

It is time to seriously consider the advantages of a world federal government

The Covid-19 pandemic is a global crisis, yet it has largely been managed by states acting independently. Arvind Ashta argues that in light of the pandemic, we should seriously consider the potential advantages of moving toward a world federal government.

In a previous [EUROPP article](#) written during the first wave of the pandemic in Europe, I examined ways of financing measures to tackle Covid-19 and the relaunch of the global economy. In the concluding paragraph, I proposed a world federal government.

Federalism has many advantages, as explained in the [Federalist Papers](#) more than two centuries ago, including peace and free movement of people and capital within defined borders. The inability of states to deal with the pandemic should encourage us to explore new approaches to governance, drawing on our knowledge of what has worked in the past. With this in mind, there are at least seven reasons why we should now consider moving toward a world federal government.

Reducing inequality

I start with inequality reduction, which is the tenth [Sustainable Development Goal](#), but is also linked to the other goals such as poverty alleviation. There may be enough goods in the world, but not everyone has equal access. As explained by [Dambisa Moyo](#), the system of international aid, especially bilateral aid, is often beguiled by corruption. This corruption also adds to the risk of investing in a given country.

If a federal world government were elected democratically, this government would be as legitimate as a national government. It would have the power to negotiate with and override national and local governments in areas within its competency. This power would reduce the zones of possible corruption for national governments.

The underlying tension is that most of the world's population is currently living in conditions of poverty and corruption, and if they vote along regional lines, future world governments would be equally corrupt, undermining any attempts to reduce inequalities by providing public services to the very poor. A possible solution is to perpetuate international power inequalities a little longer, phasing them out by providing an upper house where nations and economic strength weigh membership and voting rights, but with these weights changing over time.

Eliminating currency risk

Second, in addition to the risks associated with investing in individual countries, there is also a currency risk that restrains capital from moving from one country to another and leveling the playing field. Otherwise, with high interest rates in developing countries, capital should have already moved from developed to developing countries. However, the risk of a devaluation of the currencies used in developing countries is high, and this therefore deters the movement of capital.

If there were a federal world government and a federal monetary authority, it would be possible to have one currency, thus eliminating currency risk. This would therefore make the movement of capital freer. This single currency could be a cryptocurrency. However, the [Greek crisis](#) has shown that when devaluation is not possible, as in the case of the euro, it is difficult for weaker countries to break even. To solve this tension, an equalisation mechanism is required to ensure gains from trade are distributed evenly. There are always exceptions, with countries finding that they are gaining neither from trade nor from equalisation. Such situations lead to movements like Brexit, where people feel the cost of adhering to laws not of their own making.

Protecting the environment

A third problem is that of the environment – a problem that will also affect future generations. Certainly, developed countries can pay to dump their toxic waste on developing countries. They can also shift the most polluting factories to developing countries. At a global level, this geographical shift does not make a difference to climate change.

However, if pollution legislation were to be maintained at a world level, the rules would be equally applicable everywhere and therefore shifting factories to countries with more flexible legislation (or a lack of legislation) would no longer be possible. This means that companies would have to alter their processes or products.

The underlying tension is that firms and people find the extra costs of environmental safeguards detract from immediate profitability and employment concerns. However, this tension is often related to firms moving their businesses to countries with low safeguards, and should be less of an issue if environmental legislation is implemented at the global level.

Fixing taxation

A fourth problem is that those with economic power can avoid taxation. Capital is mobile and this makes it extremely difficult to levy corporate taxes. In the OECD, corporate taxes are only half as important as personal income tax. If corporations could be taxed adequately, the money raised could be redistributed more democratically, in an attempt to solve inequality, rather than relying on the generosity of corporate social responsibility.

The same problem is also true for any other tax on capital, such as the much-discussed Tobin tax on financial transactions. If the competency of corporate taxes were transferred to a world government, this would curtail the ability of owners of capital to negotiate with their feet. No matter where the corporate headquarters are located, the corporate tax would be the same and creative transfer accounting would no longer yield a tax advantage. Taxes to curb speculation and unnecessary financial transactions could also be levied at a world level, with similar advantageous results. The underlying tension is that corporations may block a move to a world government precisely because they anticipate this development.

Curbing the power of multinationals

Fifth, large multinational corporations have tremendous economic power, often far greater than that of individual nations. As a result, they can lobby for conditions that perpetuate their power, to the detriment of competition and global economic welfare. Large banks that finance governments can also perpetuate deficit financing even in times of growth, simply to gain low risk interest income.

Large governments have much greater negotiating power with these firms. They also represent a lower financial risk and can therefore negotiate better rates of interest on loans. Recently, thanks to the need to finance the relaunch of the economy post-pandemic, the European Union has recognised this and started to raise money collectively before distributing it to member states. A world government would have an even greater advantage in this negotiation and redistribution process.

Ensuring a fair response to crises

Sixth, the Covid-19 pandemic has shown that countries are competitive when it comes to protecting their citizens. Governments are currently scrambling to get vaccines, with a 'me first' approach generally prevailing over notions of solidarity or fairness. This has raised questions about who should be given priority for vaccinations, whether decisions over vaccines should be made at a global level, and whether factors such as income should be used to determine their distribution.

Approaching the pandemic from a local perspective has resulted in competition taking precedence over cooperation. Pre-existing geopolitical power struggles, such as that between China and Taiwan, [have been exacerbated](#). The EU also had a much-publicised spat with the UK over supplies of the AstraZeneca vaccine.

A democratic perspective, in contrast, would start from the principle that all humans are equal. If health measures were within the purview of the world government, and if it was elected democratically, it would be in this government's interest to ensure that people all over the world receive vaccines in a fair manner.

Solving the migration problem

Finally, in an international world, with global access to digital media, many people in developing countries would like to migrate to developed countries. They are currently prevented from doing so and this has led to an enormous loss of human life, as well as huge payments being made to human traffickers. In a federal world, there would be free movement of labour and this problem would be solved.

The underlying tension is that not everyone appreciates diversity because it brings with it the fear of the unknown. Strangely, Covid-19 and modern technology has created a situation where people may no longer wish to migrate. Many would rather spend time with their loved ones in their home country rather than strive for greater prosperity alone in a new country. Since they can work at a distance, they now have the possibility to work in one country and live in another.

From a global viewpoint, this should not make a difference. However, at present, there are complications stemming from the fact that the host country provides employment infrastructure while the individual uses the infrastructure of another country in their daily life. This raises the question of how taxation should be levied and shared between the two different states. On a bilateral basis, such tax sharing requires a lot of international treaties to be signed and updated. Yet these migration issues would not be a problem if guidelines for taxation and redistribution were decided at the world level.

The pandemic as a trigger for change

Major innovations in governance are often based on a shift in requirements triggered by a particular event. If the world has not already moved to global federalism today, it is in part because there has yet to be a trigger for pushing states in this direction.

In the past, crises such as the two World Wars of the 20th century have acted as triggers for change. Today, we face a war against a virus. Perhaps, the situation created by Covid-19 might serve to highlight the particular advantages of shifting to a world federal government. This may trigger a change that would not only help mitigate the damage caused by the pandemic, but would also offer a solution to many of the other challenges humanity currently faces.

Note: The author would like to thank Stuart Brown for his help and encouragement. This article gives the views of the author, not the position of EUROPP – European Politics and Policy or the London School of Economics. Featured image credit: [David Rumsey Map Collection](#), [David Rumsey Map Center](#), [Stanford Libraries](#) (CC BY-NC-SA 3.0)
