to such arguments, since few of them are likely to be protagonists of development—and since this plight may not be alleviated even by successful economic growth.

So far there have only been two world assemblies devoted to the problems of the elderly, the first of which was held in Vienna in 1982. This assembly registered some important issues, but its main focus was on ageing in the more developed countries. Two decades were to elapse before the convening of the second, held in Madrid in 2002. It identified a checklist of priorities for national policy with regard to older people while urging, in a locution that sought to harness the growth agenda to its own concerns, that the old should become 'full participants' in the development process.[16] *Development in an Ageing World* recognizes the need for a dramatic widening in pension provision—and signals that 'the equivalent of a dollar a day would be a good beginning'—but stops short of proposing any global programme to tackle the problem, which is thus left to national governments and existing aid efforts.[17]

In urging the case for a Global Pension I do not mean to slight the claims of bare humanity, or the efforts of those who campaign for the need to alleviate the problems and poverty of other groups, such as young mothers or AIDS sufferers. In the unequal and militarized world in which we live there are many ways in which poverty may be overcome. Peace would be the best help for the very poor in strife-torn lands. Successful

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[16] The website of Global Action on Aging contains links to most of the literature produced by international organizations on this subject. Since 2002 there have been few signs of growing attention to the situation of the elderly. The hitherto marginal position of the old in international anti-poverty discourse admits of an exception which really does prove the rule. In 1994 the World Bank issued a famous report entitled *Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth*. The report advanced a critique of public pension schemes and urged their replacement by new provisions which would force every citizen to enrol with a commercial pension provider. It claimed that this would foster growth by deepening capital markets. I discuss the counter-productive effects of this advice, and its repudiation by a later World Bank Chief Economist, in *Banking on Death or Investing in Life: the History and Future of Pensions*, London 2002, pp. 225–78, 402–8. For the shaping of international development priorities see Paul Cammack, 'Attacking the Poor', NLR 13, January–February 2002, pp. 125–34.

[17] *Development in an Ageing World*, p. xv.

economic development, such as has taken place in China over recent decades, lifts many out of poverty and furnishes a more hopeful context in which to advance anti-poverty strategies. But China also shows that even—or especially—the most rapid growth may not banish absolute poverty in the countryside or new urban centres.

Some believe that the best anti-poverty programme would be a global Basic Income Grant. This could not be set at much less than one dollar a day and would thus be ten times as costly as the global pension. While I demonstrate below the affordability of the Global Pension, a qualitatively greater effort would be required to set up a Basic Income Grant on a world scale. No doubt its champions would see that effort as eminently justifiable; but perhaps they could also see the Global Pension as a useful stepping stone towards a BIG.[18]

A Global Pension could also command support in ways that would extend the general case against poverty. In the richer countries there is widespread uneasiness at the danger of growing relative poverty amongst the old at home and an unhappy awareness of the worse plight of the very deprived in the poor countries. In developing and underdeveloped countries there is the more specific alarm or guilt occasioned by the poverty, actual or impending, of parents, grandparents, uncles and aunts. And reasonably, if less altruistically, young couples also aspire to live in a different dwelling from their parents (and parents-in-law), something which is still rare in the developing world. Such sentiments helped to generate support for old-age pensions in the developed states and is likely to do so again in the developing world.[19] Overall a Global Pension,

[18] The pension would not only be easier to finance, it would also proceed from an argument that is easier to make—appealing to the widely accepted view that the elderly are deserving of support. No such consensus yet exists concerning support for able-bodied adults. Likewise, while the claims of infants are certainly very strong, offering young mothers financial incentives to have children does not promote their best interests. In note 33 below I do address the predicament of another often-excluded cohort, that of those aged 14–20.

[19] In stressing the moral legitimacy of arguments for a Global Pension, I do not mean to imply that narrower arguments will not also be made. In the early 20th century the advocates of public pensions in a range of 'old rich' countries from Denmark to New Zealand sometimes urged that allowing the over-70s to retire from the workforce would boost productivity. Today, chiming in with the development paradigm, the argument is also sometimes heard—not least in *Development in an Ageing World*: see p. 57—that a pension will allow older farmers to retire, handing over the land to sons or daughters who will work it more productively.

if it could be realistically financed and delivered, would enjoy substantial legitimacy and would in no way detract from other efforts to combat relative or absolute poverty. That legitimacy can only grow in an ageing planet. Today the majority of the old are poor; tomorrow the majority of the poor may well be old.

Unfortunately the very size of the ageing problem inhibits its solution. One dollar a day does not sound much, but it would represent a very considerable burden on the budgets of many developing states. The old-age pension at 65 or 70 was introduced in the developed countries at a time when the numbers of those reaching such an age were still quite low—5 per cent of the population, rather than the 25 per cent or more now in prospect. There is also the problem that governments today in almost all countries are expected to deliver universal health and educational provision, and to sponsor ambitious development programmes.

Development in an Ageing World points out that, if national pension schemes are so modest, this is in part because there are so many claims on the revenues of poor governments. It identifies sixty developing countries, many of them approaching medium levels of development, where the cost of financing a pension of a dollar a day would represent only 1 per cent of GDP; nevertheless, this money would still be very difficult to find because of the pressing needs of other important programmes. It estimates that in Cameroon, Guatemala, India, Nepal and Pakistan, for example, the cost of a universal basic pension scheme of $1 a day could swallow up 'as much as 10 per cent of total tax revenue'. In Bangladesh, Burundi, Côte d'Ivoire and Myanmar, the sum would be 'equivalent to the public-health budget'. The report adds: 'How to finance a basic pension scheme may therefore need to be determined in close coordination with the resource allocation process (as well as the use of development assistance) for other social programmes.'[20]

Pension programmes were adopted in the richer countries in periods when market failure had demonstrated the misfit between commercial mechanisms and social protection. Some business leaders saw

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[20] *Development in an Ageing World*, p. xvi. The report's 'experiment' of costing a pension of $1 a day was surely not prompted by my advocacy of the measure at the hearings in February 2007. The explanation is rather that extreme poverty has long been defined as $1 a day. Moreover the report conceives the pension as paid by each state, not as a global programme.

retirement schemes as a way to raise productivity, while political leaders hoped that their introduction would head off social unrest. The experience of World War II both increased political pressures and demonstrated the ability of modern tax systems to generate massive revenues, and hence to underwrite large-scale social provision. There is plenty of social unrest in today's world: radical advance in Latin America, oil strikes in Nigeria, and tens of thousands of demonstrations and strikes each year in China are among the many signs of an unmet popular appetite for social justice and protection. Meanwhile the UN itself, as we have seen, has argued that pension provision could improve productivity.[21] But even where there is political pressure and a claimed development rationale, scarce resources can make it difficult for governments to pledge money to pensions on the scale that ageing demands. Just as national welfare states have drawn revenues from industrial incomes and profits in the past, so today revenue should be sought from taxing the circuits of globalization.

Paying for the Global Pension

I have explained that only $205 billion a year would be needed, to begin with, for the proposed Global Pension. But it would be necessary to reckon with the need for more than doubling revenues within a generation and the creation of a substantial fund now, while ageing effects are still comparatively modest, to help finance the increasing number of pension pay-outs in the middle decades of the 21st century. Moreover there should be a commitment to raise the Global Pension in line with the growth of overall average incomes, so that the old share in future prosperity. Securing the necessary finance for a global pension—together with something extra for administrative costs—will certainly require a serious effort. The fiscal devices adopted should ideally relate to the workings of the global economy taken as a whole, so there would be a wide and dynamic tax base.

Three types of impost are peculiarly well suited to such a task: a small tax on international currency transactions, a levy on the fuel used on international flights and a mild tax on corporate wealth. The calculations which follow are simply rough-and-ready exercises designed to establish that the Global Pension can be easily financed by the proposed taxes. On

[21] *Development in an Ageing World*, p. 57.

the first, the famous Tobin Tax on the sale or purchase of currencies has been urged as a measure to curb currency speculation; but it could equally well be applied largely as a revenue-raising measure.[22] Set as low as 0.1 per cent—or one thousandth part of each transaction—the tax would not be worth evading but would still raise large sums globally. Common estimates of the amounts that could be raised each year from a Tobin Tax on currency transactions ranged from $100 billion to $300 billion in the late 1990s. It seems reasonable, therefore, to postulate a yield of at least $150 billion annually from such a tax in, say, 2010 or thereabouts.

At present the fuel used on international flights is almost untaxed and costs the airlines about $50 billion a year. A doubling of the price of fuel might help to cut consumption by a fifth or a quarter while still raising $30 billion. Arguably, much of the yield from green taxes should be used to invest in other measures designed to mitigate global warming. But tying at least some of the revenue—say a half of it—to a universally recognized good cause would be defensible. While $15 billion a year would be a help, other sources of revenue would still be needed.

The third source of revenue would be a mild levy on share values or share transactions. There could be a requirement on all companies employing more than fifty employees, or with a turnover of more than $10 million, to pay a tax of 2 per cent on their annual profits; either in cash or, in the case of public companies, by issuing new shares of that value to the fiscal authority. Private companies could issue bonds. Partnerships, including private-equity partnerships, could issue nominal partnership rights. The effect of requiring the issuance (for free) of new corporate securities would be to dilute the value of existing holdings; since there is such huge inequality in the ownership of shares and bonds—the richest 1 per cent own a half of all shares—the tax is very progressive. All genuine pension funds would be compensated for the impact of share dilution on their holdings.[23]

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[22] For the Tobin Tax see James Tobin, *The New Economics*, Princeton 1974, p. 88; Jeffrey Frankel, 'How Well Do Foreign Exchange Markets Function: Might a Tobin Tax Help?', NBER Working Paper W5422, Cambridge, MA 1996; Heikki Patomäki, 'The Tobin Tax: How to Make It Real', Finnish Institute of International Affairs 1999; Joseph Stiglitz, *Globalization and its Discontents*, New York 2002.

[23] The use of a general share levy to establish reserve social funds is associated with the work of Rudolf Meidner, chief economist of the Swedish trade union federation, the LO, and architect of the Swedish welfare state.

Two important features of these arrangements should be noted. Firstly, they would apply to profits made anywhere in the world. Secondly, companies would be able to discharge their obligation simply by issuing a new security rather than by subtracting from their cash-flow. Large US and UK corporate pension-fund sponsors have complained about the burden of making cash payments to the Pension Benefit Guaranty Corporation and the Pension Protection Fund, the insurers of their 'defined benefit' pension schemes. In some cases companies have been in such difficulties that payments of this kind were impossible. This has led US 'Chapter 11' bankruptcy-protection courts to require the issuance of new shares as an alternative way of making a contribution to their insurer. In the UK the Pensions Regulator has made similar provisions, requiring cash-strapped companies to issue shares to the Pension Protection Fund.[24] Employees will stand to qualify for the new pension but would certainly welcome a type of contribution that does not weaken their employer in any way. The profits tax/share levy would be at a modest rate—a tax of 2 per cent of profits should raise about $140 billion annually.[25] The fact that the levy works by share dilution means that even funds in tax havens would not escape.

In case of any problem with the share levy—an admittedly radical device—there exists a readily available substitute: stamp duty. This tax has a long history in Britain and elsewhere, and has been highly successful. It has been levied at a modest rate in the UK on the buying and selling of shares for over two centuries. Its success shows that a very modest charge on a large volume of transactions can yield sizeable sums at a low cost, with high levels of compliance and without harmful side-effects. It is currently levied at a rate of 0.5 per cent of each share transaction (other than those by market makers) and raises about £3 billion ($6 billion) annually. While derivative contracts pay no stamp duty, any sale of underlying shareholder assets does attract the tax. The Confederation of British Industry, a business lobby, argues that the stamp duty is weakening London's position as one of the world's leading financial centres. But the lively state of London finance belies that argument. The UK Treasury is anyway greatly attached to an impost that is so difficult to avoid and so easy to collect—this is done, at very

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[24] I give examples of this court-mandated share issuance in *Age Shock*, pp. 134–5, 142.

[25] Assessing the share levy at 2 per cent of profits is simply a convenient way of measuring a company's operations; it might need to be supplemented by other metrics (gross profit, capitalization) to avoid distortions and evasion.

low cost, as part of CREST, the central share settlement system. China's financial authorities have a similar device which they use in a 'Tobin Tax' way to dampen speculation; but it also raises large sums.[26] Several European states, including Switzerland and France, have similar very mild imposts, applying to bonds as well as shares.

In case of any shortfall in the yield of the taxes already suggested, or of implementation difficulties, a global stamp duty or FTT (Financial Transaction Tax) would fill the gap. According to the World Federation of Exchanges, global share transactions ran at $70 trillion in 2006, which would yield 'stamp duty' revenue, at UK rates, of $350 billion. (Interestingly James Tobin himself advocated what he called a 'transfer tax' on share dealings, with an eye to raising revenue as well as dampening speculation.)[27]

It will be recalled that the Tobin Tax on currency transactions could raise $150 billion towards the Global Pension, and that the fuel tax on international flights would raise a further $15 billion annually. Thus, to begin with, an extra $40 billion a year would be needed from the share levy (or share transaction tax), to meet the immediate annual cost of $205 billion. This would allow the remainder of the sum raised by the share levy—$100 billion each year—to accumulate in the Global Pension Fund network as a strategic reserve, pledged to meet the anticipated rise in the numbers and proportion of the aged. The various taxes would be collected by national fiscal authorities with assistance from appropriate international bodies such as the IMF and IATA. Revenues would be consolidated at the world headquarters of the Global Pension Fund.[28] Consolidation of assets by an international agency would ensure a highly diversified portfolio, but the agency would itself be required to distribute the assets it receives to the Global Pension Fund network at regular intervals. This regional network of around a thousand local offices would be responsible for paying the pension and would receive resources in line with their region's demographic characteristics. In the interests of building up its

[26] See Geoff Dyer and Jamil Anderlini, 'Beijing Could Reap $40bn Share Tax Bonanza', *Financial Times*, 4 June 2007.
[27] James Tobin, *Full Employment and Growth*, Cheltenham 1996, p. 254. Note that by this time share dealings were taking place in many countries, small and large, which did not have stock exchanges in 1974 when he made his original proposal.
[28] The GPF might maintain offices in such important financial centres as Zurich, Cyprus, Mauritius, Singapore and so forth, chosen with a view to strengthening compliance.

reserves, the Global Pension Fund network would use its cash revenue to pay out current pensions but hold all the new shares and other securities to generate larger revenues in the future, when they will be needed. During the initial 'accumulation' phase it might be wise to re-invest dividend income in public bonds.

Because the Global Pension Fund network would not actually buy or sell shares, it would have less scope for making mistakes. The knowledge that it would not sell the shares it held would also be a factor of stability and would prevent it from weakening the companies in which it had stakes. By around 2034, total assets in the Global Pension Fund network could amount to $7.7 trillion.[29] If cash pay-outs began at this time, and the annual yield on capital was around 3 per cent, this would be $257 billion for that year. Each regional office would hold around $7.7 billion in assets and receive $257 million in revenue. This element of pre-funding, added to other revenue sources, would help the Global Pension payouts to keep pace with the rising numbers of the aged. Note that while dividend income can fluctuate it is less volatile than share price, and there are ways of smoothing such receipts.

The Global Pension would be a universal scheme, benefiting everyone who reaches old age. The receipts of the currency-exchange tax and the levy on corporate wealth would obviously be larger in rich parts of the world than in poor ones; however, currency transactions and corporate profit trails often lead to havens and developing states where taxes are low or non-existent. The currency tax and share levy would be light but they would apply everywhere. The overall workings of the Global Pension—if financed in the way suggested—would redistribute from rich to poor. On the other hand the participation of every territory—no matter how small or poor—would be essential to the effective working of these levies.

Citizens of richer countries should be pleased at the comprehensive scope of the new arrangements, which would require potential or actual tax havens to report currency movements and profits at companies they

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[29] I am assuming that profits rise at 2.5 per cent a year and that returns of 5 per cent a year are ploughed back into the fund for an 'accumulation period' of 27 years. The reserve fund proposed here, based on a 2 per cent profits levy, is of the same size as the US Federal Reserve fund proposed in *Age Shock*, based on a 10 per cent levy on US corporate profits alone.

allow to register in their territory.[30] The Global Pension would give those in richer countries rights to a modest pension supplement, and as a flat-rate benefit would help the less well-placed more than the comfortably off everywhere. It would do most to reduce poverty where it is worst—in the countryside and neglected urban areas of the underdeveloped and developing world. It would promote more transparent and responsible corporate behaviour and, last but not least, nourish a worldwide organization dedicated to social welfare.

Administrative network

The regional network of the Global Pension Fund would be bound by actuarially fair rules of distribution and be required to hire professionally qualified personnel. The network would also furnish democratic representation to local communities. The holding of stakes in a great variety of companies would in principle give the regional network a say in how these shares would be voted. The impact of the network on the management of any given company would be very small; nevertheless, each regional fund would be able to influence issues of general principle, such as respect for labour rights or compliance with environmental standards. On some issues the entire network might agree to set standards. On others, the thousand or so regional offices worldwide could frame their own approach. The network would thus give a say to local communities who are often ignored by large corporations.

However, the primary duty of the regional and national Global Pension Fund networks would be to organize the cheap and effective disbursement of the Global Pension to all who qualified for it. In many countries the

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[30] The scope for tightening up regulation of tax havens is explored by IMF official Vito Tanzi in *Policies, Institutions and the Dark Side of Economics*, Cheltenham 2000. All tax havens are dependent on exchanges with the OECD countries and could easily be brought into compliance with international reporting standards if the will was there. In order to flourish as a tax haven, an Off-Shore Financial Centre must now have minimum legal and accounting compliance staff; investors themselves shun some would-be 'havens' such as Liberia or Nauru in favour of locales that can inspire confidence, such as Bermuda, the Cayman Islands, the Channel Islands, the British Virgin Islands, Mauritius and Cyprus (all current or former UK dependencies). See 'Places in the Sun', *The Economist*, 24 February 2007. A greater problem in applying a global currency-transaction tax and profits tax would come from states like Switzerland and Singapore, but this could be overcome if the EU, the US, Japan and China were agreed and if the public authorities in these financial centres were given some role in implementing the scheme.

task could be sub-contracted to the national pension authorities. Where these still had weak coverage, assistance might be sought from—and costs shared with—post-offices, local micro-credit unions and public-sector employees' schemes. The latter exist in many countries where national administration is ineffective or even non-existent. Namibia has developed effective means for delivering the old-age pension, employing mobile ATMs activated by finger-print ID. The Global Pension would not dictate social-policy priorities for national budgets. Some governments already make quite good provision for older citizens (e.g. South Africa). As the pension came on stream, governments would have the option to re-balance their budgets towards other programmes if they wished. The effect of the global programme would rather be to guarantee a basic minimum for the old, leaving it to national governments to decide how to build on, or complement, such provision.

The Global Pension's regional reserve funds could also be given some scope to invest their surplus income in ways which best answered to local needs and perceptions. Elected officials and their professional advisers would need a framework within which there was a balance between socially useful investment and security for the future. The 'best practice' of public-sector pension funds would be one benchmark here: they have shown that a strictly defined portion of income can be invested in, say, affordable social housing, with results that benefit the community in the present while also supplying good security for the future.[31] In the past, national and local governments owned real estate and public enterprises, and financed their activities with taxes on income and residential property. Local and national debt furnished a key source of finance. In the globalized and ageing world, governments in a position to do so appear to believe that there is advantage in building up reserves and 'sovereign funds' (e.g. the publicly controlled 'future funds' run by Australia, China, Norway and Singapore). The Global Pension Fund would permit the international diffusion of such provident funds. (Fairtrade schemes also partake of such a pre-funding logic, in which the proceeds from the premium price paid by customers are used to build locally controlled social funds.)

[31] Gordon Clark, *Pension Fund Capitalism*, Oxford 2000, pp. 21–34; see also Archon Fong, Tessa Hebb and Joel Rogers, eds, *Working Capital: the Power of Labor's Pensions*, Ithaca, NY and London 2000. The experience of the Mondragón Cooperative Corporation is also relevant. I discuss such questions further in Robin Blackburn, 'Economic Democracy: Meaningful, Desirable, Feasible?', in *Daedalus*, Summer 2007, pp. 36–45.

There is no doubt that arranging for the local administration of the Global Pension would be a demanding task, and there would have to be regular audits and inspections to make sure that the cash reached its intended recipients. Yet distributing money in smallish sums should prove easier than delivering complex aid packages involving construction, storage and salaries for a large staff. If the fund network was required to use local personnel and pre-existing non-commercial facilities (as mentioned above), then the cost-sharing this involved would itself boost local financial-administration capacity. The Global Pension Fund network could also organize appropriate training programmes for administrators. Universal public pension schemes, whether pay-as-you-go or pre-funded, have proved much cheaper to run than private schemes. Administration costs should amount to no more than 1 per cent of the fund each year, and quite possibly less.

Given the rising number of the aged in the poor as well as rich world, the adoption of a single standard—a pension of a dollar a day—would be the assertion of an important egalitarian principle. While traditional cultures nourish respect for the aged, recent debates on social justice in the era of globalization stress the need to assure the livelihood of the poorest, a category within which the old loom large.[32] The Global Pension should be established for its own sake, as a measure of social justice. But it is worth adding that the relative conservatism of the tastes of older people usually means that their expenditures tend to foster local suppliers. The Primakov government in Russia in the late 1990s discovered that the resumption of pension payments to older citizens had a stimulant effect on the whole national economy. Other political leaders who saw the strategic importance of universal pensions include López Obrador, the former mayor of Mexico City, who established a municipal old-age pension, and Nelson Mandela, who insisted that all older citizens should be entitled to a public pension, making South Africa one of the few developing states with universal pension provision.

World agent?

For the proposed measures to be effective they would have to be supported by the world's main economic powers and regional groupings. Some may think the entire approach doomed by this consideration. But

[32] See Thomas Pogge, *World Poverty and Human Rights*; and Nancy Fraser, 'Reframing Justice in a Globalized World', NLR 36, November–December 2005, pp. 69–88.

while securing such support would not be easy, it need not be unimaginable. How many in the 1890s would have thought that, within a few generations, their national governments would have implemented employment insurance schemes, compulsory secondary-school education or universal suffrage? Each of these powers and groupings does admit some duty to provide a degree of social security. The Global Pension scheme aims to benefit every part of the world in one way or another, and would be a small but tangible step towards counter-acting the problems generated by wild globalization. A campaign for the scheme would in itself enable many important issues to be ventilated and would very likely lead to detailed improvements in the measures proposed. In the age of national welfare states, programmes promoting security for the aged were among the most popular. As we seek to extend social policy in the age of globalization we should introduce these values at a worldwide level.[33]

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[33] If the insecurity of the ageing has been neglected, so has the misery of another vulnerable cohort: the young. In a future essay I hope to explore the possibility of using the network established to administer the Global Pension Fund to oversee distribution of a Youth Grant, which would supply every younger person with $1,500 for educational and training purposes on reaching the age of 15 or 17. The cost would be very similar to that of paying the Global Pension of a dollar a day, and I would therefore suggest that the taxes already proposed could be increased so as to allow an extra $150 billion to be raised annually to be dedicated to young adults in this way. A Youth Grant might go some way to alleviating the damage done to young people's prospects by high drop-out rates from school, unavailability of training and apprenticeship, unemployment, high incarceration rates, and inappropriate or harmful work. As noted in the World Bank's 2007 Development Report, *Development and the Next Generation,* half of those aged 14 to 20 are neither employed nor in education; yet in Bangladesh, school drop-out rates for girls were greatly reduced when they were paid a modest sum for completing an extra year—the money compensated for lost earnings. In Kenya, provision of free school uniforms has lowered drop-out rates among both boys and girls; it is also said to have reduced young girls' unwanted pregnancies. The Youth Grant could also help to fund 'second chance' programmes for former child soldiers, 'gang mites' and teen prison inmates. It is interesting to note that in 1795, when Thomas Paine elaborated a costed, universal old-age pension proposal, he also argued for young people to receive a lump sum of £15 at 21, both to be paid for by a 10 per cent inheritance tax. See Thomas Paine, 'Agrarian Justice' [1795], in Michael Foot and Isaac Kramnick, eds, *The Thomas Paine Reader*, Harmondsworth 1987, pp. 471–90. The special claims of youth are also urged by Bruce Ackerman and Anne Alstott; see 'Why Stakeholding' and 'Macro-Freedom' in Bruce Ackerman, Anne Alstott and Philippe Van Parijs, eds, *Redesigning Distribution*, London 2006, pp. 43–68, 209–16. For youth exclusion data, see World Bank Annual Development Report 2007, *Development and the Next Generation*, pp. 99–100, 18, 70.

It should be stressed that the dollars being paid into and out of the proposed Global Pension Fund will be real dollars, not reconstructed PPP dollar units.[34] These greenbacks will be 'stitching the world together' and generally gaining in purchasing power as they do so, with every older person entitled to the pension and the globalized 'space of flows' providing sources for the funds.[35] A further important feature of the Global Pension is the fact that it would seek to channel cash directly to the aged. This chimes in with the conclusion to a recent World Bank Poverty Research paper on global inequality by Branko Milanovic:

> When Russia faced its worst crisis, aid, instead of being given to the corrupt Yeltsin regime, should have been disbursed directly in cash to the most needy citizens. An international organization . . . could have simply used the existing structure of the Russian state pension rolls, and distributed cash grants to some twenty million Russian pensioners. That would be money much better spent than giving the same amount of money to the government. And citizens would have fondly remembered receiving cash aid from the international community rather than blaming that same international community for transferring funds to corrupt leaders.

Milanovic goes on to suggest that the same strategy could be adopted much more widely today. As he notes:

> The approach is simple and powerful. It involves three steps: raise money from the globally rich, do not deal with the governments of either rich or poor nations, and transfer funds *in cash* to the poor. While supporters of an exclusively private-sector driven globalization may resent the idea of vesting a tax-raising authority for the first time in history into a global agency, they cannot fail to notice that the very process they support undercuts, in an ironic twist, their own position. They will ultimately realize that their self-interest lies in supporting some form of global action to deal with both poverty . . . and inequality.[36]

While I commend the spirit of this, the sweeping dismissal of all types of state could compromise the egalitarian objective and merely open the door to the financial-services industry, which, quite apart from corruption issues, has exorbitant costs and no pretence of democratic structures.

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[34] The approach here strives to register the reality of wildly divergent economic spaces in order to break it down, rather than simply to revel in diversity.
[35] Manuel Castells, *The Network Society*, Oxford 1997.
[36] Branko Milanovic, 'Global Income Inequality: What It Is and Why It Matters', World Bank, Policy Research Working Paper Series 3865, March 2006, pp. 29–30.

Furthermore even a corrupt and authoritarian state can be better than no state at all. The aim of the Global Pension reserve fund network would be to coax states to accept and respect a programme that would be beneficial to their citizens. The network would help to strengthen civil society while requiring legislative support from the state, and thus would not be counter-posed to it. While paying out money to individuals, the regional offices of the reserve fund would aim to develop as a locally accountable collective structure. These points registered, Milanovic's argument is welcome and adds to the case for a Global Pension.

The Global Pension would contribute significantly to the 'security in old age' envisaged in Article 25 of the Universal Declaration of Human Rights and to the 'existence worthy of human dignity' referred to in Article 23. UN agencies and conventions have helped to focus global attention on the problems of children, of women, of the sick and disabled. The second International Assembly on Ageing in Madrid in 2002 issued good advice to member governments, which is endorsed and elaborated by the 2007 *World Social and Economic Report*. But, as yet, the plight of the aged and the prospect of a surge in their numbers is still not addressed by a specific international agency, nor by a programme with global scope. The Global Pension would represent a tangible step in the right direction.