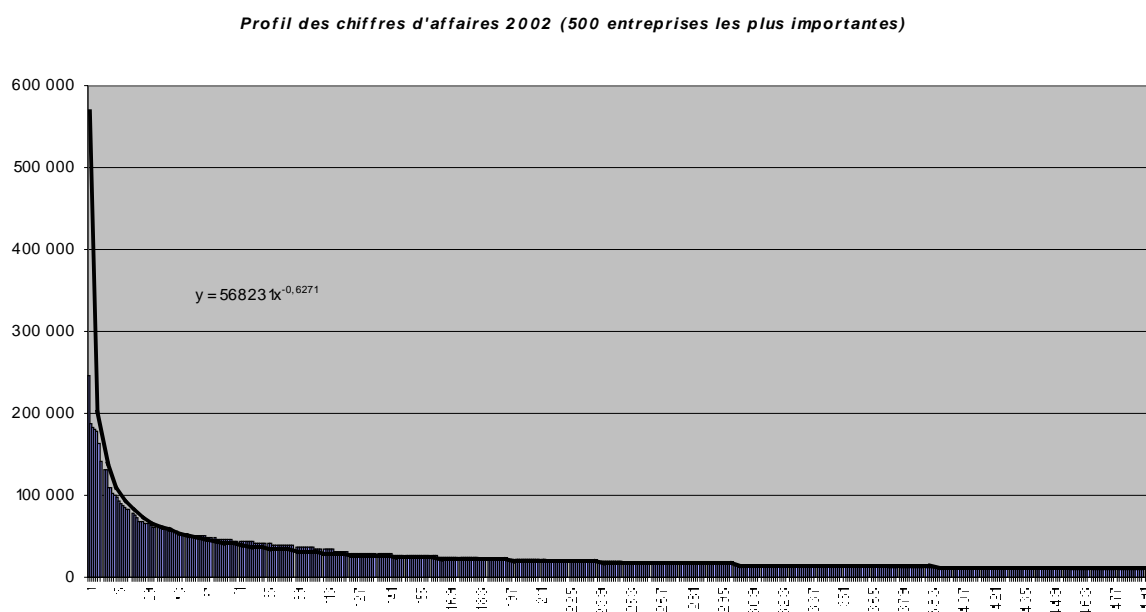


**Box No. 11: ESTIMATING THE BASE FOR A CORPORATE INCOME TAX SURCHARGE
ON MULTATIONALS**

□The major multinational corporations' profits have been estimated based on the annual rankings of the 500 largest global corporations by *Fortune* magazine.

The revenues and aggregate net profits of these 500 corporations, which are generally the most international corporations, have been extrapolated to a sample of a further 500 corporations in order to calculate a revenue and net profit base for 1,000 corporations.

Revenues have been extrapolated using the trend line closest to the revenue dataset for the Fortune Global 500. The chart below illustrates the outcome for the year 2000:



Net profit was extrapolated by applying the weighted average margins observed for the first 500 corporations to 500 additional corporations.

Due to the limitations inherent in this type of calculation, these findings should be seen more as a rough estimate than as a precise quantification of the tax base in question.

□Results of the foregoing extrapolations are tabulated below:

(in constant USD billion - 2002)	1990	1995	2000	2001	2002
Total revenues (a)	7,800	17,160	19,580	19,080	18,200
Total net profit* (b)	346	531	924	420	181
Net margin (a/b)	4.4%	3.1%	4.7%	2.2%	0.99%

According to the table, results vary considerably in the short term (profits and margins fell by 80% between 2000 and 2002). Any additional revenue from a surtax on large multinational firms would therefore be likely to be highly volatile.

Box NO. 12: BANK TRANSPARENCY AS A PUBLIC GOOD

Some countries view bank secrecy as an essential component of individual freedom, and an element of the right to privacy. But, in an open world, bank secrecy in one country has effects on other countries. It may serve, in particular, as a prime conduit for tax evasion or supporting illegal activities. In that sense, bank secrecy exactly meets the economists' definition of a negative externality. In other words, bank secrecy can be seen as producing a "global public bad".

In theory, a negative externality can be offset by a tax designed to internalize its cost to the global community. It is not yet clear how this theoretical intuition could be translated into reality. Some countries practicing bank secrecy claim that their development assistance greatly exceeds the average for the developed countries, although it is not possible to determine whether this difference fully compensates for the externality created by bank secrecy.

