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Building Equality from the Ground Up: An Outline Proposal for a Global Pension (and Youth Grant)

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 globalisation it is right that this tried and tested device for protecting the livelihood of the elderly should be installed at a global level, by means of a pension paid at a modest rate to all older persons on the planet, to be financed by a very modest tax on global financial transactions and corporate profits.[1]

In the first instance the global 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 is still strongly associated with old age, and especially with gender and old age. State pension schemes greatly help to limit old age poverty in the developed world, but have not abolished it, while in developing countries pension arrangements often reach less than half the population. The usual link between pension entitlements and employment contributions is not good for women. Because women live a few years longer than men the majority of the elderly are women and because women's unpaid labour in the home does not count as a contribution to either private or public pension systems, over three quarters 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 grand-children and the sick.[2] In countries afflicted by HIV/Aids older women are essential to family survival as they take on their children's parenting role. If a reliable way could be found to channel thirty dollars a month, or ninety dollars a quarter, to the aged in the

[1] This paper develops a proposal first presented to a panel organized by Global Action on Aging at the United Nations building in New York on 14 February 2007, for the participants in the concurrent meeting of the UN Social and Economic Council.
[2] 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.

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.

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 incomes that are less than 50 per cent of median income. In Sweden, one of the world's most advanced welfare states, the figure is 16.5 per cent, whereas in the rest of the European Union states the figure for this index of old age poverty ranges between the Swedish and the US level.[3] A cheque for $90 a quarter would not banish poverty in the advanced countries but it would be welcomed by many of the elderly, making a modest but useful contribution to their straightened budgets.

At present most of the 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 old as those aged sixty 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 sixty and over, while raising the qualifying age to 65 and over in the OECD states. (Alternatively one might use each country's pension age as the qualifying age - or calibrate that age 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 the older category today. The cost of introducing a global pension of a dollar a day in the next few years would 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 the cost will double by around 2030, and treble by mid-century. Ageing is going to climb steeply in coming decades because of rising longevity and a falling birth rate. These trends are strongest in the rich countries and most rapidly developing states but they are not confined to these regions.

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[3] Timothy Smeeding and Suzanna Sandstrom, 'Poverty and Income Maintenance in Old Age', *Feminist Economics*, vol. 11 no. 3, November 2005, pp. 163-86, p. 167.

Just as urbanisation occurs with or without economic development, so does ageing of the population. While the former process is leading to 'a planet of slums',[4] the latter is making for a global blight of destitution in old age.

By 2050 the UN Population Division expects there to be 2 billion persons aged 60 or over worldwide, with 1.6 billion of these in the less developed countries. Ageing is most marked in Europe and Asia but it is advancing elsewhere too. Africa had only 48 million persons aged 60 and over, comprising 5.2 per cent of the total population, in 2005, but by 2050 the size of this older group in Africa is set to quadruple to reach 207 million, comprising 10.3 per cent of total population. By 2050 Africa is expected to have more older persons than Latin America and the Caribbean (with 187 million aged 60 and over), and nearly as many as Europe (with 229 million of that age). By 2050 Asia, a category that includes India and China, is expected to have no less than 1,249 million older persons, comprising 24 per cent of the population.[5] The large Asian states will achieve a degree of prosperity long before this but they will still need to find ways of meeting the costs of an ageing society and ensuring that the elderly do not get left behind. The global pension would help to identify a shared worldwide problem and to explore manageable and cooperative ways of meeting it.

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 trends in migration. While migration 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 aging effects in the global population.

[4] Mike Davis, *Planet of Slums*, London 2006.
[5] These figures are taken from *World Population Prospects: the 2006 Revision* available on the website of the UN Population Division.

Today women comprise 55 per cent of those aged 60 and above worldwide, 65 per cent of those aged 60 plus in North America and 70 per cent of those aged 60 plus in Europe. World-wide women comprised 63.5 per cent of those aged 80 and above in 2005, a figure that is expected to drop slightly to 61.4 per cent by 2050. The frail and vulnerable 'old old' are the most rapidly growing age cohort in all parts of the world. There were 88 million persons aged 80 and above worldwide in 2005, a figure that is projected to rise to 402 million by 2050 according to the UN Population Division mid-range projections. Already in 2040 there will be 98 million persons aged 80 plus in China, 47 million in India and 13 million in Brazil.

There are very few countries in the world which have arrangements adequate to the rising future need for the care and support of the elderly. In the developing world and poor countries the aged 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.[6] In continental Europe per capita public pensions are to be heavily slashed – roughly cut in half - while in the US and UK occupational pension schemes have been badly hit while individual schemes have poor coverage and are inefficient. While those over 65 rise to become between a fifth and a quarter of the total population within a generation their share of GDP will – under current public and private arrangements - be 4 per cent less than would be necessary to maintain pensioners' relative incomes at their present level. Pensioners will instead fall behind the expected growth in national prosperity by a wide margin. 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. Supposedly private savings, and new efforts by the financial services industry, will make up for this shortfall but exorbitant charges and tempting information gaps between

[6] Robin Blackburn, *Age Shock: How Finance Is Failing Us*, London and New York 2007, pp. 61-74.

supplier and customer virtually rule this out, as official projections themselves reveal.[7] If private financing of pensions fails in the rich countries because of cost rations and unequal information its contribution in poor countries will be even more disappointing.

Worrying as is the economic outlook 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.

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 the majority of the elderly falling within this category. The poorest tenth of the world population receive only 0.7 per cent of global income. Meanwhile the richest ten per cent command 54 per cent of global income. In this 'champagne glass' world the well-off sip at the glass's brimming bowl, and the impoverished or struggling 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.

But, you may ask, why single out the aged? Why not tackle poverty at any age? Over the last several decades concern has grown at the horrendous dimensions of global poverty and at the need to tackle it in a variety of ways from debt-cancellation to schemes to raise the proportion of the world's population with access to water. 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 (MDGs) do not include an aspiration related to support of the elderly. International action on poverty is dominated by a development agenda such that specific measures are

[7] In *Age Shock* I draw on recent forecasts made by the UK Pensions Commission, by the Economic Policy Committee of the European Commission, by the US Congressional Budget Office and by contributors to *OECD Economic Studies* to identify the size of this shortfall. If the UK government succeeds in its plans for a National Pension Savings Scheme it will only reduce the projected shortfall of over 4 per cent of GDP by only 0.7 per cent of GDP by 2050 (*Age Shock*, p. 266).

recommended on the grounds that not only do they achieve a worthy objective – say the education of women – but that they also will 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 congresses devoted to the problems of the elderly, the first of which was held in Vienna in 1982. This congress 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 world congress on the problems of the old., 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.[8]

In urging the case for a global pension I do not mean to slight either the humanitarian approach, which prefers simply to urge the claims of bare humanity, or the efforts of those who campaign for the need to alleviate the problems and poverty of specific groups, such as young mothers or AIDS-sufferers. In the unequal world in which we live there are several, or many, ways in which poverty may be overcome. Successful 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

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[8] The website Global Action on Aging.org contains links to most of the literature produced by international organisations on this subject. Since 2002 there is some sign of growing attenttion 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*. Its subtitle was *Policies to Protect the Old and Promote Growth.* The report advanced a critique of public pensions 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 Cmmack, 'Attacking the Poor', *New Left Review,* No. 13, January-February 2002, pp. 125-34.

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.

I believe that a global pension could 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 the developing and underdeveloped countries there is the more specific alarm or guilt that is occasioned by the poverty, actual or impending, of parents, grandparents, uncles and aunts. 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.[9] Overall I believe that a global old age pension, 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. I suspect that this is already the case but 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.

Notwithstanding the foregoing, I believe it might be wise to arrange for financial help to young people at the same time as delivering the global pension. Older people themselves would feel happier to receive a pension if financial help was also available to the young, especially the sort of help that would allow them a better start in life. Today one half of those aged between 16 and 24 are unemployed – not in a job and not receiving education - and thereby at special risk of being in poverty both now and in the future. If we set aside a small privileged minority in both categories there is reason to see young adults and the elderly as the excluded generations. The cost of supplying every younger person with $1,500 for educational and training purposes on reaching the age of 17 would be very similar to that of paying the global pension of a dollar a day. A youth grant would widen

[9] In stressing the moral legitimacy of arguments for a global pension, I don't mean to imply that narrower arguments will not also be made. In the early twentieth century the advocates of public pensions in the 'old rich' countries sometimes urged that allowing the over-70s to retire from the work-force would boost productivity. Today, chiming in with the development paradigm, the argument is also sometimes heard that a pension will allow the older farmer to retire, handing the land over to sons or daughters who will work it more vigorously.

access to the knowledge society and symbolise a concordance of the generations. While it could transform the possibilities of the young person in poor countries it would still be welcome to most of the young in wealthier lands. Young people are now greatly burdened by the rising cost of acquiring skills and education. They also tend keenly to appreciate acquiring an extra modicum of independence from their parents. Even in some of Europe's most advanced welfare states, such as Sweden, young people living on their own figure disproportionately in the poverty statistics. The case for special help to the young is now so widely acknowledged that it does not need further pleading here. [10]The question remains how could financial help to the 'excluded' generations be financed?

How to Pay 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 a more than doubling of revenues within a generation and the building of a substantial fund now, while ageing effects are still comparatively modest, to help finance extra pension pay-outs in the middle decades of the 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.

Raising 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.

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[10] The special claims of youth are urged by Bruce Ackerman and Anne Alstott, 'Why Stakeholding' and ''Macro-Freedom' in Bruce Ackerman, Anne Alstott and Philippe Van Parijs, eds., *Redesigning Distribution*, London 2006, pp. 43-68, 209-16. See also the World Bank, *Annual Development Report 2007, Development and the Next Generation*, Washington 2007, for much relevant information on youth exclusion.

Three types of impost are peculiarly well-suited to such a task: a tax on international currency transactions, a tax on the fuel used on international flights and a very mild tax on corporate profits.[11]

The famous Tobin tax applies to the sale or purchase of currencies and has been urged as a measure to curb currency speculation.[12] But it could be applied mainly as a revenue raising measure. The tax should be applied only to underlying currency transactions and not to derivative contracts, many of which may never be exercised and some of which have 'non-speculative', hedging function.[13] While the principle aim of the tax would be revenue-raising, any dampening of speculative behaviour would be a bonus. 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. The workings of stamp duty in the UK show that a very modest charge on a large volume of transactions can yield large sums at a low cost and without harmful side-effects. Common estimates of the amounts that could be raised each year from a Tobin tax ranged from $100 billion to $300 billion in the late 1990s. By 2010 the Tobin tax yield should comfortably reach the higher end of this scale - $300 billion.

I suggest here that income of around $150 billion be ear-marked as the Tobin Tax contribution to financing the Global Pension, with the remainder to be dedicated to young adults – say a programme to boost training courses and university funding in every country in the world in proportion to their share of the world's population cohort aged 17-9. Even spread over every country such a sum would make a difference to further

[11] Although I support much in the approach of Thomas Pogge as outlined in his outstanding book *World Poverty and Human Rights: Cosmopolitan Responsibilities and Reforms*, Cambridge 2002, he does not specifically focus on old age poverty. I find his proposed funding device for anti-poverty programmes - the 'Global Resources Dividend' - to be well-thought out and promising. However I think it appropriate here to come up with specific funding for the global pension. It is worth adding – a point to which I return below – that the scheme of generational support that I am proposing here could be claimed by all older and younger persons, not only those deemed to be poor.
[12] For the Tobin tax see James Tobin, *The New Economics*, The Elliot Janeway Lectures in Honor of Joseph Schumpeter, Princeton 1974; J. Frankel, 'How Well Do Foreign Exchange Markets Function: Might a Tobin Tax Help?, NBER Working Paper No W5, Cambridge, MA 1996; Keiki Patomaki, *The Tobin Tax: How to Make It Real*, The Finnish Institute for International Affairs, Helsinki 1999; Joseph Stiglitz, *Globalisation and its Discontents*, New York 2004.
[13] For the difficulty and disadvantages of applying the Tobin tax to derivatives and swaps see Dick Bryant and Michael Rafferty, *Capitalism with Derivatives*, Basingstoke and New York 2006, pp. 188-92.

education. Alternatively the young could be offered a lump-sum grant of $1,500 when they reach the age of 17. Small as this sum would be in richer societies it would not be a negligible one. As I have urged above, twinning the global old age pension with help for young people - and widening access to training and further education - would begin to assert a new balance between life-stages in a scheme of generational equity. However such a justified sharing of Tobin tax revenues would mean that another source of funds would be needed for the global pension, especially as the ageing of populations grows in the future.

At present the fuel used on international flights is almost untaxed and costs the airlines about $50 billion a year. While airplane exhausts may contribute only 5 per cent of total greenhouse gas emissions, this is the most rapidly growing source of carbon and the emissions are made so close to the upper atmosphere. A doubling of the price of fuel might help to cut consumption by a fifth or a quarter while still raising $30 billion. However there would be some tension between using such a tax to curb emissions and using it to raise revenue. It can also be argued that 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 recognised 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 I propose is specifically designed to help meet rising future costs of the global pension as ageing intensifies – it comprises a requirement on all companies employing more than fifty employees, or with a turnover of more than $10 million, to pay a tax on 2 per cent on their annual profits, to be paid 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 and partnerships, including private equity partnerships, could issue nominal partnership rights). All genuine pension funds would be compensated for the impact of share dilution on their holdings.

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.

The profits tax/share levy would be at a very low rate – a tax of 2 per cent of profits should raise about $140 billion annually.[14] Although modest, this tax could be awkward for some companies, and in come conditions, if it has to be paid in ready cash. Even the very small payments that are meant to be paid by corporate sponsors to the insurers of their 'defined benefit' pension schemes have caused difficulties in recent years in the US and the UK. In the US the courts have required companies in difficulties to contribute to the Pension Benefit Guaranty Corporation by issuing new shares in lieu of cash. In the UK the Pensions Regulator has made similar provisions relating to the Pension Protection Fund.[15] 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. Since the half-share of the Tobin tax dedicated to the Global Pension already comprises $150 billion, and the fuel tax on international flights should raise a further $15 billion annually, only around $40 billion a year would be needed from the profits levy, to meet the immediate annual cost of $205 billion. This would allow the remainder of the sum raised by the profits tax - $100 billion each year - to accumulate in the Global Pension Fund (GPF) 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 paid to the global office of the GPF for consolidation with the world fund..[16] 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

[14] Company profits in the United States alone were $1.4 trillion in 2005, though many US firms contrive to move large amounts of profit to tax havens. See, e.g., 'Places in the Sun: Special Report on Offshore Finance', *The Economist*, 24 February 2007.
[15] I give examples of this court-mandated share issuance in *Age Shock*, pp. 134-5, 142. The judges were no doubt in part prompted to take this measure because of records of corporate irresponsibility which I document in chapters 2 and 3 of this book.
[16] 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.

receives to a global network at regular intervals. This regional network of around a thousand local offices of the Global Pension Fund 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 reserves the GPF 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 an initial accumulation phase it might be wise to re-invest dividend income in public bonds. Because the GPF network would not buy or sell shares it would have less scope for making mistakes. The knowledge that the Global Pension Fund network would not sell the shares it held would also be a factor of stability and would prevent it from financially harming the companies in which it had stakes. By around 2034 total assets in the GPF network could amount to $7.7 trillion. [17] 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 abound $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 profits would obviously be larger in rich parts of the world than in poor ones. However currency transactions and corporate profit trails often involve tax havens and developing states where income per head is still low. The currency tax and the profits tax 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

[17] 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.

every territory - no matter how small or poor - would be essential to the effective workings 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 allow to register in their territory.[18] 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. Last but not least it would promote more transparent and responsible corporate behaviour and nourish a world-wild organization dedicated to social welfare.

The regional network of funds would be bound by actuarially-fair rules of distribution and would be required to hire professionally-qualified personnel but should also furnish democratic representation to local communities. The holding of stakes in a great variety of companies could 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 but they would be able to influence issues of general principle, such as respect for labour rights or compliance with environmental standards. The network could comprise , as suggested above, around one thousand offices worldwide, each

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[18] The scope for tightening up regulation of tax havens was explored by an IMF official in Vito Tanzi, *Policies, Institutions and the Dark Side of Economics*, Cheltenham 2000. Most tax havens are off-shore operations dependent on the UK, Netherlands, France and the United States but all are dependent on exchanges with the OECD countries and could easily be brought into compliance with international reporting standards if the will was there. Quite apart from concern at money-laundering, the treasuries of the stronger states have their own reasons for wishing to curb such tax avoidance practices as 'transfer pricing' and 'thin capitalisation'. A welcome by-product of applying a mild global Tobin tax and profits tax is that it would enhance the visibility of global finance flows. The IMF and the OECD already have already made progress in standardizing reporting standards relating to currency transactions and company profits. In order to flourish as a tax haven, an OFC (Off-Shore Financial Centre) must now have minimum legal and accounting compliance staff; investors themselves shun attempts by 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 of which are current or former UK dependencies). See, 'Places in the Sun', *The Economist*, 24 February 2007. The real problem in applying a global currency transaction tax and profits tax would come from states like Switzerland and Singapore but this could be easily 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 implementation of the scheme.

catering to a population of about 6 million. The network would give a say to local communities who are often ignored by large corporations.[19]

However the primary duty of the regional and national network would be to organize the cheap and effective disbursement of the global pension to all who qualified for it. In many countries the 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.

There is no doubt that arranging for the local administration of the global pension would be a demanding task and that there should be regular audits and inspections to make sure that the cash was reaching its intended recipients. 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 such as existing pension arrangements, credit unions or public sector pension schemes, then the cost-sharing this involved would itself boost local financial administrative capacity. The fund network could also organise appropriate training programmes for administrators.

The Global Pension would be a social insurance scheme, not an aid programme. It would channel financial resources direct to the elderly in communities whether rich or poor, urban or rural. The costs of administration would, so far as possible, be spent in those communities. As recommended by the NGO HelpAge International, the pension entitlement would be non-contributory, that is paid to all older persons. Universal public pension schemes, whether pay-as-you-go or pre-funded, have proved much cheaper to

[19] I elaborate a similar proposal for a share levy feeding a regional network of pension reserve funds in *Age Shock*, pp. 272-77. If such a scheme was already in operation in a given jurisdiction then the global levy and pension could be just a layer of it. In *Age Shock* I suggest a levy equivalent to 10 per cent of profits; the global levy could either be added to, or carved out of, this. I am indebted to Rudolf Meidner, architect of the Swedish welfare state and chief economist to the LO, Sweden's main trade union confederation, for the basic idea of the share levy and fund network, as I explain in the book.

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 the latest 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. [20]

Given the evidence for climate change and the existence of large stockpiles of nuclear weapons, the old age crisis is not the most serious problem facing humanity. But taking steps to eliminate old age poverty and prevent its recurrence in future decades remains a major moral challenge. We all owe debts to previous generations and we all hope to grow old. Any measure which improves the position of older persons is likely to have a positive trickle down effect to their children and grandchildren. It will bring help to older women whose continuing unpaid labour of care is so important to families, to their spouses and to society as a whole.

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 Andropov government in Russia in the late 1990s discovered that the resumption of pension payments to older citizens had stimulant effect on the whole national economy.

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 while securing such support would not be easy, each of these powers and groupings does admit some duty to promote measures of social security. The scheme aims to benefit every part of the world in one way or another

[20] See Thomas Pogge, *World Poverty and Human Rights* and Nancy Fraser, 'Reframing Justice in a Globalized World', *New Left Review*, second series, No. 36, November-December 2005, pp. 69-88.

and would offer a small but tangible measure aimed at counter-acting the problems generated by wild globalisation. A campaign for a global public pension would enable many important issues to be ventilated and very likely would lead to detailed improvements in the measures proposed. In the age of national welfare states the most broadly popular measures were those promoting security for the aged and opportunity for the young. As we seek to extend social policy in the age of globalisation we should introduce these values and measures at a worldwide level.

The practicality of the global pension and youth grant is enhanced by their very modest dimensions. Many other schemes for global redistribution involve much greater resources. However extreme disparities and the division of the world – and each of its regions - into many economic zones actually permits rather modest measures, such as those I propose, to have quite disproportionate anti-poverty effects – and all without even being an anti-poverty programme. It's worth adding that the dollars being paid into and out of the proposed funds will be real dollars not reconstructed PPP dollars.[21] They will be dollars stitching the world together and generally gaining in purchasing power as they did so. It would also be important that every older and younger person would be entitled to the pension or grant and that the source of the funds would be the globalized 'space of flows'.[22] Anthropologists have identified an interesting characteristic of village support networks in parts of West Africa. The young men of the village are encouraged to constitute work teams to help all villagers to carry out urgent tasks at difficult moments of the planting and harvesting cycle. The anthropologist is able to work out that this help is far more important to some – e.g. 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 adhered to universalism in the interests of broadening support and maintaining respect to the recipient, who is not seen as the object of charity.[23]

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[21] 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.
[22] Manuel Castells, *The Network Society*, Oxford 1997.
[23] 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 2005.

Though it differs in significant respects from the proposed global pension it is worth quoting the striking 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. Today the same or similar approach could be adopted in many countries….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* o the poor. While supporters of an exclusively private-sector driven globalisation may resent the idea of vesting a tax-raising authority for the first time in history into a global agency they cannotr 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.'[24]

While I commend the spirit of this, the sweeping dismissal of all types of state could compromise the egalitarian objective. It could even open the door to the financial services industry, an industry which, quite apart from corruption issues, has exorbitant costs and its scarcely-democratic structures. Furthermore even a corrupt and authoritarian state can be better than no state at all. The aim of the reserve fund network would be to coax states to accept and respect a programme that would be beneficial to their citizens The network of pension reserve funds would help to strengthen civil society while requiring legislative support from the state, and thus not counter-posed to it. While paying out money to individuals the regional offices of the reserve fund would aim to develop as a

[24] Branko Milanovic, 'Global Income Inequality: What It Is and Why It Matters', World Bank, Policy Research Working Paper No. WPS 3865, March 2006, pp. 29-30.

locally accountable collective structure. These points registered, Milanovic's argument is very 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. The UN would be the most appropriate sponsor for an international scheme of justice between the generations. UN agencies and conventions have helped to focus global attention on the problems of children, of women, of the sick and disabled. In 2002 the UN sponsored the Second International Conference on Ageing in Madrid which issued good advice to member governments, 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. It would help to build equality on a firm basis, from the ground up.

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