

Political Update on Financial Transaction Tax/ Bank Tax

Max Lawson, 30th March

Summary

The next four weeks up to the G20 and the UK election will determine whether there will be a tax on banks which delivers money for good causes, and whether the idea of a tax on transactions continues to gain momentum. Concerted campaigning could deliver a real victory but major risks of failure also exist.

Momentum is gathering pace for a tax on banks to be agreed by the G20, with significant pressure from the UK to get some kind of agreement at the G20 finance ministers meeting in Washington on 23rd April. This tax would not be on financial transactions but on bank assets, and so far is only targeted at paying the costs of bank bailouts.

The serious risk is that the bank tax will be relatively minor and will not raise any money for good causes at home or abroad. At the same time the political space for a more substantial tax on financial transactions could be closed down by this move.

Success by May would be either a group of key countries (France, UK, Germany, US) or the whole G20 agree an Obama style bank tax and that a substantial proportion of this goes to fight poverty and climate change. At the same time the IMF concludes that financial transaction taxes are possible and should also be taken forward, and the French and Koreans agree to continue to press for an FTT during their G20 presidencies. Both these victories are within reach but require concerted campaigning in the next few weeks.

UK Politics

In the UK the main parties have begun to compete over how and in what ways they are going to tax the banks. The Labour government was planning to say in its budget that it would implement a bank tax unilaterally if the G20 failed to agree. The Conservative opposition beat them to it and announced that if elected they would implement a tax on banks unilaterally, albeit at a smaller rate than if it was global. This brings them into line with the other major party, the Liberal Democrats. This sadly led Labour to try and outflank the opposition on the right, by instead saying that only a global agreement would count, and that the Conservatives by pushing unilateral would risk jobs in the city.

At the same time there was minimal mention by any party of linking the bank levy to good causes, and no mention of this in the budget.

The Robin Hood Tax got lots of media coverage over this debacle on the bank tax, which has helped boost numbers and keep the pressure on. The campaign is now aiming to move up a gear with the release of a second film to coincide with the commencing of the election campaign.

European Politics

Interestingly because the UK Labour government is now even more firmly wedded to a global agreement, they have stepped up their pressure on the G20 to get some form of agreement in Washington. Labour badly need the G20 in Washington to deliver an

agreement to boost them in the polls on the eve of the election. They also arguably need the Financial Transaction Tax not to be completely dismissed by the IMF as this will be reported as a snub to Gordon Brown.

France and Germany swing behind levy first, FTT 'later'

Sadly in quick succession this week the German and then the French finance ministers both came out in favour of doing an Obama style tax on bank assets to raise money for protection against future bailouts. The Germans [said](#) their levy will raise 1 billion euro. The Germans said they would have preferred to do a transaction tax, but this had to be global and there was no appetite to do this 'as the moment'.

French finance minister Lagarde [said](#) she predicts fast agreement on a bank levy, and that both a bank levy and an FTT could happen: "They are not necessarily mutually exclusive, but the one that is likely to progress fast is the levy on banks, rather than the financial transaction tax".

European leaders again call for Transaction Tax, and European Parliament goes further and votes for a Europe wide tax without waiting for the rest of the world.

FTT is not a major issue on EU agenda as yet, and to extent that it is, it is discussed in terms of measures to deal with financial crisis, not as solution to need to raise additional revenue for public goods. No-one really pushing except France - Sarkozy has recently been explicit again about use of FTT revenues for climate action.

The UK is seen to have taken pressure off. EC are working on FTT, but downgrading expectations about their proposals, expected April ahead of informal ECOFIN ministers. Lot of people awaiting IMF report before showing hand.

The meeting of European Leaders on Thursday 25th had the following in their communiqué:

"Rapid progress is required on the strengthening of financial regulation and supervision both within the EU and in international fora such as the G20, while ensuring a level-playing field at the global level. Progress is particularly needed on issues such as capital requirements; systemic institutions; financing instruments for crisis management; increasing transparency on derivative markets and considering specific measures in relation to sovereign credit default swaps; and implementation of internationally agreed principles for bonuses in the financial services sector. The Commission will shortly present a report on possible innovative sources of financing such as **a global levy on financial transactions.**"

At the European Parliament followed its overwhelming vote in favour of a study of a financial transactions tax with a much narrower vote actually in favour of an FTT. The earlier, bigger vote brought together all the main political parties, but for a much softer position. This stronger position was still passed but only by a very slim 5 vote majority.

The next step in Europe is the emergency finance ministers meeting in Madrid on 15th and 16th of April, where the bank tax and the FTT will be discussed.

Global politics and G20

Significant behind the scenes pressure is being exerted on the Canadians to step back from their flat refusal to discuss any form of global bank levy at their G20. This seems to be gaining some momentum in the last week, after the discussions had lain dormant for a few weeks following Canadian opposition.

Outside of the G7, other G20 countries remain largely observers on this topic, although there was some talk of China setting a tobin tax in place at a zero rate to deter [speculators](#).

The IMF study remains keenly awaited and is due out on 23rd. It will be seen by the boards in advance of this but not voted on as it is not an IMF paper. Whilst the tax on assets at a small rate is likely to be the favoured option, there remains a good chance that the IMF will give transactions taxes a fair hearing and conclude that they too are technically feasible given political will.

Campaigns growing globally

Support for the Robin Hood campaign is growing internationally, although he appears in many disguises! Campaigns have been running in Germany and other European countries for some months. In Germany the campaign is called the Tax Against Poverty (Steuer gegen Armut) and they have their own version of the Richard Curtis-Bill Nighy film. Robin Hood's merry men visited Brussels on Thursday morning to lobby European leaders. Our friends in the US have been pushing for action in Congress and the White House, as well as protesting outside banks all over the USA, and are planning a mid-April campaign launch. The Italians launched their zero-zero-cinque campaign on Thursday and other campaign launches are being planned in Australia, France and many other countries.

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