Inputs for the Financial Sector Taxation, as of February 15th 2010

COMMENT # 1
THE CASE FOR AN EXTRAORDINARY WINDFALL TAX ON THE FINANCIAL SECTOR Fixing bankers' compensation is all the rage these days (Bebchuk 2009). The latest salvo in the ongoing tussle is the recent joint proposal by France and Britain to impose a windfall tax on the bonuses of bankers (Brown & Sarkozy 2009) has raised eyebrows across the financial and political spectrum, mainly because it is viewed as a populist measure aimed at placating taxpayers upset over governmental support for a financial system many regard as the primary villians of the global economic crisis. At the very least, it is argued, such a tax is justified since the unprecedented profits of banks would not have been possible in the absence of government largesse. There are, at least, three economic arguments behind imposing a contingent windfall tax on firms in the financial sector. First, such a tax would serve to (partially) offset the part of fiscal deficits that were incurred for the purposes of government-financed bailout packages. This goes beyond the government getting its fair share of the upside—presumably, such an upside had been priced into the interest on bailout loans as well as any options or warrants received as part of an original rescue package. This is effectively a premium payment for future government assistance, which may be much more difficult to collect (both economically and politically) once supernormal profits erode and the memories of the crisis fade. Second, the tax would act as a mechanism that could dampen the moral hazard that is a direct result of these bailouts. If firms expect that their future profits from risk-taking activity will be accompanied by a commiserate tax should such risky activity lead to the need for a bailout, then they are more likely to factor such a cost into their investment decisions, which in turn reduces the chances of moral hazard. Third, to the extent that tax revenues are ultimately rebated to taxpayers (either directly or indirectly by paying down on the fiscal deficit), the tax would serve to reduce the deadweight losses that have arisen in the financial sector as a consequence of (one would hope temporarily) greater market concentration. Of course, financial sector firms will resist such a move (Financial Times 2009). The most likely concern, from the perspective of a given financial center, is that such a move would lead to an exodus of staff from, say, London to New York. Even if governments were to fail to coordinate on the imposition of a windfall tax, such a threat is, ultimately, not credible. The tax will be levied on profits from the previous financial year, and would need to be paid regardless of whether the firm relocates in the following year or not. But since it is also meant to be an extraordinary tax, the cost will have been sunk, and so any relocation decision would be based on weighing the future likelihood of another extraordinary tax versus the costs of relocating today; this calculus is far different from weighing the paying the tax versus moving. In practical terms, the windfall tax should be levied on banks, and not on individuals directly. While this does open up the possibility of accounting mischief to sidestep the tax, it allows financial firms the maximum flexibility to distribute the costs of the tax in a manner most consistent with internal firm goals. Besides, with the spotlight shining so brightly on banker bonuses, it seems unlikely that the financial glitterati would be able to nonetheless richly reward themselves at the expense of their shareholders. The tax should also be contingent on profitability; the objective of such a tax is, after all, to reduce the monopoly rents accruing to the net beneficiaries of an implicitly government-supported financial sector, not to punish firms that are continuing to struggle simply because they happen to be in the financial sector. Finally, if the tax revenue is in fact not directly rebated (perhaps as part of a stimulus package), the proceeds should be placed in a special fund designed for funding future bailouts, as and when needed.
COMMENT # 2
I believe that solely one market should support the taxation: the Forex (the Foreign Exchange market). The main reasons for this are: - Stocks and Equities would *collapse* if such a taxation was meant to apply on them: 90% on portfolios in the world are "Long Only", which mean they are always net buyers of stocks and Equities. Taxation of transactions on Stocks would have a very severe impact on Pension funds for instance, which would have to dramatically reduce their exposure and change the way they are producing performance for retirement / pension schemes. - The likely collapse of the Stocks Exchanges around the world would reduce financing for the real economy during a long period of time and produce a deeper depression around the world. - The €/$ is the largest market in the world and even though it is not organised, being an OTC (Over the Counter) market, it would force the Finance World to organize this market. A small taxation rate on Forex transactions would have a negligible impact compared to the same taxation on smaller markets.

COMMENT # 3
This is what I have posted to elitetraders.com. Let me correct my own math a bit: Suppose each trade you don't make or lose anything on the trade itself; after one round turn trade, you are down to (1-0.005)=0.995 of your principal due to tax; after two round turn trade, your are down to 0.995^2; and after n trades, you are down to 0.995^n; and as n increases, your trading principal approaches zero; and in order just to survive, you have to make a HIGHER AND HIGHER **EXPONENTIAL** return each year the more you trade, and NO ONE can fight against an EXPONENTIAL function. If large banks are exempt, how is this bill call "Let Wall Street Pay for Main Street?"
COMMENT # 4
Mon travail consiste à apporter de la liquidité, à améliorer de quelques ticks les offres et les demandes sur des produits illiquides et de permettre ainsi aux producteurs, aux hedgers, aux fermiers de se couvrir ou d'investir à moindre frais. Je maintiens un écart minimum entre les offres et demandes pour rester profitable. Le FMI a été chargé par le G20 d'étudier les différents moyens de mettre à contribution le secteur financier après la crise. C'est tout à fait normal et sain qu'une telle solution soit envisagée , mais il faut faire reposer la taxe sur les bons acteurs et ne pas handicapper la majorité des acteurs boursiers qui exercent des activités vitales pour l'économie. Investisseurs, hedgers, producteurs... n'accordaient pas des prêts hypothécaires, ne se les échangaient pas par le biais d'une titrisation excessive, ne représentent pas de risques systémiques, ne manipulent pas les cours et n'auraient jamais reçu d'aides de l'Etat. Ils n'avaient d'ailleurs même pas accès aux marchés qui ont entrainé la crise économique de 2008. Vous m'avez compris, j'avais trouvé adéquate l'idée formulée par Monsieur Strauss-Kahn qui consistait à taxer directement les institutions et banques représentant un risque systémique par le biais d'un fonds d'assurance et je trouve regrettable que les dirigeants européens continuent à mettre en avant la très populiste et inapplicable taxe Tobin, au mépris de tous les travaux et expériences nationales(Suède, Taiwan, France ...) en la matière. Voici quelques points importants concernant cette taxe Tobin: - Si vous instaurez , par exemple ,une taxe de 0.01% sur les transactions , les spreads sur les marchés concernés augmentent nécessairement du même pourcentage, le jour même. C'est logique et inévitable. Sur un contrat futures moyen de 50000$, celà représente 5$, c'est à peu près ma marge de profit par transaction. Le jour ou cette taxe est mise en oeuvre, je serais obligé d'augmenter mes spreads de minimum 5$ pour rester profitable. Les gros market makers automatiques, qui constituent le coeur de l'activité de marché des banques, ont des marges d'1 $ par contrat en moyenne. Ils devront faire de même. Tous les teneurs de marché maintiennent des marges minimums en ce moment. Un statut de membre du CME coute plus de 1000000 $ en l'échange d'un rabais de 0.5-1 $ sur les frais de place boursière, imaginez ce que celà représente de faire payer 5$ à des acteurs qui se battent pour 5 cents et vous avez un apercu de la situation. En définitive, ce serait les market takers(hedgers, investisseurs...) qui payeraient 2 fois la taxe, une fois directement et une fois par manque de liquidité car les couts seraient immédiatement répercutés. Cette taxe n'introduit pas un risque de répercussion des couts sur l'utilisateur final, elle rend cette répercussion automatique et nécessaire pour le maintien de l'activité de teneur de marché. - Après la mise en oeuvre d'une telle taxe, face à une baisse vraisemblable des volumes de 40 à 60 %, il y a fort à parier que des responsables décident ponctuellement d'exempter les market makers pour restaurer de la liquidité . Ce serait le pire de tous les résultats imaginables. Les heureux élus seraient bien sur les banques responsables de la crise et ce qui devait être une punition pour ces institutions se transformerait en récompense. Donner une exemption à un teneur de marché dans ces conditions, sans concurrence possible, leur confèrerait un avantage exceptionnel et indu sur les marchés. C'est ce qui se passe actuellement en Grande Bretagne, la "Stamp tax", mise en avant par les défenseurs de la taxe Tobin, n'est en fait payée que par les petits investisseurs. Elle n'est jamais payée par les banques. C'est pour cette raison qu'il convient non seulement de mettre en place une solution qui préserve la liquidité, mais que cette liquidité ne soit pas obtenue par un jeu d'exemptions inégalitaires. - Cette taxe fera uniquement fuir les traders vers des marchés non taxés. Les investisseurs occasionels restent mais le vrai volume part, surtout s'il n'éxiste aucunes exemptions. C'est apparemment le seul argument contre la taxe Tobin que ses défenseurs arrivent à assimiler(Apparemment, ceux-ci n'ont aucuns problèmes à faire reposer le cout de la taxe sur les petits acteurs et non les banques). C'est la vérité. Il y aura toujours des places désireuses d'attirer les capitaux et les traders , ou de nouveaux instruments qui ne correspondront pas à la définition d'instrument financiers de la taxe. En ce moment, les USA, le Canada, La Suisse, La Russie entre autres s'opposent à l'instauration d'une taxe Tobin sur leur marché national.L'Inde a décidé d'enlever cette année celle qui éxiste encore aujourd'hui.Dans le monde du trading électronique

d'aujourd'hui, une place boursière est un programme de quelques millions de lignes qui peut s'implanter n'importe ou. Rien n'empèche une place non taxée de lister les contrats d'une place taxée, ce sera fait très rapidement le cas échéant. Aussi pointues que peuvent être les législations nationales pour taxer toute activité de trading , je ne les vois pas contenir une armée de gens très brillants se retrouvant au chomage du jour au lendemain.

Voilà en définitive les principales raisons pour lesquelles une taxe Tobin ne fonctionnera jamais convenablement et les raisons pour lesquelles le FMI, qui est un organe de techniciens, ne doit pas céder aux pressions des dirigeants européens et privilégier une solution pratique, viable comme un fonds d'assurance prélevé sur les institutions financières, ou une taxe exceptionnelle sur leurs profits comme celle envisagée pour 2009. Les grandes banques ont fait un tord incroyable au monde sans jamais que leurs acteurs(traders, quants) n'aient à supporter le moindre risque financier sur leur capital personnel.L'amalgame est rapidement fait entre un acteur comme moi qui supporte tous les risques personnellement au jour le jour et les traders de banques qui tentent tout et n'importe quoi pour obtenir un plus gros bonus sans jamais risquer de perdre quoi que ce soit.
Rétablissez, s'il vous plait, la balance en les faisant contribuer un peu plus par le biais d'une taxe directe sur ses institutions , ou , tout du moins, ne vous laissez pas tenter par la solution d'une taxe Tobin dont tout vos travaux antérieurs ont prouvé qu'elle était inopérante. Nous sommes des milliers à exercer cette activité avec passion, humblement et nous n'avons pas vraiment besoin que les excès de certains rejaillissent sur une activité totalement saine comme la nôtre.

COMMENT # 5

The following are my views on taxing the financial sector:

1. I do not know how the sector should be taxed, but a transaction tax is definitely *not the way* to go because:
2. It would be *unfair* by punishing every small speculator or trader that trades in less than very long timeframes and put him out of business. Small speculators did not cause the financial crisis. Big banks did, by creating derivatives whose risk they did not completely understand or intentionally misrepresented (many people must have known that mortgage-backed securities were worth less than they claimed).
3. It would also be unfair because it would *increase costs for every mutual fund*. These costs would be passed on to most holders of retirement accounts, thereby making them- and not wall street- pay for the damage caused.
4. *The transaction tax is by no means "small",* this aspect of it is completely misrepresented and misunderstood by the public: the tax would increase the cost of trading one SP 500 Futures contract from $4.80 to $200, an increase of 5000%! It is very hard to make any money trading the markets for a small speculator, even without this increase.
5. The tax would effectively make it impossible to trade futures profitably in any timeframe of less than a week.

COMMENT # 6

I would like to comment against the Tobin (Transaction) tax when it comes to financial sector taxation. The Tobin tax would do much more harm than good and would cost the average investor dearly. The Tobin tax would also be a big job killer. There would be a massive loss of liquidity and as a result spreads would widen. The big banks would just pass along this tax to their customers and would greatly increase costs for the main street investor. The Tobin tax is a tax on main street and targets the wrong class (banks).

A much more favorable approach is an insurance type levy (similar to the fdic) and increased capital and liquidity requirements for the banks. This would get to the root of the problem and would not hurt the main street investor. It appears as though the IMF has spoken out against Tobin Taxes in the past and the US Treasury Secretary Timothy Geithner is also against Tobin Taxes.

COMMENT # 7

I have covered this tax topic in-depth on my blog, magazine articles and petitions to US Congress. Please visit my blog to read my articles. This tax will seriously damage markets, economies and jobs.

The answer is more bank capital, regulation and leverage constraints.
A bank levy is better than a financial transaction tax but even a levy invites moral hazard. Switzerland, Hong Kong and other market centers will not enact this tax so it will competively hurt the US and UK the most. The IMF is concerned with both of these countries improving their financial condition and this tax will hurt it. The IMF's initial reports and Secretary Geithner are correct on the levy being preferable over a tax. Only desperate political and non-profit elements hungry to win votes (UK Labour) and funds for social causes and a new global tax sovereignty regime are in favor of this tax. None of their reasons justify this economic destruction. Speculators make markets and markets are as important as products. Stifling or killing off speculation will raise prices for users like farmers. It's government interference like price controls. Some desperate countries facing EU budget infractions may be interested in this market control but that is against IMF policies. There is no valid justification for this tax. The IMF report due in early 2010 can put this financial firestorm out worldwide and in the US, UK and finally EU. Thank you for saving the world again.

COMMENT # 8

Any professional study of the matter should make absolutely clear, that the results, as to increased revenues, would be exactly the opposite.
Liquidity would strongly diminish, together with most of the players, who are supposed to pay for the tax with their transactions anyway. Not to mention the high job loss that would hit the industry.

The idea obviously comes from people that have no clear understanding of the markets, and the various ways it plays out. Day traders helped , through the years, to lift the stocks and growth of all the companies behind them. The tax at first looks minimal, but in essence is more, than any margin hoped to be gained by fast market players. Few really make it anyway, contrary to the public opinion, who think day traders make millions pushing buttons...Statistics prove more than 90 % loose consistently...but still provide liquidity...better than money sitting in the bank, it´s out there feeding the markets.

You can question the morality of fast trading, like casinos, then they should be banned too....Governments and the environment need money, I agree, but this tax would produce the contrary effect...It´s populistic, like people who say Europe looses jobs because of immigration...Most immigrants end up doing (and happily), most of the dirty work hardly anyone wants to do. The reality, like any educated economist knows, is that controlled immigration, well integrated into the society, benefits the country and the economy...
I could hardly imagine the IMF not seeing the obviousness of the facts....easy overnight solutions to the financial misery of the Governments are but a dream. Wonder if this isn´t just another way, of diverting attention, from the obvious, usual big money wasting, produced by burocracy, and fined tuned mafia like Lobbies.

COMMENT # 9

I'm writing to tell how a catastrophe this tax would be.
Intraday traders are important providers of liquidity, and therefore contribute to market efficiency. Given the frequency and the leverage of their trades, those would simply be killed by this tax, even as low as 0,01% This tax is nothing more than a populist political trick, but with serious consequences for all us. Please, resist.

COMMENT # 10

Thank you for letting me write my opinion about a taxation of the financial sector. The private sector is already being taxed. We have to pay taxes on capital gains and received dividends and interest. The money invested from the public into the financial sector comes from already taxed net income. Especially the transaction tax would come as a burden because many traders today are short term traders, placing more trades within a day for smaller gains and also for smaller risk. Positions are rarely held overnight because it imposes too much risk on the capital. So this kind of trading is very low risk, participating on the many small moves of the markets. This kind of trading is NOT prone to overnight price shocks which cause price collapses. So short term traders (or “high velocity traders”) cannot be held responsible for this current crisis. And so a tax to punish the traders would be out of line.

A private/financial sector taxation would put many traders (like me) out of business because they wouldn’t have developed a method to trade the markets in another way –

many times it takes up to 10 years to develop a method – and they wouldn't have the capital to trade another method because they wouldn't meet the risk requirements. Also many traders depend on the income from their daily transactions because they are already retired and have worked their entire lives before becoming a trader.

A trader who isn't making money in case he/she be put out of business cannot spend his/her money in the public for goods or services wanted and needed.
Thus an idle worker would only add to the current crisis. On the other side, a trader who is generating money and paying capital gains taxes do contribute more to the wellbeing of a nation than low income workers on the streets. Short term trading is more profitable than longer term holdings because it is less risky and because entry and exit are tested and mostly computer-engineered, thus less prone to false human judgment. A trading tax would stop the machines and put traders and engineers employed by financial institutions out of work. Moreover an international tax imposed by the IMF would violate any State's sovereignty. I hope you will see that additional taxations will only hurt, but not solve problems. Thank you for reading.

COMMENT # 11

If the Tobin tax in treated as a special case of a "sales tax", it becomes possible to estimate a "fair" tax rate for the financial transactions tax, one which would equalize the tax burden imposed on financial firms with that already borne by the Main Street. A 'fair' transaction tax rate should place exactly the same tax burden on stock trading firms as the sales taxes currently imposed on the Main Street, i.e. the same 5% ratio of the average sales tax to the average markup. So a fair tax rate, equalizing tax burden on the Main and Wall Street would be 0.000025, i.e. 100 times lower than the 0.25% rate proposed in the US by Peter DeFazio.

COMMENT # 12

I am writing this letter to express my **strong objection** to the Transaction Tax idea.

1. The tax strikes at heart of the capitalism, free markets and free capital flow. It's inherently unfair because it taxes the already after-tax money that didn't make any profits yet. It's well known that long-term passive investment averages about 15% per year. The short-term trader who wants to outperform the market by 10-20 basis points aims to achieve about 25%-35% annual return on his capital. If he does just 1 buy/sell transaction a day his average daily return would be: 35% / 250 trading days = 0.15%.
In case of the proposed 0.25% transaction tax on stocks his daily expenses would be 0.25% * 2 = 0.5% of his capital. As you can see the tax will put many retail traders out of business. That will leave the capital markets exclusively to the professionals. The financial markets will contract and as a result many people will be out of business or lose their jobs. Instead of being free and democratic the financial markets become mafia type exclusive clubs controlled by the big institutions and big banks. The long-term investors will also feel negative impact of the tax because they will be less confident to invest millions of dollars in the much smaller markets with less liquidity and less efficiency.

2. With the tax of 0.25% for each side the money makers would immediately increase the bid/ask spread by 0.5% of the stock price to preserve their pre-tax profits. In order to avoid that the market makers have to be exempt. So interestingly enough the group the transaction tax is targeting - the professionals and financial banks - will be exempt from it or it will find the way to pass the cost on to Main Street. Average citizens who had nothing to do with the last financial crisis will end up bearing the brunt of this tax.

3. The crisis was caused not by the short-term trading but by the banks having made highly leveraged risky loans. The transaction tax does not address the issue of the Margin Call which was at the heart of the financial crisis 2008: the entire banking system was overleveraged and eventually it had got the Margin Call. Once they were supported by the government in the form of TARP money they were able to return to profitability and as far as I know all of them repaid the TARP money to the government with profit. http://www.marketwatch.com/story/tarp-profit-at-least-16-bln-so-far-treasury-2009-12-23 . Now that the banks returned to the profitability and started hiring people how wise would be to hit them with the transaction tax.To avoid the next crisis the government should address the issue of highly leveraged risky bank loans not the short-term trading per se.

4. The transaction tax won't create any additional revenues for the government. For the profitable traders the end result would be simply redistribution of their previous (before transaction tax) capital gains between their new transaction tax portion and much smaller new capital gains. The portion of the government revenues paid by the

profitable traders would definitely shrink. We also need to remember that the passive long-term investors who hold stocks for let's say 10 years pay rarely the capital gains taxes. The biggest contributors to the government revenue stream are the short-term traders with the higher capital turn-over than the passive investors. But these short-term traders will be hit hardest by the transaction tax. As a matter of fact the government revenues without the tax would be much higher than with it. 5. The capitalist system of taxation is based on unwritten principle that the taxes should be beneficial for both a tax payer and the government: the higher are the profits of the tax payer the more he pays in taxes to the government benefit. The proposed transaction tax strikes at heart of capitalism since the government not the tax-payer would be a sole beneficiary of the tax. The transaction tax is anti-capitalist. Please reject the idea of the transaction tax to preserve the unimpeded capital flow and keep the financial markets free and democratic. I thank you very much for your time and for reading my letter.
COMMENT # 13
I am writing on the issue of the global transaction tax. This is not something that should be implemented, taxation will not solve this issue. This will lower volume, which of it self will cause a decrease in capital gains tax, but it will also hurt everyone. Futures markets will be more volatile and in addition to this will cause farmers to pass this tax and the higher risk of fluctuating prices will be passed on to the consumer. This will also affect supply levels, due to lower players in the market willing to accept the risk from a farmer, the farmer will be hesitant to plant crops and through this decrease in supply, prices will also rise. This will also affect small business, many small business owners use the stock markets to raise capital for growth and start up, volatile conditions and the addition of this tax will make the owners hesitant of doing so, which can hinder hiring. Second, many investors that are saving up will also face this tax and the resulting market conditions, this will cause a lower rate of return and prevent people from investing and saving for their future or a child's college fund. Third, if banks are not exempt from the tax, as British banks are from the stamp tax, then the tax will be passed on to the customer through higher fees and lower savings account interest rates. It is important to note that now is not a time to hinder growth and savings, many countries have tried this tax in the past and each time it has been reversed. There has been an instance of a drop of 85 percent of volume, virtual no return on the tax and capital gains tax suffering. It is also important to note that as recent as December it has been dropped, India had a securities transaction tax and went to a point of offering incentives to traders to increase volume, ultimately deciding that the tax is a hindrance in and of itself. There have also been studues that show that finance jobs hold many others, a 10 percent decrease in the financial industry is equal to 10 000 jobs. "100 financial security jobs are estimated to support 27 to 37 jobs in the retail sector, 72 to 91 jobs in the business services sector (think staples and copy machines), 79 to 112 jobs in the services sector (like dentists, nurses and gas station operators), and 5 to 12 restaurant and pub workers. Even the smallest FTT that reduces transaction volume by as little as 10% will, according to dr. Schwabish, result in the loss of over 30,000 jobs just in NYC (http://advancedtrading.com/regulations/showarticle.jhtml;jsessionid=vv4cmscwewtqjqe1ghpskh4atmy32jvn?articleid=222002855&_requestid=4477) In closing it is important not to lose sight of the real issue, which is not punishing the citizens and forcing them to pay twice and this easy way out should not be adopted. Is is important to directly target banks and it should affect too big to fail institutions rather than small prospering ones, retail traders, investors and citizens. There should also be a focus on correcting the global imbalances thus certain countries should be encouraged to save money, which this tax prevents, and other should be encouraged to spend, which this tax prevents. These countries also need to be able to move money back and forth in order to do so and to balance their current accounts, which again this tax prevents. It is also important not to put this tax in place and then allow exemptions to governments and larger institutions, market makers, as this would defeat the purpose and would not help the world economy move forward.
COMMENT # 14
I believe that a financial transaction tax would be disastrous. Firstly, it is naive at best, and false and deliberately misleading at worst, to describe a tax rate of 0.05% or even 0.005% per transaction as small and 'harmless', as some falsely claim in an easy sell to the non-practioner! For example, consider a 0.05% tax applied per transaction in a market where the bid-ask spread is currently 0.005%, such as Eurodollar interest rate futures traded on the Chicago Mercantile Exchange. Since market makers will be required to incorporate 0.05% into their entry and (closing) exit

pricing levels the result would be a new bid-ask spread of 0.105%. It might be fairer to describe a 0.05% financial transaction tax as a 2000% tax rate since spreads will increase at least twentyone-fold, even before you consider the adverse indirect impacts on spreads as a consequence of reduced competition between market makers (due to falling volumes and greater volatility). Secondly, you only need to look at the Swedish experience with financial transaction taxes from 1984-1990 to realize that the claims over the amounts of revenue that will be generated are 'pie in the sky' numbers.

In July 2006 Research Analyst Marion G. Wrobel examined the international experience with financial transaction taxes in a paper prepared for the Canadian Government. Source: Financial Transaction Taxes: The International Experience and the Lessons for Canada. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=338864
Wrobel highlighted the Swedish experience with financial transaction taxes. In January 1984, Sweden introduced a 0.5% tax on the purchase or sale of an equity security. Thus a round trip (purchase and sale) transaction resulted in a 1% tax. In July 1986 the rate was doubled. In January 1989, a considerably lower tax of 0.002% on fixed-income securities was introduced for a security with a maturity of 90 days or less. On a bond with a maturity of five years or more, the tax was 0.003%.

The revenues from taxes were disappointing; for example, revenues from the tax on fixed-income securities were initially expected to amount to 1,500 million Swedish kroner per year. They did not amount to more than 80 million Swedish kroner in any year and the average was closer to 50 million. Source: Campbell, John Y. and Froot, Kenneth A. “International Experiences with Securities Transaction Taxes (December 1993),” NBER Working Paper No. W4587 http://papers.ssrn.com/sol3/papers.cfm?abstract_id=338864

In addition, as taxable trading volumes fell, so did revenues from capital gains taxes, entirely offsetting revenues from the equity transactions tax that had grown to 4,000 million Swedish kroner by 1988. Source: Umlauf, Steven R. (1993). "Transaction Taxes and the Behavior of the Swedish Stock Market," /Journal of Financial Economics/, 33, p. 227-240 http://ideas.repec.org/a/eee/jfinec/v33y1993i2p227-240.html

On the day that the tax was announced, share prices fell by 2.2%. But there was leakage of information prior to the announcement, which might explain the 5.35% price decline in the 30 days prior to the announcement. When the tax was doubled, prices again fell by another 1%.
These declines were in line with the capitalized value of future tax payments resulting from expected trades. It was further felt that the taxes on fixed-income securities only served to increase the cost of government borrowing, providing another argument against the tax.

Even though the tax on fixed-income securities was much lower than that on equities, the impact on market trading was much more dramatic. During the first week of the tax, the volume of bond trading fell by 85%, even though the tax rate on five-year bonds was only 0.003%. The volume of futures trading fell by 98% and the options trading market disappeared. On 15 April 1990, the tax on fixed-income securities was abolished. In January 1991 the rates on the remaining taxes were cut in half and by the end of the year they were abolished completely. Once the taxes were eliminated, trading volumes returned and grew substantially in the 1990s.

Aside from the Swedish experience with such taxes, there is considerable research that demonstrates that "a transaction tax is likely to amplify, not dampen, volatility in foreign exchange markets." Source: Lanne,Markku and Vesala,Timo (2006) "The Effect of a Transaction Tax on Exchange Rate Volatility," Bank of Finland Research Discussion Paper No. 11/2006 http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1018363
It is also misleading for proponents to state that a Tobin Tax will only impact the banking sector that apparently 'caused the recent financial crisis'. Many entities that played no part in the recent financial crisis will be put out of business as a result of a Tobin Tax. Mass job losses will be inevitable. The whole financial sector will be hit adversely, especially small traders and investors. Ultimately, market makers (if they still exist, that is) will increase their bid-ask spreads to cover the additional cost of transaction taxes, and these costs will simply be passed on and borne by end-users such as investors, savers, pensioners, farmers, airlines, or indeed any other economic agent that chooses to manage its financial risks or exposure to commodity and financial price fluctuations. It is difficult to imagine who will NOT be impacted adversely from the indirect effects...
Ironically, it may be the large banks themselves that benefit from the elimination of competition in the shape of market makers that played no part in the recent financial crisis.
According to a 2004 study on the regional employment effects (The Stock Transfer Tax and New York City: Potential Employment Effects) by Jonathan A. Schwabish of

Partnership for New York, a financial transaction tax would result in a "substantial" collateral damage to the US economy.
http://www.nycp.org/publications/2004_12_stock_transfer_tax.pdf

Per Dr. Schwabish's estimates, if the FTT results in even as little as 10% decrease in trading volume on the exchanges, New York City alone would be shedding as many as 10,000 financial securities professionals. While this number may seem lost in the total U.S. population count, consider the following statistic: every 100 financial security jobs are estimated to support 27 to 37 jobs in the retail sector, 72 to 91 jobs in the business services sector (think staples and copy machines), 79 to 112 jobs in the services sector (like dentists, nurses and gas station operators), and 5 to 12 restaurant and pub workers. Even the smallest FTT that reduces transaction volume by as little as 10% will, according to Dr. Schwabish, result in the loss of over 30,000 jobs just in NYC.

Some of the proponents for a financial transaction tax claim that the UK already employs a 0.5% financial transaction tax on stock transactions without apparently devastating consequences. And yet here again the claims are misleading since such claims fail to mention that market makers are exempt from the tax! And if market makers at banking organizations are exempt then the tax revenues generated will be miniscule, a tiny fraction of the amounts that proponents also claim will be generated!

Ironically, the apparent 'villains' in the recent financial market crisis pantomime piece would then be the only organizations NOT subject to the financial transaction tax.

COMMENT # 15

Thank you for taking into account how the public feel on this matter.
One nightmare solution that has been mentioned is a "small" Tobin Tax without understanding what size small is. The suggestion of 0.005% on futures etc. is workable but above this level it will destroy liquidity, substantially increase spreads and hit the man on the street's pension and investments. Above this figure the hoped for tax take will never be realized and needless suffering will be caused to everyone by reduced liquidity and lower investment and pension returns.
Also taxing a losing trade is not really a form of tax. How do you tax a loss? Losses should be offset against profits otherwise it will hit traders very hard indeed. Futures are a geared product and that gearing is necessary to provide a tradeable movement. What many don't understand is that 0.005% geared up becomes a very sizable tax burden that is then doubled as it is paid on both sides of a single trade! Then to have to pay this double tax on frequent losses making life very difficult indeed.
The problem was caused by unregulated trading by banks and that is what needs to regulated. The innocent traders around the world that use CME products etc. on a centralized exchange should not be made to pay for bankers greed and financial recklessness. We had no part in this charade.
There is a genuine fear that bankers will be exempted from such a tax resulting in them acting as sole market maker if traders are removed from the liquidity pool because they cannot make a profit as a consequence of a Tobin Tax of sorts. This can only result in pocket-lining by banks by widening spreads as they would have no competition. A destructive tax burden and bankers escaping while making everyone else pay is the real nightmare.
There will always be a need for bankers to have special situation derivative trading but this should be forced to be approved, regulated and if it is an off exchange derivative of a derivative, I strongly suggest that it is made illegal as this is the cause of the financial collapse. If not made illegal it should be penalized with a very high rate of taxation so that if it crashed it has already paid for the damage.
In a nutshell, I would approve a max. 0.005% tax on all financial transactions without exemptions for market makers. In addition banks that are trading derivative of derivative transactions should bear a heavier tax burden either on every transaction.
Also bankers bonuses should not be allowed to be offset against bank profits in order to reduce the banks tax burden. That would help to curtail run away bonus structures and provide a better tax take for the nation as both profits and bonuses are taxed at a fair rate. The financial sector is a cash cow in terms of tax revenue, but if it is not taxed by those who understand the products and mechanisms you can very quickly force downsizing of the whole industry, create more unemployment, reduce pension and investment returns for everyone and kill the tax take. Everyone loses.
It is considerate to ask the public, but how many of the general public understands how the markets work? How many understand liquidity issues, how traders provide market maker competition to reduce spreads that results in better pensions and investment returns. How many understand unregulated off exchange trading caused the problems we now face? I trust the IMF will approach this matter with the research, wisdom and consideration that their reputation is built upon.

Comment # 16
Position paper (November 2009) promoting Financial Sector Taxation. CIDSE believes that international taxation has the potential to contribute to global justice and development objectives by fulfilling key functions of taxation: revenue raising and regulation as well as redistribution of wealth to contribute to global justice not only within states but also at the international level. Taxing currency transactions, or more broadly financial transactions is one way in which the fast-expanding financial sector could contribute towards sharing the burdens on governments and the poorest people of the multiple global crises – financial, economic, food and climate. Revenues generated by such taxes should be used to support global efforts to achieve internationally agreed development goals. At the same time, this type of taxation would play a role in the stabilisation of the global economy. Although action at the national level is possible, highly interlinked global financial markets on the one hand and the high concentration of activities on the other, suggest regional and international cooperation. Joint action through regional and international taxes could contribute to the strengthening of representative democratic global institutions and a sense of global responsibility. Please, for complete position paper **click here**
Comment # 17
Hello, i am an independent trader who is strongly opposed to the proposal about a so called, "financial traders tax". First point, traders like my self had nothing to do with the credit debacle, so why should we pay a levy for something such as this? I confesses i do not know all the details about the credit crisis, something about credit default swaps, mortgage backed securities etc., to my knowledge these pools of instruments were bought & sold, with no bid or ask; how is this possible? On a personal note, with the economy in turmoil, my chosen career has fallen on hard times; trading futures& equities has enabled me to supplement my income to provide for my family, basic needs, not some extravagant lifestyle.The markets basic framework is not broken, so lets not try to fix it, or bring about its demise by some additional tax. Am i to think i do not pay enough in capital gains, & other taxes? I emphatically urge you to support my view as this proposal moves forward.
Comment # 18
I'm writing because of the current deliberation about financial reforms. There are a tremendous number of things that could be done to curb the abuses and wrong incentives for large trading firms and investment banks. But it needs to be done carefully so it doesn't create even more of a home court advantage for those behemoths at the expense of the retail trader and their mutual funds. Below are some strong suggestions to improve our markets and reduce incentives for bubbles and volatility. * Retail customers are already at a huge disadvantage to big trading firms. A "Tobin Tax" (HR 1068) has the potential to actually make this disadvantage to them even bigger. * A "Tobin tax" of 0.25% per trade is way too big. This means 0.5% round trip. It almost guarantees that the trading houses will find a way around it. Maybe 0.0025% would work to curb institutional abuses. * 0.5% tax on all transactions would probably cause the markets to seize up, unless the big firms get an exception which would be unbelievably unfair and punish the good guys but give the bad guys a pass. * Please ensure that whatever is done, that the institutions don't have an escape route that will dump the burden of this on the buying public and their mutual funds. Ban "First Look" at customer order flow by large trading firms: * This let's large trading firms "front run" anyone who doesn't have a huge computer at the exchange. http://www.nytimes.com/2009/07/24/business/24trading.html ; http://www.advancedtrading.com/algorithms/showArticle.jhtml?articleID=220300594 * Market data should be available to all participants on an equal basis, somewhat like "network neutrality" in the networks. * Require prices offered to be valid and not cancelled for a minimum amount of time between 1/2 to 1 second to slow down high frequency trading. * Eliminate 1031/1032 exchanges of property that give an incentive to inflate bubbles and prevent collecting any tax http://en.wikipedia.org/wiki/Internal_Revenue_Code_section_1031; http://www.irs.gov/businesses/small/industries/article/0,,id=98491,00.html; http://www.law.cornell.edu/uscode/26/usc_sec_26_00001032----000-.html * Prohibit practices on option exchanges that give any market participant a preference, either for customers or market makers. In Europe any market participant can make a two-way price (simultaneously post a bid and ask order) but this is not permitted in the US. In return, the customer's order should not be given preference for a fill. This would

make the options markets much more like the futures markets. I know this is not long on detail, but those would be dynamite fixes to the regulatory situation with our markets.
Comment # 19
Some thoughts on Financial Taxation for the G-20 and IMF **Introduction:** As we all know tax of any kind is a **negative** in the minds and purse of all people. However, given the World-wide Financial Crisis, the ensuring down-turn in economies and the over-all effect it has had on people all over the World. The fact that this economic melt-down was caused by irresponsible management and fiscal behavior. A **check** of this financially negative behavior is in order. It (a tax) is not a good thing, but necessary. We also know that even with a tax some smart person will get around it. To begin to mediate this behavior I am proposing the following approach to the tax. **Corrective Action Needed** 1. The development of such a tax should be implemented as a tax on financial institutions, (Hedge Fund) speculators, brokers and brokerages, universally they all should pay each year into a fund for global assistance for when this type of occurrence happens. (This could be useful in the Iceland Case) 2.They should be audited each year and reported to a new Watch-Group at the UN or IMF, based on (A new to be created Formula) for this tax purpose, which would be based on ratio slippage related to over leveraging, scheming and accounting irregularities. 3.Those found wanting and lacks should be fined with an extra tax of **10%** on their **entire asset base**, as it is put at risk when overleveraging and scheming are practiced and the institution or group is out of "Formula" for its size and capital base. 4.Financial Houses, Banks and Financial Groups will need to and must formulate new behavior policies and lower Fees and Bonuses for all employees and brokers which is what drives the behavior that has brought us to this point. 5. Those who continue these negative practices must face legal action to be decided based on the level of risk deprivation it has or is likely to cause and made an example of, so that others will be reluctant to try these negative practices. Action should be **swift, no deals or pledging should be allowed** the actions should be tied to the practices and judgment made within one month of the infraction finding(s) based on the audited data and subsequent findings. If the defendant resist, secure of the enterprise is in order and new management is placed in control or the enterprise is sold. It is a hard measure to do this, but a **check** of the financial mismanagement and fraud must be made hard to get it to slow down and eventually be at a low level and manageable. We know it will never end but, it must and can be **checked**. Stealing and fraud are not Smart Business.
Comment # 20
Dear Mr. Strauss-Kahn: I am writing on behalf of Africa Action regarding the IMF's report to the Group of 20 (G20) on how the financial sector could make a fair and substantial contribution toward paying for government bailouts. The cost to our communities of the financial crisis, as well as the bailouts of the financial sector, has been tremendous. As a result, we need a response from the IMF and the G20 that matches the scale of the crisis. We are strongly urging the IMF to include in its report to the G20 an accurate and substantial description of financial transactions taxes FTTs as a feasible and necessary tool, drawing on independent evidence from economists and academics who have examined the feasibility of such taxes, modeling a range of different rates and analyzing the technical feasibility and impact on different markets of unilateral implementation of such taxes. We look forward to your response to this urgent request.
Comment # 21
Dear Mr. Strauss-Kahn: I am writing regarding the IMF's report to the Group of 20 (G20) on how the financial sector could make a fair and substantial contribution toward paying for government bailouts. The cost to our communities of the financial crisis, as well as the bailouts of the financial sector, has been tremendous. As a result, we need a response from the IMF and the G20 that matches the scale of the crisis. I was recently working in Liberia and was able to see that the impact of the financial crisis in the developed countries was magnified many fold in poor countries such as Liberia where cost of living items have greatly inflated.

I strongly urge the IMF to include in its report to the G20 an accurate and substantial description of financial transactions taxes FTTs as a feasible and necessary tool, drawing on independent evidence from economists and academics who have examined the feasibility of such taxes, modeling a range of different rates and analyzing the technical feasibility and impact on different markets of unilateral implementation of such taxes. I look forward to your response to this urgent request.
Comment # 22
On behalf of my organisation, World Economy, Ecology & Development Assoc., based in Berlin, Germany, I would ask you to give absolute priority to a *Financial Transaction Tax* (FTT) in your report to the G20 in Toronto. The FTT is the best instrument to make the financial sector contribute to pay for the burdens of the crisis they have caused. Already independently from the crisis it was incomprehensible, that on each slice of bread and each gram of butter a VAT is levied, whereas the trade with huge amounts of financial assets was tax free. This asymmetry is even less acceptable after a crash which requires trillions of Dollars for bail-outs and stimulus programmes to repair the damage caused by the financial industry. Just like the *polluter pays principle* in environment we now need a *speculator pays principle*. Given the huge turnovers in the trade with financial assets the FTT would generate considerable revenues even with a low tax rate. According to econometric calculations a tax rate of 0,1% would yield globally 734,8 billion USD a year in a scenario where there would be a medium reduction of transaction volumes resulting from the tax. Apart from the revenues, the FTT would also contribute to reduce speculation by making a certain amount of deals unprofitable. Shrinking the volume of over liquidity reduces the pressure to generate profits on financial markets and make investment in real economy more attractive. The FTT takes money from where there is plenty of it. As ordinary people have already to carry heavy burdens of the crisis, it is a matter of basic fairness to introduce the FTT. Technically the FTT can be levied easily and at very low costs. As almost all trade is settled via electronic platforms a simple electronic tag would automatically transfer the tax to the relevant tax office. Avoidance is extremely unlikely since circumventing the electronic platforms would be more costly than the tax. Of course, the financial industry is against the tax. But we want you to remind that these people – and their defenders in academia and media - did not understand the system they were running. Otherwise it would not have collapsed. Now, they want to continue with business as usual - for the sake of their vested interests. But finance is too important to leave it to people whose incompetence lead to the disaster. We are ready for further discussion with you.
Comment # 23
0.005% FINANCIAL TRANSACTION TAX WOULD BE DISASTROUS : 0.005% is only "nominal" to those who are ignorant of how markets work and who do not understand the difference between profit and margin. The margins which allow marketmakers and market specialists (short term and long term speculators) to create liquidity, lower costs and increase access to capital, are razor-thin. 0.005% sounds negligible to the uninformed layman, but in practice, it would have a disastrous effect on the market. By way of example, the cost of trading EURUSD is typically 1 pip (0.001%) or 2 pips (0.002%). For many traders, the cost (ie the spread) is the difference between profitability and non-profitability, ie the difference between contributing to liquidity on the one hand by participating in the market, and economic inactivity on the other. A proposed FTT of 0.005% would impose between a 250% and 500% increase in costs!!! This would absolutely decimate affected markets; it would have a plurality of highly undesirable effects. As Otmar Gissing, former European Central Bank chief economist, stated on 26th October 2009, "[The FTT] is not well founded and would fail". **1. Liquidity** - the FTT would destroy volumes and greatly discourage hedging; "The Tobin tax would discourage hedging...[which] helps to spread risk more evenly" *Helmut Reisein, OECD Development Centre, May 2002;* "A transaction tax...I think would have very, very negative implications for volumes and for the cost of trading for retail investors" *Duncan Niederauer, CEO NYSE Euronext, January 2010* **2. Volatility** - studies have repeatedly shown that transaction taxes INCREASE voltatility; they deter the continual realignment of price to market conditions and reduce the diversity of participants in the market; (a) AFA 2003 Washington DC Meetings, EFA 2002 Berlin Meetings; Presented Paper http://papers.ssrn.com/sol3/papers.cfm?abstract_id=311700 (b) Lanne,Markku and Vesala,Timo (2006): "The Effect of a Transaction Tax on Exchange Rate Volatility,/"/ Bank of Finland Research Discussion Paper No. 11/2006 http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1018363 "A Tobin tax will lower market liquidity and hence raise volatility. In other words, it can prove more damaging than the exchange rate stability it is aimed at curing" *Ganesh Raj, Tax Partner, National Leader, Ernst & Young, India, Business Standard, 11th November 2009* **3. Jobs** - overnight, an 0.005% FTT would destroy or jeopardise hundreds of thousands of jobs and businesses, as well as indirect employment and significant tax receipts. For

the intraday specialist who provides liquidity, smooths volatility, continually adjusts price to market conditions, pays taxes and provides jobs, an 0.005% FTT might typically be tantamount to a new 50% tax on profits in advance of and in addition to general taxation, as well as a 50% tax on losses. What might one expect if governments began taxing general business income and capital losses at 50%?! Immediate retardation in economic activity would be inevitable; and the effect on the market would be no different.

"...the [FTT] thesis rests on an assumption that speculators - whether in forex or any other market place - are a bad breed. In fact they are an exceptionally useful lot, working day-in, day-out, risking their own wealth to supply a thing called liquidity" *The Guardian, 30th August 2001*

"The effect of a transaction tax can be extremely damaging...Essentially it's a tax on jobs" *Xavier Rolet, Chief Executive of the London Stock Exchange*

4. **Total lack of efficacy** - intraday market specialists bore no responsibility for the credit crunch and received no government money. Had the credit derivatives which caused the credit crunch been subject to rigorous and continual pricing in the market, the credit crunch would not have happened. The guilty parties were a number of readily identifiable large institutions. An FTT would sanction the cure, not the problem!

   "While the illiquid and low trading frequency credit markets (at the heart of the recent trouble) froze last year, the more liquid equity markets had fewer issues clearing and the highly liquid, rapidly trading Group of Seven government bond and forex markets cleared consistently. So the tax would hit the source of the problem the least and directly diminish the liquidity, therefore increasing the risk, in the markets that did continue to function because these markets have a higher average trading turnover" *David Beddington, Letters Page, Financial Times, 15th December 2009*

   "The solution is clear, and it is not a tax on financial transactions; bring default risk back into the calculations of unsecured creditors and other counterparties of the financial sector. This would eliminate the capital subsidy to the industry. The obvious way to do this is through the creation of a "special resolution regime" as an alternative to bankruptcy for all systemically important financial institutions" *Willem Buiter, Financial Times, 2nd September 2009*

5. **Increased costs** - the cost of the FTT would be passed on to the saver, the investor and the pensioner. The cost increase would be a double whammy - the tax itself plus in addition wider spreads caused by the destruction of liquidity;

   "The [FTT] would merely pass on that cost to the borrower" *Henry Kaufman, Author of The Road to Financial Reformation, Bloomberg Radio & Television, 2nd September 2009*

   "Transaction taxes carry the risk that...it is the ordinary saver who ends up paying" *Richard Saunders, CEO Investment Management Association*

6. **Systemic instability** - Tobin himself realised later in life that his so-called "grit" was more akin to a blood clot. Deliberately injecting a blood clot into the cardiovascular functioning of the global economy is foolhardy. Aside from exerting a particularly untimely deflationary pressure analogous to a modern equivalent of the Smoot-Hawley Act, there is the risk that the shrinkage in capital flows and liquidity could precipitate systemically risky events; for example with the restriction in liquidity, governments may find it harder to house their debt. "[Doubts about the impact and a lack of clarity on key issues] leads us to the clear conclusion that such a tax is not the right instrument. It's not a secure instrument." *Alexander Wiedow, Director, European Commission's Tax Unit, to a European Parliament hearing, 2nd December 2009*

   "In reality, the short-term capital movements that are blamed for market volatility often serve to keep markets functioning and stable. That's the historic role of the 'market specialist', whose socially critical function would be attacked by a Tobin-style tax on short term trades" *The Tobin Tax: A Bad Idea Whose Time Has Passed, IRRP, A.R. Riggs and Tom Velk*

7. **Gordon Brown** - most of the momentum for the FTT has come from Gordon Brown for the sole purpose of domestic grandstanding in advance of the Spring 2010 UK General Election. All the polling suggests that by the time the IMF report is finalised Gordon Brown will have been succeeded as British Prime Minister by David Cameron, who is likely to be wise enough to reject the FTT. In any event, here is Gordon Brown's established view on transaction taxation: in July 2002 his chief economic advisor Ed Balls stated to the House of Lords economic affairs committee that "It's not at all clear that the Tobin tax is stabilising; in fact, it could well be destabilising". Mr Brown directly stated on 14th May 2002 that the tax "has very substantial drawbacks", and again on 10th December 2008 that "it has been found by many people who have looked at it not to be implementable".

8. **Overestimation of Potential Revenue** - the revenue raised would be far less than its proponents claim. It is remarkable that they see no contradiction in using existing transaction volume as a basis for their calculations when their stated aim and the certain effect of such a tax would be to radically deflate economic activity. Intraday liquidity and hedging would be inhibited, tax avoidance would rise considerably and enforcement costs would spiral.

   "A Tobin Tax would probably reduce foreign trade and investment, increase the use of other mechanisms for transferring "value", be an administrative headache for private parties and governments alike, distort the structuring of transactions...and have other unforeseen consequences" *Professor Ethan S. Burger, international scholar and lecturer*

(to the IMF and World Bank amongst others)

"[An FTT] assumes two things - firstly, that everyone in the world applies it in the same way, and secondly that there's no financial innovation. In the first case business will simply flow to the countries that don't apply the tax and in the second case people will just develop new instruments to get around it". *Angela Knight, CEO British Bankers Association, 8th November 2009*

9. The Unsustainability of Consensus - Canadian, Russian and American finance ministers have already voiced their opposition to such a scheme. The east is in the process of liberalising rather than adding fiscal obstruction to its markets; India repealed its Securities Transactions Tax in August 2009. An FTT would retard the breaking down of barriers to global trade and any consensus would last only until any first mover, be it the UAE, Hong Kong or elsewhere, appreciated that it would be able to acquire the lion's share of global financial business merely upon ceasing fiscal obstruction of capital flows. The US and UK economies remain intensely vulnerable at this time and it is important that the IMF support them and not encourage policies that could exacerbate future imbalances between east and west.

"Having lost most of our 'traditional' industries to the East it would be folly to push the one area where we are still dominant in the same direction" *City of London Corporation, 27th September 2009*

10. Crucial Role of the IMF - in the 1930s, politicians under pressure from their electorates delivered ill-conceived populistic legislation which damaged the world economy and deepened the depression. Gordon Brown's damascene conversion to the FTT is the precise modern equivalent. It is imperative that the IMF, which is mandated to take a considered view and which is not subject to immediate pressures, stands up to fulfil the role of defending the global economy from ill-advised initiatives this time round.

"Many of those who support such a tax neither know, nor care, what effects it might have on market efficiency" *Charles Goodhart, EuroIntelligence, 26th November 2009*

"People who look at the financial system and see the massive growth in trading volumes of capital market and risk market instruments and conclude that it is all just speculation run amok, just don't get it. They don't have a good understanding or intuition about how risk is dynamically managed in the economy. They want a Tobin tax to suppress speculation, not realising that they will damage the allocative efficiency of the financial system" *Sam Wyllie, Core Economics, 11th November 2009*

11. Inferior Weapon Against Poverty and Pollution - the FTT is a truly flawed way to raise money for foreign aid or climate change purposes; the concomitant risk of damaging the global economic system is significant. Savers, investors, pensioners and liquidity providers no more cause pollution than anyone else. To remain credible, climate change taxation should be restricted to those sectors (aviation, shipping) which actively pollute and whose behaviour would be affected by targeted taxation. There are an array of far more intelligent proposals which would progress developing world initiatives more effectively and safely than by injecting an 0.005% (250-500% cost increase) Tobin blood clot into the financial system:

"There may be other approaches: some have talked of tax incentives for companies investing in poverty reduction, or building special trust funds with new issues of special drawing rights (SDRs) by the International Monetary Fund" Helmut Reisen, *OECD Development Center, May 2002*

"While emotionally the Tobin Tax is appealing, reducing trade barriers and increasing efforts to combat corruption (eg aggressive investigations and enforcement by regulatory/law enforcement authorities of their countries' obligations arising under the OECD Anti-Bribery Convention as well as the observance of commitments made under the UN Conventions Against Transnational Organized Crime, the UN Convention Against Corruption and other international instruments) are probably better mechanisms for promoting economic development than foreign aid. *Professor Ethan S. Burger, ibid*

12. Inferior, risky and irrelevant to shoring up the financial system - the FTT is an irrelevant, flawed and dangerous distraction from the task of rebuilding the global economy. It would effectively penalise economic activity. Not all market participants would contribute equally. Different types of investors trade at different frequencies; equity market-makers trade more often than traders of collateralised debt obligations or mortgage derivatives. The latter contributed more to the crisis yet the FTT would tax the former more. More relevant and sensible proposals include: examining the separation of commercial and investment banking operations, requiring banks to hold more capital, and the requirement of an appropriate fee to be directly connected with the size of obligations the government is insuring. Transaction taxes, and bankers' bonuses for that matter, are a distraction from the serious business of identifying effective and cogent responses to the credit crisis.

Comment # 24

Focus on taxing derivatives and bank assets through a levy similar to what the Obama Administration has proposed. I feel a transaction tax is ill advised because of the decreases in liquidity and the diversion of capital to markets that have not implemented a punitive tax on transactions.

Comment # 25
Dear Sir of Madam, Hereby I want to inform you, that I would appreciate it very much if an international taxation of the Financial Sector would be implemented. The earned money could not only be used to pay for the damages caused by the financial crisis, but also for co-financing mechanisms, necessary to implement an worldwide eco-social market economy. See also http://www.globalmarshallplan.org/index_en.html Thank you very much for consideration of this statement!
Comment # 26
Hallo, to install the FTT is necessary!

Comment # 27
Dear coordinators of the IMF Consultation on Financial Sector Tax, Thank you for the opportunity to participate in the opinion collection to go into the report on fair and substantial participation of banks in the burden sharing of the bailing-out cost of the financial crisis. Please refer this position to the experts drafting the report. EED requests you to underline in the mentioned IMF report for the next G20 summit the need to introduce a Financial Transaction Tax in to the global financial systems. EED is part of the German campaign "TAX AGAINST POVERTY" (www.steuer-gegen-armut.org). As one of the two Development Organizations of the Protestant Churches in Germany, EED is part of a worldwide network of civil society organizations for development and the fight against poverty. EED shares the conviction with the International Financial Institutions that financial stability is a predominant requirement to ensure good conditions for economic development. In 2009 the role of food price speculation in food scarcity and widespread hunger in the developing world had also become obvious. EED is concerned that despite the heavy toll of the financial crisis in 2008/2009 effective measures to reduce speculation have not been taken. The financial crisis has curtailed the opportunities for income and employment and therefore, impoverished millions of poor people. Yet, if one goes by publicly available figures and reports of global players in the banking business, profits from speculation have increased substantially. Based on the finances made available to private banks and private financial institutions as part of bailing-out support and stimuli programmes from Governments' and Central Bank's, the private financial institutions speculated with food and commodities, raw materials, energy, metals and other resources, real estate, agricultural lands, etc. to achieve maximum profits. They did so while they were actually expected to make the billions available to stimulate economic growth and in particular, for production and trade loans for which there was a shortage of credit. Clearly, the private financial institutions did not see financial stability as their area of concern, despite different statements of financial industry representatives. Now regulation and taxation for their business must be imposed by Government. There is a need to tax the profits of speculation in order to tone down the amount and level of speculative deals in the global markets. Food and commodities must never again go out of reach of the poor, not in high nor in low income countries. A Financial Transaction Tax is a suitable solution to this need. EED is aware the FTT will not solve all the problems connected to the creation of a more stable financial system. Other regulatory steps will be required as well. But suitable taxation could prevent the overheating of e.g. the food markets and thus prevent dramatic increases of the price of food or scarce raw materials. If one extrapolates from a Bloomsberg report dated Nov. 30 2009 (http://www.bloomberg.com/apps/news?pid=20601109&sid=aZxk6z7R4V5I&pos=10) the finances raised through a Financial Transaction Tax could be substantial: With stock and currency markets mobilizing about 900 trillion US Dollar in turnover each year and derivatives another 625 trillion, a tax of 0.01 percent might raise $ 152 billion annually, sufficient to stabilise the global financial system. To raise the transaction tax to 0.025 could provide climate mitigation and adaptation funding for developing countries and approach the development of even the poorest countries in a systematic fashion. Kindly represent this position in the report due to the next G20 summit.

Comment # 28
Bonjour, je suis en adéquation avec l'étude de Pollin, Baker et Schaberg (2002) Ils proposent une grille tarifaire qui vise à maintenir un équilibre approximatif entre les marchés. Pour retrouver une taxe de 0,5 % sur les transactions boursières ils proposent la structure suivante : Obligations : 0,01 % par an jusqu'à échéance Futures : 0,02 % de la valeur théorique de l'actif de référence Options : 0,5 % de la prime payée pour l'option Taux d'intérêt sur Swaps : 0,02 % de la valeur liquidative de chaque année jusqu'à l'expiration de l'accord Transferts de CDS : idem Swaps. Les taxes sur les transactions financières ont été une source de revenus largement utilisé aux Etats-Unis et ailleurs dans le monde. Un ensemble de taxes appliquées aux échanges d'un large éventail d'actifs financiers et ramené au niveau du droit de timbre en bourse du Royaume-Uni pourrait procurer près de 100 milliards de dollars par an aux États-Unis. Une telle taxe améliorerait sans doute l''efficience car elle permettrait de réduire sensiblement les ressources utilisées par le secteur financier, sans réduire son efficacité dans l'allocation des ressources.
Comment # 29
Financial sector (Banking and insurance) Transaction Taxation Law has been applied in Turkey since July 1956. It might be a good example for the taxation of financial industry because It has been used for 54 years in Turkey. **FINANCIAL SECTOR TAXATION – TURKISH CASE** **MOTIVATION:** Since December 2007 the world economy has been trying to get rid of the biggest economic crisis that has been seen since the great depression. For this purpose, the Central Banks all over the world have decreased the interest rates to very low levels, injected abundant liquidity to financial system through quantitative easing and governments have undergone high-spending programs to life in order to support economies and fragile banking systems. Today, signs of recovery in the world economy has begun to be seen. At this stage, governments should start to design the plans to reduce the budget deficit and public debt stock that have increased due to economic packages during crisis. Taxation of financial income is an important issue at this stage also. A well designed tax regime should be simple, understandable and easily applicable to everyone. In this context, I would like to share the Turkish practices of financial sector taxation. 1. **TAXATION OF THE EARNINGS FROM TRANSACTION BETWEEN BANKS AND CUSTOMERS:** BANKING AND INSURANCE TRANSACTION TAX: According to the law, all transactions and services (except financial leasing transactions) produced by banks, bankers and insurance companies are the subject of the tax. There will be the tax upon the money, which they collect under the name of interest, commission fee and income because of the services they produced on behalf of them. Taxpayers are banks, insurance companies and bankers. General tax rate applied for banking and insurance transaction tax is %5. It is decreased to 1% on interest income derived from loans. 2. **GLOBAL TAX IDENTITY NUMBER AND IBAN NUMBER:** Every real and legal person should have a global tax identity number. This tax number has to be used for all transactions. Also, IBAN number has to be used for money transfers. When global tax identity number and IBAN number have been used together, system has become more transparent and an efficient tax system based on these numbers has been developed.
Comment # 30
I am writing on behalf of Confederation of the Christian Unions regarding the IMF's report to the Group of 20 (G20) on how the financial sector could make a fair and substantial contribution toward paying for government bailouts. The cost to our communities of the financial crisis, as well as the bailouts of the financial sector, has been tremendous. As a result, we need a response from the IMF and the G20 that matches the scale of the crisis. We are strongly urging the IMF to include in its report to the G20 an accurate and substantial description of financial transactions taxes FTTs as a feasible and necessary tool, drawing on independent evidence from economists and academics who have examined the feasibility of such taxes, modeling a range of different rates and analyzing the technical feasibility and impact on different markets of unilateral implementation of such taxes.

We look forward to your response to this urgent request.

Comment # 31

Sehr geehrte Damen und Herrn, Ich habe gelesen, dass der IWF einen Konsultationsprozess für die Zivilgesellschaft zur FTT organisiert, bzw. für den Report, den er zum nächsten G20 Gipfel mit Vorschlägen zur Beteiligung der Finanzindustrie an den Kosten der Krise vorlegen soll. Ich freu mich, dass in die Frage um die Finanztransaktionssteuer (FTT) Bewegung kommt und begrüße eine solche Steuer sehr, die für sozial - und bildungspolitische Ziele besonders zur Bekämpfung von Armut und Förderung sozial schwacher Menschen eingesetzt werden soll. mit freundlichen Grüßen

English Translation: Dear Ladies and Gentlemen, I read that the IMF is organizing a consultation for CSOs on the FTT, as input for the report due for the next G20 summit with proposals on how the financial sector can contribute to the costs of the crisis. I am delighted that some momentum is developing on such tax, which I welcome, which can be used to promote social and educational goals, in particular to fight poverty, and to assist socially vulnerable people.

Comment # 32

On behalf of my organisation, Global Policy Forum Europe, based in Bonn, I would like to ask you to give absolute priority to a *Financial Transaction Tax* (FTT) in your report to the G20 in Toronto. The FTT is the best instrument to make the financial sector contribute to pay for the burdens of the crisis they have caused.

Already independently from the crisis it was incomprehensible, that on each slice of bread and each gram of butter a VAT is levied, whereas the trade with huge amounts of financial assets was tax free.

This asymmetry is even less acceptable after a crash which requires trillions of Dollars for bail-outs and stimulus programmes to repair the damage caused by the financial industry. Just like the *polluter pays principle* in environment we now need a *speculator pays principle*.

Given the huge turnovers in the trade with financial assets the FTT would generate considerable revenues even with a low tax rate. According to econometric calculations a tax rate of 0,1% would yield globally 734,8 billion USD a year in a scenario where there would be a medium reduction of transaction volumes resulting from the tax.

Apart from the revenues, the FTT would also contribute to reduce speculation by making a certain amount of deals unprofitable. Shrinking the volume of overliquidity reduces the pressure to generate profits on financial markets and make investment in real economy more attractive.

The FTT takes money from where there is plenty of it. As ordinary people have already to carry heavy burdens of the crisis, it is a matter of basic fairness to introduce the FTT.

Technically the FTT can be levied easily and at very low costs. As almost all trade is settled via electronic platforms a simple electronic tag would automatically transfer the tax to the relevant tax office. Avoidance is extremely unlikely since circumventing the electronic platforms would be more costly than the tax.

Of course, the financial industry is against the tax. But we want you to remind that these people – and their defenders in academia and media - did not understand the system they were running. Otherwise it would not have collapsed. Now, they want to continue with business as. But finance is too important to leave it to people whose incompetence lead to the disaster. We are ready for further discussion with you.

Comment # 33

In favor of Financial Transactions Tax: As an economist, I hope that the IMF will recommend that the G-20 enact Financial Transactions Taxes to calm wasteful and destructive speculation in financial markets and raise funds necessary for stabilizing the financial system, relieving poverty, and addressing climate change.

Financial markets should serve the real economy. But recent events have shown that this sector can be the tail that wags the dog, to the detriment of employment, investment, and well-being. Financial Transactions Taxes, of even relatively modest size, would make progress towards remedying this situation.

Comment # 34

People, Almost every economist knows that unregulated markets work best. Almost every economist is wrong.

Externalities are pervasive, especially when something as important as money is concerned. It is very like a public good, and deserves to be treated as such.

Most economists do recognize that taxes can be used to address the question of externalities. That should also be the case for the financial sector. Why restrict the application

to air pollution when it can work just as well to curb financial pollution?
We need a FTT now!

Comment # 35

A prudential designed financial transaction tax could be beneficial not only as an instrument for raising revenue but also as a measure to curb excesses and frenzy in financial markets and promote long-term investments.
There is considerable support in the academic literature for financial transaction tax, particularly on currency trades. If such taxes are used to prevent over-speeding and various excesses rather than stopping the wheels of international finance and business transactions, financial transactions taxes can be useful policy tools.

Comment # 36

Dear Sirs,
I am an economist and intraday trader. I trade currency pairs. I assist in the process of providing a deep, liquid market where, consequently, the ability to access capital for all market participants is cheaper and quicker. This is to the benefit of society as a whole. I am financially independent and pay taxes.
The latest incarnation of the Tobin tax is spectacularly misleading. 0.005% sounds like a small amount, but the nature of the tax is that it would be levied on transaction size, not profit. I (and typical traders) trade by risking my own capital, used as collateral in partnership with the provider of the bulk of the transaction volume. If I manage my risk properly and trade well, I make a profit. My partner, the provider of the volume, makes his return (the spread) come what may. Together we provide liquidity to the market. If I do not trade well, my and the volume provider's risk management ensures that the only exposure falls upon me. The rules that are in place ensure that even in a volatile market and however the leverage is structured, an unprofitable trade would close long before the running down of the collateral buffer.

A transaction tax would require me to pay a proportion per trade not of my capital but of my partner's capital. This is an economic nonsense; it would be akin to requiring the tenant of one room in a large house to pay property taxes on the whole block; it would be analogous to requiring a middle income earner to pay 0.005% of the income of a billionaire. It is inequitable, and more pressingly, it is unfeasible. The tenant would default on his lease. The landlord would lose his yield. No viable revenue stream would be forthcoming from the middle income earner. I trade technical trends based on Fibonacci, which are mathematical proportions found throughout nature. Where a market is free, fundamentals and price-sensitive news will move price, but if there is a critical mass of diverse professional participants in the market, whether institutional or private, these moves will be counteracted by Fibonacci retracements. Consequently, my career not only assists in the provision of market liquidity but also organically moderates market moves.

Trading is a hard job and the market naturally and quickly filters out those who cannot manage risk competently. Natural selection in the market only breaks down where instruments are opaquely priced. That is not the case with the majority of instruments a transaction tax would affect. A free, liquid and unfettered market is the best defence against what happened in the credit crisis, for it reprices instruments in a timely fashion and prevents unrealised losses from spiralling out of control.
I and a massive swathe of market participants would immediately be put out of business by the 0.005% transaction tax proposed by Sarkozy. It is not a tax on profits. Taxing banks' profits at 0.005% would be nominal. But taxing collateral on the basis of transactional capital creates a magnifying effect. Here are the latest spreads on major currency pairs and the percentage by which a 0.005% transaction tax would increase the cost of providing liquidity to the market: EUR/USD (0.001% spread; transaction tax increases cost by 500%), GBP/USD (0.002% spread; 250% increase in cost); USD/JPY (0.002% spread; also increase of 250%).

If I act on a short-term Fibonacci retracement level and sell USD/JPY shortly after news which has caused the price to rise, then having deducted the 0.002% spread I may make say 8 points (0.008%) if price then returns towards the pre-news level. That is a short-term trade casually reviled by many in the media, but in practice I will have assisted in organically reducing short-term volatility and increasing short-term liquidity through my professional management of and acceptance of risk. If I am subject to a 0.005% tax regardless of whether I make 0.008% or lose 0.008% then my ability to contribute disappears. No revenue would be raised, no such liquidity enhancement or volatility control would materialise. Taken as a collective, this ostensibly small tax would destroy countless jobs, turn productive taxpayers into social security claimants, and make the markets more expensive, more volatile, and less efficient. It is important to underline this point: 0.002% as spread references the transaction volume and not my collateral; in reality the cost to my capital of each trade may be more like 0.05%. If I trade just twice a day, then over 200 trading days the mere privilege of trading will cost me 20% of my capital. With the addition of a 0.005% tax to the 0.002% spread, I would need to make a 70% annual return just to break even.

The result would be the certain elimination of all but the largest players from the market. More volatility, more manipulation and more opaqueness in the price would inevitably result. A transaction tax would be a direct attack on efficient price discovery mechanisms. It would shrink liquidity and diversity of participation. It would make the currency commodity and other markets more, not less, similar to the opaque and mispriced credit derivative markets that caused the crisis.
The solution to the credit crisis is the complete opposite of transaction taxation. It is the development of efficient, liquid price discovery mechanisms for all markets. There is a good reason why James Tobin's idea has been dismissed so many times over the years, and it concerns far more than the logistical impracticability of implementing such a tax.

Proposals which focus on preventing megalithic entities from trading in opaquely priced instruments are the proposals which will effectively reduce the likelihood of a repeat crisis. Transaction taxation would *increase* the likelihood of a repeat crisis. As a response to the credit crisis, which was borne out of inefficient pricing and a contraction in liquidity, whether as part of the celebrity-led drive to increase foreign aid or for climate change purposes, it would be insane to opt for a course which materially attacks liquidity and efficient pricing. Tax bank profits, as appropriate, on the basis of clawback or insurance, but please on no account tax transactions themselves.
I have faith that the IMF contains a sufficient number of individuals who appreciate how deleterious both in principle and practice transaction taxation would be.

Comment # 37

Please find attached a paper (in Italian) regarding the financial transaction tax that we would like to submit to the attention of the IMF as a part of the consultation process.

Summary of the paper: The first part of the paper examines the main advantages of implementing a FTT. Among these, the efficiency in contrasting speculation, the possibility to operate a redistribution of wealth on a global scale and to make the financial institutions pay for a share of the cost of the crisis they're responsible for. The FTT would also help public finances to recover after the enormous bail out plans that significantly impacted national budgets and increased debts.
The second part of the paper responds to the main critiques opposing the FTT. For instance, several positions against the FTT posted on the IMF consultation website insist on the fact that so called speculation is an essential part of the financial markets: the speculators play an important role in order to find the proper price of the financial instruments. The implementation of the FTT would discourage these operations, therefore leading to an increase in price volatility and in markets instability.
It is true that speculation can play a role in the direction indicated, but as J.M. Keynes explained: "Speculators may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a whirlpool of speculation. When the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill-done".
According to the latest available figures, the currency trading is some 70 times bigger than the volume of import-export worldwide. The interest rate securities are a hundred times bigger than investments. The derivatives markets are some 30 times bigger than the total activities of the banks.
This means that the great majority of the financial operations may be defined as "speculative" and are without any link to the real economy. It is really hard to argue in good faith that a 99% of speculation is needed to find the proper price onto the financial markets for the 1% of activities linked to real economy transaction. Even if this was to be true, it would mean that the financial markets are an incredibly inefficient system, and that they anyway need a radical reform.
Another critique published onto the IMF website argues that the FTT would diminish the efficiency of the markets. It is true that the FTT would reduce the overall dimension of the financial markets, as one of its main goals is to limit pure speculative transactions. The transactions linked to productive activities, on the other hand, would barely be impacted. This means that the FTT would allow smaller financial markets to serve just as well, and probably much better, their fundamental role: to facilitate the access to capital for the economic actors. In other words, the financial markets could play the same functions using less resources. This is the economic definition of an increased efficiency, at the exact opposite of what some critiques report. Implementing the FTT would free enormous resources that today have no role at all, except to foster instability and volatility, and that could be used for social and environmental purposes.
Quite in the same way, all the major technical questions and critiques have been solved and clarified. Implementing the FTT is mainly a matter of political will, and the time has

come for the political leaders to show the courage to listen to the need of the vast majority of the population, the workers, the companies operating in the real economy, instead of the voices of the few financial players that despite the crisis, keep on lobbying against its implementation. **Full report here**
Comment # 38
Dear Mr. Strauss-Kahn: We invite your kind attention on the activities of an NGO , functioning in the field of Consumer interests for the last 19 years, with 5 State awards , 2 National awards . We are happy to inform you that we are an NGO having the United Nations Special Consultative Status and we are only in India having the UN Status functioning in the field of Consumer Protection activities. We are also an NGO registered with the Bureau of Indian Standards, Govt. of India. I am writing on behalf of **Consumers Association** regarding the IMFs report to the Group of 20 (G20) on how the financial sector could make a fair and substantial contribution toward paying for government bailouts. The cost to our communities of the financial crisis, as well as the bailouts of the financial sector, has been tremendous. As a result, we need a response from the IMF and the G20 that matches the scale of the crisis. We are strongly urging the IMF to include in its report to the G20 an accurate and substantial description of financial transactions taxes FTTs as a feasible and necessary tool, drawing on independent evidence from economists and academics who have examined the feasibility of such taxes, modeling a range of different rates and analyzing the technical feasibility and impact on different markets of unilateral implementation of such taxes. We look forward to your response to this urgent request.
Comment # 39
Dear Mr. Strauss-Kahn, since the outbreak of the crisis, a number of organizations and countries have pointed to the need for a financial transaction tax (FTT) to both help stem the speculative flow of a broad array of financial instruments and also generate resources for public goods. This alone would not resolve the crisis, of course, but it could play an important role in raising funds to compensate those who ended up paying for the resulting "bail-outs". Unlike a currency transaction tax or a "Tobin tax," which just covers currency transactions, an FTT would have a much broader tax base, covering all kinds of financial assets such as shares, bonds, securities and derivatives, and both domestic and cross-border transactions. Technically the FTT can be levied easily and at very low costs since all stock exchange transactions are captured by electronic platforms. A simple electronic tag would automatically transfer the tax to the tax office. At a tax rate of 0.5 percent, it would also help curb speculative transactions that add little to the real economy. As you are no doubt aware, many politicians have recently voiced their support for taxing financial transactions, among them French President Sarkozy and German Chancellor Merkel. U.S. President Barack Obama has also noted the need for *"a Financial Stability Fee on the financial services industry so Wall Street foots the bill -- not the American taxpayer".* Your predecessor, former Managing Director Horst Köhler, now President of Germany, said at Chancellor Merkel's swearing-in ceremony that the new German government should support an FTT. The U.S. House of Representatives is exploring the idea of an FTT, and European Commission President Barroso and Lord Turner, Chair of the British Financial Services Authority, are also favourable to the idea. We want to add our voices to these calls for financial transactions taxes and to offer our input.
Comment # 40
Unite the Union response to the IMF consultation on a Financial Transaction Tax This response is submitted by Unite the Union. Unite is the UK's largest trade union over 1.5 million members across the private and public sectors. The union's members work in a range of industries including financial services, manufacturing, print, media, construction, transport, local government, education, health and not for profit sectors. Unite is the largest trade union in the finance and legal sector representing some 150,000 workers in all grades and all occupations, not only in the major English and Scottish banks, but also in investment banks, the Bank of England, insurance companies, building societies, finance houses, business services companies solicitors and legal firms. (**click here for the original letter**)

Introduction

1. The introduction of some form of financial transaction tax (FTT) or Tobin Tax has been mooted for many years and while Unite and its predecessor unions within the finance sector were broadly supportive, they never really got down to analyzing the fine detail regarding how it would operate, the impact on jobs and how it would affect those employed in the sector.
2. Unite, as a global union, is now looking again at this issue and while remain broadly supportive of this tax would wish to garner more information on how the introduction of such a tax would impact on workers in the finance sector in the UK. According to the TUC response to this paper, 30-50% of global financial transactions take place in the UK, which it could be argued by some groups, could have huge implications for jobs in the UK were such a tax implemented.
3. Unite nevertheless support the proposals in principle however it would have questions regarding the exact level of the tax and how this would affect jobs in the sector if it was say 0.05% as opposed to 0.5%. It is difficult to determine exactly the number of jobs affected by the implementation of such a tax or the level of increased costs to employers. Nevertheless this argument is used against the introduction of the tax and Unite would not wish to place our members in a position where large scale job losses could result, without a full evaluation of the implications.
4. However there are similarities with the proposed introduction of the National Minimum Wage where employers' organisations argued that the introduction of such a scheme would impact hugely on employers and lead to large scale job losses. This was not borne out in reality and a similar outcome may be the result in the case of the FTT.
5. In light of this Unite would rather see the finite detail sorted out at a later date, than to miss out on the opportunity to change the way the finance sector conducts itself through the introduction of a tax which would provide a huge increase in public funding in the short term, as is suggested in the TUC's response, and through the payment of enormous financial benefits to society in the long term.
6. The introduction of a financial transaction tax would be a justified response to Lord Turner's comments questioning sections of the finance sector as 'socially useful' with traders themselves becoming part of the solution as opposed to being identified as part of the problem.

Comment # 41

Sir, on the IMF Website you are "seeking views from the public on the mat-ter of financial sector taxation as part of a study of the issue requested by the G-20". I am happy to provide information from the German Campaign "Steuer gegen Armut - Transaktionssteuer" (i.e. "Tax against Poverty – Transaction Tax").

The German Campaign started on October 17th 2009 with an Open Letter to the German Government (**click here for English version of open letter**), in which we strongly ask for the introduction of a Financial Transaction Tax as one important element in a comprehensive solution to the present financial crisis. The Open Letter is, as of now, signed by 51 Organisations and 25 Persons. Our Campaign unites Bishops and Bankers (yes, seven banks signed on!), Trade Unionists and Developmental Activists, Attac and Academics and many more. I attach an English translation of this Open Letter to this mail for your information. If you wish more information about the German Campaign and its members please check the website www.steuer-gegen-armut.org
The Open Letter was followed by a Petition to the German parliament, also asking for the introduction of a Financial Transaction Tax. Within three weeks only, the Petition was co-signed electronically and by mail and Fax by more than 50 000 citizens (the final count was 66 192 signatories), thus meeting the requirements needed to obtain a public hearing. Hence: The request for a Financial Transaction Tax is also backed up by popular mandate. The link to the Petition is
https://epetitionen.bundestag.de/index.php?action=petition;sa=details;petition=8236
We do hope that IMF gives the Financial Transaction Tax a thorough consideration and a place in its recommendation. **Click here for original letter to the IMF**

Comment # 42

In view of the ongoing public consultation of the IMF on financial sector taxation, announced at http://www.imf.org/external/np/exr/consult/2009/, please find enclosed the contribution of the Ecosocial Forum Europe for your consideration.
Full ESFE report: Consultation of the IMF on Financial Sector Taxation: Contribution of the Ecosocial Forum Europe

Comment # 43
Increased public poverty as an immediate effect of structural adjustment in the 1980s has greatly contributed to make corruption a widespread and endemic problem in many countries of Africa and beyond. Public officials could not rely any more in job-security; salaries were cut back. Something similar could happen if public poverty would become become endemic as a result of the financial and economic crises. Avoiding by increasing public revenues is therefore of great relevance for the fight against corruption.
Comment # 44
Taxation means the act of laying a tax or of imposing taxes, as on the subjects of a state, by government or on the members of a corporation or company by a properly authorized authority. Taxation can also imply the means by which governments finance their expenditure. Although principally taxation should be neutral in its effects on the different sectors of an economy, governments can also use it to discourage certain economic decisions or conduct in a society. Considerable effort and attention in most developing countries is devoted to policies best suited to the promotion of economic development, where the major focus of these efforts is the search for desirable fiscal policies with considerable stress being placed on the role of taxation as an instrument of economic development. Taxation policy has always been an important instrument for augmenting revenue. This is as true in developing countries as in developed countries, where tax revenue is the major source of domestic revenue. Thus the most important motivation for fiscal policy in most developing countries is the need to raise more revenue.
Comment # 45
Dear Mr. Strauss-Kahn, I am writing on behalf of the AITEC regarding the IMF's report to the Group of 20 (G20) on how the financial sector could make a fair and substantial contribution toward paying for government bailouts. The cost to our communities of the financial crisis, as well as the bailouts of the financial sector, has been tremendous. As a result, we need a response from the IMF and the G20 that matches the scale of the crisis. We are strongly urging the IMF to include in its report to the G20 an accurate and substantial description of financial transactions taxes FTTs as a feasible and necessary tool, drawing on independent evidence from economists and academics who have examined the feasibility of such taxes, modeling a range of different rates and analyzing the technical feasibility and impact on different markets of unilateral implementation of such taxes. We look forward to your response to this urgent request. **Click here for original letter**
Comment # 46
Dear Sir or Madam, Herewith I would like to take the opportunity to provide you with the view of the Austrian government regarding a General Financial Transaction Tax (FTT) how it is discussed in order to consider as to how the financial sector could make a fair and substantial contribution toward consolidating public finances and reducing speculation. Since 2006 Austria has advocated a tax on financial transactions. The intention is to create a truly European tax as own resource for the EU-budget. In its Government Programme for the 24th legislative period 2008-2013, the Government agreed the following text: "In discussions with EU partners and European institutions and in the negotiations to review and revise the EU budget, the Federal Government will vigorously advocate the introduction of a binding financial transaction tax." The developments on financial and commodity markets before and in the current global crisis have prompted the Government to see a tax on financial transactions also as a means to reduce financial speculation and thus stabilize financial and commodity markets. This aim has also been explicitly recognized by the current Government Programme: "In addition, Austria also advocates further instruments to secure the stability of the financial markets, such as the introduction of a speculation tax throughout Europe." The intentions of the Federal Government are fully supported by all political parties represented in Parliament which have also asked the Federal Government to undertake efforts towards an EU-wide but even global implementation of a general financial transaction tax.

The Government has commissioned several studies on financial transaction taxes. Some studies showed that even at a low rate of 0.01 per cent a general financial transaction tax could create significant tax revenues of around 80 bn Euro in Europe, and that speculation would be reduced.

Taxable event: the taxable event shall be the purchase of a financial product. The following products should be taxed: equities, bonds, derivatives.
Tax rate: the tax rate could range between 0.01 % and 0.1%.
The outlined understanding of the Austrian government is mainly based on a research study conducted by the Austrian Institute of Economic Research. Attached please find the English version of this research study for your kind further use. (**click here for full research study**)

Comment # 47

ACTIONAID INTERNATIONAL – SUBMISSION TO IMF ON FINANCIAL SECTOR TAXATION

1. ActionAid International appreciates the IMF's active solicitation of civil society comments on the important study the G20 has requested it conduct on recouping costs of the global financial and economic crisis from the finance sector.
2. As we are aware of processes to agree on joint submissions to this process which are now facing significant time pressure, we respectfully request that the IMF extend the deadline for receiving submissions. Two weeks should suffice to allow any processes now underway to reach full completion without undue haste.
3. We believe that the best solution to the question you are considering is a financial transaction tax (FTT). An FTT would apply to the actors who benefit from the actions taken by governments to alleviate the crisis and to those whose actions contributed to that crisis.
4. We do not have a position (yet) on the percentage that should be charged, but note that a number of studies, including from the Austrian Institute for Economic Research and the Center for Economic & Policy Research, provide solid analysis and suggestions on this. It is possible that different rates might be appropriate in different markets or on different types of financial product.
5. Contrary to the position voiced by some critics, we believe that an FTT could be implemented and enforced with relative ease, given the capacity for centralization of information with today's electronic trading. Several experts with experience in processing trades have said that capturing and automatically deducting taxes from transactions would not be difficult.
6. Experts also believe that the cost of evading an FTT, including foregoing the attractions of the top exchanges, would probably outweigh the amount of the tax, and thus few investors are likely to shift to other markets solely because of an FTT.
7. Insurance schemes that have been proposed to address the question before you are, we find, unlikely to create a "fair and substantial contribution" by the finance sector to defraying the costs of the crisis.
8. We believe that the fairest and most effective and efficient form of FTT would apply to most kinds of financial transactions – with the exception of consumer-oriented ones, such as remittances, labor compensation, etc.
9. The FTT should be implemented by national governments using their existing infrastructure. It would obviously be ideal if all governments agreed to coordinate implementation and enforcement of the FTT from the start. But we do not believe that universal implementation should be a requirement for implementation of an FTT. Not only is this unlikely, but an FTT that covers the few major trading jurisdictions would capture the great majority of trading activity with little risk of avoidance, since investors would likely have to shift both regions and currencies.
10. In addition to repaying the costs incurred by governments on account of the crisis, the FTT could address the ongoing damage done by the crisis to the global economy by raising funds that could be used for purposes such as enabling developing countries to implement stimulus plans.
11. The FTT, if made permanent, could be used to raise badly-needed funds for public goods at both the national and international level. A negotiated percentage of the proceeds could remain in the country of origin with the remainder going to international funds devoted to purposes such as meeting the Millennium Development Goals and climate finance.
12. We hope that the IMF's final report will be informed by research and thinking from a broad range of researchers, including those who have studied and outlined plans for

FTTs. To the extent possible, we also hope it will include consideration of different scenarios for implementing an FTT. Finally, we request that the IMF publish the draft version of the report expected to be completed in April so that civil society and others may offer more input before the report is finalized for the June meeting of G20 leaders.

Comment # 48

Over the years, proposals to tax the trading of financial assets have been suggested by many leading economists. Keynes proposed such a tax on trading of equities, James Tobin on trading in currencies and President Barack Obama's chief economic advisor, Larry Summers, has advocated such a tax in the past. More recently, Nobel Laureate Paul Krugman has raised the issue.

The Chicago Political Economy Group (CPEG) and the Democratic Socialists of America (DSA) strongly endorse the concept of a financial transaction tax (FTT) on the trading of financial assets and urge the IMF and other international bodies to actively work to develop models of an FTT that could be applied by their various member states. **Click here for full document**

Comment # 49

I am writing on behalf of Working Group on Finance and Taxes of Attac-Germany regarding the IMF's report to the Group of 20 (G20) on how the financial sector could make a fair and substantial contribution toward paying for government bailouts. The cost to our communities of the financial crisis, as well as the bailouts of the financial sector, has been tremendous. As a result, we need a response from the IMF and the G20 that matches the scale of the crisis.

We are strongly urging the IMF to include in its report to the G20 an accurate and substantial description of financial transactions taxes FTTs as a feasible and necessary tool, drawing on independent evidence from economists and academics who have examined the feasibility of such taxes, modeling a range of different rates and analyzing the technical feasibility and impact on different markets of unilateral implementation of such taxes.

We look forward to your response to this urgent request.

Comment # 50

The Europeans for financial reform coalition welcomes the IMF consultation on Financial Sector Taxation. Please find attached the response by the Foundation for Europeans Progressive Studies, on behalf of the Europeans for Financial Reform coalition. **Click here for the response**

Europeans for Financial Reform is a coalition of progressive forces, ranging from NGOs to Trade Unions, citizens, academics and progressive politicians, that have come together to spearhead a campaign for real reform in our banking and financial system. The partners of the coalition include: The Global Progressive Forum, CES/ETUC, CIS/ITUC, Solidar, UniGlobalUnion, FEPS, IGMetall, Unite, IUF/UITA/IUL, SOMO, Socialist Mutual Benefit Society, DGB, FGTB/ABVV, CNCD, AK, ÖGB, CEVEA, TUC, UNITE.
www.europeansforfinancialreform.org

We would be delighted to discuss these issues with Mr. Strauss-Kahn in the next months. If you have any question regarding the attached response, please do not hesitate to contact us anytime.

Comment # 51

We don't need a Tobin Tax – we need an Inductance Tax : While the motivation for a financial transaction tax is usually driven by the politics of extracting a greater contribution from the financial sector, the economic case for a Tobin tax rests on whether it would, in fact, stabilise financial markets. The traditional economic arguments for and against such a tax rest on the impact of the tax on market liquidity - in theory if the tax drastically reduced market liquidity it could increase volatility rather than reduce it. However, these arguments often miss the most important point. What matters is not whether the tax reduces normal market volatility by some small margin - but whether such a tax would help to prevent buying manias and selling panics.

How to address spikes in the market - an engineer's solution: Unfortunately, the Tobin Tax fails to address the problem of spikes. Taxing transactions reduces the amplitude of the price time series by a small amount but won't protect against sudden crashes or rises in the market and the resulting manias and panics. The fundamental problem with the 'fat tailed' distributions observed in financial markets lies not with the amplitude of prices over time, but with the frequency distribution - in others words how rapidly prices rise and fall, not just how far.

The existence of spikes in a distribution reflects the presence of high frequency components in the price series. Engineers routinely remove undesired high frequency elements using "low-pass filters" - in their simplest form in electronics these take the form of inductors (tightly wound coils of wire) placed in a circuit. The resistance of the inductor is proportional to the rate of change of the current going through it - when the frequency is changing slowly resistance is minimal and the current passes through but when the frequency is high the current is blocked. A tax with the same property as an electronic inductor would help to prevent spikes.

Higher taxes during panics and manias: An inductance tax would tax transactions based on the rate of change of the aggregate market price. During normal periods sales and purchases would incur virtually no tax but during crashes sales would face heavy penalties as would purchases during booms.
By dramatically reducing the returns associated with selling during panics or buying during manias, one could substantially reduce the spikes. Spahn has already proposed something similar with his argument for a two-tier Tobin Tax. But the inductance tax has the advantage that it would not require the specification of arbitrary thresholds between the lower and upper tier tax rates.

Walk, don't run and please form an orderly queue: Although an inductance tax would be the best solution to the problem of spikes, it would be difficult to persuade market participants to pay a tax the value of which would only be known a short period in advance. Luckily there is a simple analogue to the inductance tax, which is easy to implement and is familiar to us all - queuing. Forcing people who wish to buy or sell an asset to wait in a queue is effectively a tax. The more participants who are attempting to leave (or join) the market at the same time, the longer the queue and therefore the higher the effective tax.
Of course deliberately introducing delay into trades - which, technologically, could be instantaneous - would also not be popular. However, again there is a clear analogy to this in the real world. We are all familiar with the idea that in the event of fire or emergency we should walk, not run, and form an orderly queue to leave the building. Doing so is likely to result in a better chance that everyone survives the emergency. Exactly the same thing is true in finance - forcing investors to form an orderly queue might ensure that all market participants are a little less 'burned'.

Jumping the queue or selling your place: A final twist on the above idea takes into account that some market participants might value exiting or entering a market more highly than others. Thus it would be perfectly feasible to implement the queuing system described above, but allow those queuing to sell their places. This would ensure that that rapid exit or entry is heavily taxed, but allows those who really need to sell immediately to purchase the place in the queue of someone who doesn't mind waiting a little longer. It is also possible, with or without such trades, for people who have joined the queue to drop out. Indeed the whole point of forcing queuing is that people joining the back of the queue during a panic may give up trying to exit and, by doing so, lessen the panic.

Comment # 52

Thank you for providing the possibility to give an input to the financial sector taxation review. Please find attached the contribution on behalf of Koordinierungsstelle der Österr. Bischofskonferenz f. internationale Entwicklung und Mission-KOO to the ongoing public consultation of the IMF on this subject.

KOO supports the joint position laid out in the CIDSE paper: **International taxes on financial transactions: Responding to global challenges - towards a fairer sharing of costs** http://www.cidse.org/Area_of_work/Development_finance/?id=1527. We support the introduction of a general transaction tax levied on financial market transactions on organized exchanges (including stocks, bonds, foreign exchange and derivatives…) at a small rate (rates under discussion range from 0,01-0,5%). It should be limited to transactions between market actors while transactions with customers (e.g. labour market, purchase of goods etc.) would be exempted. Evasion is unlikely when the tax is introduced in a region like Europe or with all major financial markets on board. **Full KOO comments on FST here**

Comment # 53

ONE Submission to the IMF on Financial Sector Taxation: *ONE is a campaign and advocacy organisation with more than 2 million members committed to the fight against extreme poverty and preventable disease, particularly in Africa.*

The impact of the financial crisis has been felt in all corners of the world, including those countries least responsible for the downturn. For example, since the start of the crisis financial flows into sub-Saharan Africa are estimated to be $130bn lower than expected, due to declines in trade, overseas bank lending, foreign direct investment, remittances and portfolio flows. At least ten African countries are expected to report real GDP falls of 5% or more for 2009. As the IMF itself reports "the global financial crisis greatly compounds the policy challenges confronting the region as it strives to consolidate its economic gains and meet the Millennium Development Goals (MDGs)". At the G20 in Pittsburgh there was a clear consensus that the IMF should take the lead on evaluating options for the financial sector to make a "fair and substantial contribution" to paying for the effects of the crisis. As you prepare your recommendations for the June G20 meeting in Canada we ask that you keep in mind the burden to the world's poorest countries and test each option according to the following principles: 1. Any proposal needs to be sustainable and substantial in nature. A short-term measure would fail to provide the predictable and permanent streams of additional finance that are required. 2. At least part of the revenue raised should be used to provide additional finance for global public goods, including further assistance for developing countries to reach the MDGs. The financial crisis is threatening to undermine hard won progress on reducing extreme poverty. Additional resources to prevent this happening, alongside compensation for governments who bailed out their banks, would be a truly fair solution. These principles should be applied universally to all options that you consider during your review. However, we believe that the option most likely to conform to the principles is a levy on financial transactions. Even at very low rates of 0.05% or less, this levy could raise hundreds of billions of dollars annually. Other options such as a reallocation of Special Drawing Rights and reduction in their cost to developing countries, perhaps through use of off-market gold sales, could also be viable to create a fund which pays out over time. While the transaction tax may be the best single option, a package containing a range of measures, with resources raised from each, may also be a way forward. The eyes of the world are once again on the IMF as you prepare your report for the G20. The IMF has helped raise awareness of the costs of the financial crisis to the African continent and we appreciate the pressure you have applied on developed countries to meet their aid commitments and revitalise stalled trade talks. We ask that you carry this good work forward into your report to the G20 and come up with recommendations that can serve both the interests of the governments who bailed out their banks and the fulfilment of the MDGs. **Click here for ONE Campaign original letter**
Comment # 54
On behalf of my organization, a German-wide network of development NGO based in Berlin with nearly 40 years of experience with development cooperation and awareness raising, I would ask you to give absolute priority to a Financial Transaction Tax (FTT) in your report to the G20 in Toronto. We consider that the FTT is the best instrument to make the financial sector contribute to pay for the burdens of the crisis they have caused. After the crash which requires trillions of Dollars for bail-outs and economic stimulus packages to repair the damage caused by the financial industry it is not acceptable to get on with the tax exemption of the trade with enormous amounts of financial assets. Given the enormous turnovers in financial transactions the FTT would generate considerable revenues even with a low tax rate. According to econometric calculations a tax rate of 0,1% would yield globally 734,8 billion USD a year in a scenario where there would be a medium reduction of transaction volumes resulting from the tax. Apart from the revenues, the FTT would make short-term transactions in the derivatives markets more expensive and thus help stabilise exchange rates, raw material prices and share prices and contribute to reduce speculation. Finally a FTT is cheap, easy to collect and would be one of the simplest taxes to be implemented. As almost all trade is settled via electronic platforms a simple electronic tag would automatically transfer the tax to the relevant tax office. Avoidance is very improbably since circumventing the electronic platforms would be more costly than the tax. As

ordinary people have already to carry heavy burdens of the crisis, it is a matter of basic fairness to introduce the FTT and make the financial sector pay his contribution. **Click here for INKOTA original letter**

Comment # 55

NO TOBIN (FINANCIAL TRANSACTIONS) TAX

- On 17 December, 2009, G-20 member and Prime Minister of Australia (Mr K. Rudd), in relation to finance questions during the Copenhagen meeting, stated:
  "In terms of Tobin taxes or aviation taxes, of course, that's not the view of the Australian Government…"
- Prime Minister Rudd's decisive rejection of a Tobin-style tax, obviously pre-determined as inappropriate to Australia's national interests, is an example of well-informed leadership and certainty. Prime Minister Rudd's clarity on this subject is appreciated.
- A Tobin-style transactions tax would constitute unacceptable international interference in sovereign affairs. External governance over present and future tax policies, mechanisms and financial industries is unacceptable. A transactions tax would be tantamount to price control, a contravention of IMF principles.
- Financially well-regulated countries (e.g. Australia) have not mismanaged their economies, have not experienced a recession, and would be highly unwise to sign on to any externally imposed financial controls urged upon the IMF by vociferous foreign leaderships who are looking to have their current political aspirations facilitated by G-20 tax acquiescence, regardless of wider negative longer-term consequences.
- *Self-interest organizations exhibit highly concerning, misinformed over-enthusiasm for a measure that would forcibly (and possibly illegally) devolve sovereign taxation and decision making rights to an outside agency. The consequences of immense transfer of national rights to politically disparate foreign bodies are too hazardous to contemplate.*
- A tax that would trigger widespread business closures, loss of investment streams and/or income-generated tax revenues can not only be avoided, but the IMF has the perfect opportunity early 2010, to avert potential damage by firmly, unequivocally, ending this time consuming uncertainty. Closure will be a good thing for international prosperity, because confidence will be further restored, industry jobs will not be at risk and as banks rebuild and re-employ, as they must be encouraged to do for the greater good whether they are loved or not, the IMF's reputation will be intact. Nothing positive is to be achieved through continual public revilement of banks, and/or associated jobs-generating, income tax producing financial sectors. ***Enough is enough***.
- This tax idea is ill-directed, targeting taxpayer middle-class workers and small businesses who had nothing to do with the financial crisis. The tax has been described as a "revenge" measure, politically motivated, but cloaked in benevolent terms.
- Circumspect commentators and economists of high repute express serious concerns, describing Tobin-style tax as "reckless", "crazy", "globally irresponsible". To some, a transactions tax idea is a misguided attempt to exclude, punish or tax out of existence the most modest investment market participants, resulting in unnecessary damage to millions of honest, hard working taxpaying citizenry (*particularly the rapidly expanding self-funded retiree demographic*). This sector did not engage in irresponsible mortgage lending and borrowing, asks for and receives no public and/or government assistance.
- When revenue-generating workers are demobilised, anticipated tax revenue disappears.
- If the IMF's original concern that some banks may again default is indeed the basis for mention of a Tobin tax, then a bank insurance plan is a fairer, wiser, less divisive and potentially harmless mitigation strategy – for recommendation - not mandatory enforcement.
- A bank insurance measure that does not interfere with international autonomy, does not wrongfully target any one sector, does not damage global financial markets, does not surrender national autonomy, is more likely to succeed.
- From Australia's perspective, there is absolutely nothing to suggest that a potentially divisive global tax would be in the national interests.

Comment # 56

Dear Sir or Madam:
In response to the IMF's call for written comments on the matter of financial sector taxation, please accept this summary of recent research in support of the financial transaction tax (FTT) by Dean Baker, co-director of the Center for Economic and Policy Research in Washington, DC.

The worldwide economic recession has generated renewed interest in a financial transactions tax (FTT). While such a tax will be vigorously opposed by the financial industry, it offers a very attractive mechanism for raising revenue that is arguably efficiency-enhancing. In The Benefits of a Financial Transactions Tax (December 2008), Dr. Baker makes calculations based on 2000 trading volumes which show that a set of scaled transactions taxes, imposed on transfers of stock and other financial assets, could raise more than $100 billion a year, even assuming large reductions in trading volume.
Building upon the December 2008 paper, a year later Dr. Baker and his colleagues at CEPR worked with the Political Economy Research Institute (University of Massachusetts, Amherst) to issue the joint report, The Potential Revenue from Financial Transactions Taxes (December 2009). This report gives an estimate of $177 billion to $354 billion in revenue that could be raised by taxing financial transactions in the United States.
As the FTT has drew more attention and serious consideration in 2009, critics of the FTT developed arguments that the tax is either undesirable or unenforceable, or both. In Dr. Baker's briefing paper, Response to Criticisms of Financial Transactions Taxes (January 2010), he presents a brief response to these criticisms.

We hope the IMF Civil Society Team will read Dr. Baker's research with interest, and that this comment provides productive and helpful input for the IMF's Financial Sector Taxation (FST) review.

Comment # 57

In response to the IMF request for public comment on the matter of financial sector taxation as part of a study of the issue requested by the G-20, the World Hunger Education Service offers the following comments.

1. The need for accumulating financial sector resources to pay for government intervention to repair a nation's banking system is a sound concept. In the US, for example, the protection afforded under the Federal Deposit Insurance Corporation is paid for by the participating financial institutions. This and other precedents establish the norm that financial assistance to the banking sector be, at least, partially funded by that sector.
2. Thus, consideration of some type of "insurance fund" to finance national interventions into the financial sector is a useful approach. Without this type of funding availability, resources for other badly needed requirements such as hunger and poverty reduction programs, would be diverted to banking "bailout" purposes.
3. One source of acquiring resources for such an "insurance fund" might be a Financial Transaction Tax. We urge you to consider this possibility as well as other approaches that will not divert national resources away from urgent humanitarian and development activities.

Thank you for your consideration of these comments.

Comment # 58

As you are conducting a wide-ranging study of the financial sector taxation, I like to provide my personal opinion regarding taxation of financial institutions. In my opinion, "transaction based"-taxes will not be appropriate, because:
1) transaction-based taxing will decrease transactions which will lead globally to less liquidity, while free capital flow is really necessary for a free market economy;
2) taxing financial transactions will not change the moral hazard in the sector;
3) the amount of transactions was not the cause of the global financial crisis.
It would be more fair in my opinion to levy the tax on the position of the financial balances (including off-balance position and SPV's); as well as the attitude of risk-aversion behavior; and give them an overall discount or surplus based on the tier-1 position of that organization.
This tax-method could stimulate the sector to increase its amount of tier-1 assets, reduce its risks; and return the sector to its basic banking tasks. In my opinion, a taxation system should be implemented globally to avoid unfair competitive positions. Please take notice to let polluters and risk-takers to pay the taxes. Please try to avoid that well behaving financial institutions pay for bad behaving (too much risks taking)
competitors.

Comment # 59

WWF International welcomes the opportunity to provide input to the IMF's initial report to the G20 on potential taxation or levy mechanisms that can generate revenue from the financial sector to support activities to ensure the stability and sustainability of the global economy. The G20 and the IMF should act decisively to protect countries, economies and communities vulnerable to disruptions of markets and the global climatic and natural resource base they depend on. Stable and productive markets, economies and societies at all levels require predictable, reliable and adequate sources of revenue for a variety of public purposes, including financing the costs of responding to the financial crises.

Appropriate financial sector taxation mechanisms can also contribute to the stability of the financial markets and limit destabilizing speculation, complementing improved regulations of the financial sector. One instrument that can potentially serve these twin goals of helping to stabilize financial markets by limiting speculation, while generating revenue for essential public purposes, is a financial transaction levy. There is growing recognition of the role of such a levy can play in protecting the world from risks and providing revenue for public benefits. For example, the conclusions of the European Council, from its meeting on December 10-11, 2009, stated the following:
The European Council emphasises the importance of renewing the economic and social contract between financial institutions and the society they serve and of ensuring that the public benefits in good times and is protected from risk. The European Council encourages the IMF to consider the full range of options including insurance fees, resolution funds, contingent capital arrangements and a global financial transaction levy in its review.

We urge the IMF to provide a fair and balanced assessment of the potential of financial transaction taxes or levies, the experience of these kinds of finance sector taxes at the national level, and the potential for broader implementation at the national, regional and global levels.

Thank you for your consideration of this important matter, and we look forward to hearing from you on the results of your initial study.

Comment # 60

Center of Concern, as a member of the CIDSE network, fully endorses **CIDSE's submission**.

In addition to its support to financial transaction taxes, it submits the following consideration: The IMF has been tasked to prepare a report on options countries for the financial sector to "make a fair and substantial contribution toward paying for any burdens associated with government interventions to repair the banking system." In this regard, a number of options have been floated by government officials and analysts, including: contingent capital arrangements, individual or collective resolution funds, insurance fees to reflect systemic risks and global financial levies.

It is important to stress that none of these options, if implemented, will be an insurance against financial crises happening in the future, nor will any of them ensure that governments do not have to rush to provide bailout support, with public finances, to financial firms that are deemed too big, too interconnected, or too vital to the economy, to fail. Neither the first nor the second category of measures mentioned above are capable of fulfilling the purpose that is subject of the IMF inquiry. This is because neither contingent capital arrangements, nor individual or collective insurance resolution funds would imply a transfer to the public sector. The goal of having the financial sector make a contribution towards bailouts would, therefore, not be achieved with these measures.

Some additional considerations, more to do with the efficacy of the measure, militate against the adoption of contingent capital arrangements. This option entails, indeed, great potential for worsening the procyclicality of the markets behavior we have witnessed in financial crises. In a situation of loss of confidence on a bank or other institution that is perceived as vulnerable, the foreseeable run on shares will, by driving share prices down, precipitate a conversion of debt into equity, that would further—and rapidly—erode the confidence of holders of hybrid capital, too. This can only contribute to a spiraling down of prices, and an erosion of Tier 1 capital that the measure intended to protect. The more the contingent capital arrangements are spread throughout the system, the faster that a run on shares of one firm can become a trend-setter for many more to follow.

The establishment of individual or collective resolution funds gives rise to impossible questions in terms of determining the right size of the funds and the size of contributions required from different financial actors. Moreover, there is no guarantee that financial firms would not simply price in their risk-taking the availability of this explicit, self-financed safety net **in addition** (not instead of) the always implicit but reliable safety net that governments will continue to be obliged to provide.

The criteria of ensuring that the financial sector contributes to the costs of the crises leaves us, therefore, with a real contest only between levies or fees that, one form or another, would exact a contribution from the financial sector.

Within the proposals for insurance fees are those that would have the private sector pay a fee –beforehand or ex post facto- for the use of the "bailout services" of the State. This could be tied to the systemic risk posed by the institution – thus the talk of a "systemic risk" fee. While funds perceived through such a fee would accrue to the public coffer, this measures poses, as in the case of the resolution fund, substantial challenges in terms of determining the size of the overall funding being sought and the size of the individual contributions by each firm.

In the same way as the resolution fund, this is a measure that invites more moral hazard. The extent of risk-taking can be priced in as additional –not instead of— the bailout whose necessity cannot be ruled out in an emergency. Additional practical difficulties have to do with the need to determine the "systemically risky" nature of specific institutions. The task is made more difficult as institutions that do not pose systemic risks today could pose it tomorrow, and viceversa. The strong lobbying from the financial sector is likely to ensure that, if anything, pricing and allocations of fees for systemic risk, in a forward-looking way, will have a bias downward, not upward. (In fact, the White House proposal, purportedly intended to recoup costs of a crisis that already happened, and with the consequent advantage of coming after the fact, will not recoup the full costs of the bailout—after tax deductions are included, some $58 billion over a period of 10 years will be recouped.)

We request that these considerations that would effectively prevent contingent capital arrangements, resolution funds and insurance fees from enabling "a fair and substantial contribution" of the financial sector towards the burdens of financial crises, be fully reflected in the IMF study.

Comment # 61

I am writing to explicitly **support the implementation** of a financial sector tax for international financial transactions. Not only since the recent financial crisis it became clear, that particularly speculative businesses internationally contain an immense risk for national economies, their currency and bank systems.
In the last decades national economies got destabilized through speculations about currency and resources. The economy of Island and Ukraine almost collapsed due to those speculations. Resource-speculations lead to starvation in development countries every day.

People behind hedgefonds and banks that are responsible for these transactions are not charged anything in contrary to any other citizen that for instance pays sales tax on each one of his/her transactions and therefore makes an effort to the community. Tobin started the so called tobin-tax to regulate dangerous currency speculations. The basic idea is to make people have to pay taxes to make inconsiderate speculations over billions of dollars stop.
Another positive effect would occur by collecting these taxes supranationally, because the money could be applied usefully to finance the work of international organizations more equitably, such as the United Nations for example. So far the UN is financed by contributions of the countries dependent on the GDP, which possibly leads to tensions regarding the decision-making procedure in international politics.

The International Monetary Fund is of such an importance, because it's most unlikely that only one state would start doing a single effort on it's own. This can be referred to the 'prisoners dilemma' that states, that great disadvantages result for only one state to act the right way if others don't step up and follow. Disadvantages as major decline of prosperity for example.

Comment # 62

I am writing to explicitly support the implementation of a financial sector tax for international financial transactions. Not only since the recent financial crisis it became clear, that particularly speculative businesses internationally contain an immense risk for national economies, their currency and bank systems.

In the last decades national economies got destabilized through speculations about currency and resources. The economy of Island and Ukraine almost collapsed due to those speculations. Resource-speculations lead to starvation in development countries every day.

People behind hedgefonds and banks that are responsible for these transactions are not charged anything in contrary to any other citizen that for instance pays sales tax on each one of his/her transactions and therefore makes an effort to the community.
Tobin started the so called tobin-tax to regulate dangerous currency speculations. The basic idea is to make people have to pay taxes to make inconsiderate speculations over billions of dollars stop.

Another positive effect would occur by collecting these taxes supranationally, because the money could be applied usefully to finance the work of international organizations more equitably, such as the United Nations for example. So far the UN is financed by contributions of the countries dependent on the GDP, which possibly leads to tensions regarding the decision-making procedure in international politics.

The International Monetary Fund is of such an importance, because it's most unlikely that only one state would start doing a single effort on it's own. This can be referred to the 'prisoners dilemma' that states, that great disadvantages result for only one state to act the right way if others don't step up and follow. Disadvantages as major decline of prosperity for example.

Comment # 63

As you know, one of the many problems with a financial transaction tax is the practical unlikelihood of global adoption. This was brought into sharp focus on Tuesday January 26 2010 when Mervyn King, Governor of the Bank of England, said this to the British Treasury Select Committee: 'I don't know anyone on the international circuit who's enthusiastic about it... Of all the measures being considered, the Tobin tax is probably at the bottom of the list'.

In my opinion the Tobin tax is the most dangerous and financially illiterate economic proposal of the last few decades. Every time it has been implemented it has failed to raise the projected revenue and has stunted both liquidity and general economic activity. The only possible explanation for why it has been raised at this time, when it is entirely diversionary from the serious business of responding to the credit crunch, is political. It is a grubby soapbox for banker-bashing from politicians whose only resort is tax tax tax (Gordon Brown) and it is just one of Nicolas Sarkozy's many attempts to destroy free market capitalism. On Monday in the Elysee Palace it is the Tobin tax, on Tuesday it is fixed exchange rates, on Wednesday it will probably be price controls, and who knows what it shall be on Thursday. Sarkozy's lack of good faith in proposing the tax is clear; he cannot even make up his mind what the revenues should be applied to: first it is to address the credit crunch, next it is to reduce climate change, then to provide foreign aid. It is frankly scary to see such conduct from people in positions of power.

I trust the IMF will dismiss the Tobin tax, in all of its incarnations, and that it will stand firm on behalf of the people of the world who reap the benefit of free markets, and most diligently resist all of Nicolas Sarkozy's misadventures.

Comment # 64

Dear Sir/Madam,
I wrote a paper entitled Walking Through the Moral Hazard Minefields **(click here for full paper)** in early 2009, which was included on the agenda of the Institute of Actuaries of Australia's biennial conference. A copy of this paper is enclosed. The paper is to be included on the agenda of the forthcoming International Congress of Actuaries and a whole session is being devoted to this general topic.

The paper draws parallels between moral hazard risks in the insurance industry and those in the financial industry and suggests that products that contain significant moral

hazard risk in the financial sector should be subject to the same fundamental law of “uberrima fide” as they are in the insurance sector.
Note that insurance companies that provided credit default swaps on the CDO type products used CDS’s to avoid the legal consequences of uberrima fide that would have arisen if the so-called guarantees had been provided under insurance law.

By forcing financial firms to take out insurance to cover the risks that they entering into will have the eventual consequence of forcing much of pernicious risk transfer behaviour of the financial sector into the legal framework of the insurance sector. This would be an excellent result. It should apply to all financial risk transference activity where there is the possibility of included moral hazard risk transfers.
My own view, which is shared by many actuaries, is that we have to tackle the moral hazard issues if we want the trading of risky products to be conducted in a way that doesn’t imperil the sovereignty of states or the world economy. My own personal view is that having different solvency rules for players simply based on their size will not be successful (again for moral hazard reasons) or organising countercyclical dynamic solvency regulatory regimes - although the second appeals to those actuaries who derive most of their income from regulatory requirements (moral hazard exists in my profession also).

Comment # 65

The Federation of European Securities Exchanges (FESE) represents the Market Operators of 42 securities exchanges active in equities, bonds, and derivatives in the European Union (EU) and Iceland, Norway and Switzerland. With the present letter, we would like to share our Member Exchanges’ views concerning the IMF preparatory work on a possible new financial sector taxation for the April meeting of the G-20.

In principle, we are supportive of the principle of the financial sector industry shouldering the burden of the financial crisis. However, this should be based on two principles:

- The chosen method should be fair in design and application, with no significant risk of unintended consequences and economic distortions.
- The activities and actors targeted should be those that have the closest link to the origins of the crisis so as to focus the financial burden on those activities that, from a public interest perspective, should be restrained.

In light of these principles, we are convinced that the idea of a financial transaction tax is not the appropriate method for this purpose, given the difficulties of applying such a tax without competitive distortions and somewhat targeted to those at the origins of the crisis.
Full letter here

Comment # 66

Dear Sir, Dear Madam,
Pleased find attached the comments of the Association of German Banks to the IMF-Consultation on the "potential usefulness and impact of various approaches to financial sector taxation". **Click here for full comments**

- The stability of the financial sector and thus the limitation of systemic risk should be ensured first and foremost by appropriate regulation. An additional tax or levy would only be justifiable if regulatory gaps were identified which could not be closed by other means.
- With discussions underway in parallel, such as new supervisory approaches, strengthened resolution frameworks, changes to financial infrastructure to reduce contagion risks and targeted capital, leverage, and liquidity requirements the German banks see a danger of an excessive, cumulative burden on the banking industry.
- The crisis was caused partly by behaviour of market participants, but also by decisions made by public authorities. Solutions have to be sought by both sides, contributions to remedy the cost of the crisis will also have to be considered by both sides.
- The German banks believe that the introduction of a special tax or levy should be preceded by a fundamental discussion of what such taxation is intended to achieve and whether the desired objective could not be met more effectively by means of better regulation.
- If the banks are to be made to bear some of the costs of the crisis, a financial transactions tax would not be a suitable instrument given the incentive to pass on the tax to

market participants

- It is obvious that countries which are home to major financial centres would collect a considerable share of fiscal revenue by a financial transaction tax. It is therefore highly unlikely that any other country would go along with a national approach.
- An FTT would carry the threat of harmful side-effects. Securities quotes arrived at in a system in which a tax is levied on short-term transactions no longer reflect the actual value. Capital would no longer be used optimally from a macroeconomic perspective. The longer-term consequence of an FTT would be less economic growth and lower real wages.
- A levy of the kind being discussed in the US neither tackles the causes of the present financial crisis nor does anything at all to avoid future crises. It is unacceptable that foreign banks will be subject to the fee although they had no access to most of the support measures available in the US.
- Creating an ex-ante financed stability fund may help providing readily available financial resources that could be used for crisis management. Set against this, however, are the incentive problems that a stability fund would create

Comment # 67

Dear Mr. Strauss-Kahn

I am writing on behalf of Tearfund regarding the IMF's report to the Group of 20 (G20) on how the financial sector could make a fair and substantial contribution toward paying for government bailouts. The cost to our communities of the financial crisis, as well as the bailouts of the financial sector, has been tremendous. As a result, we need a response from the IMF and the G20 that matches the scale of the crisis.

We are strongly urging the IMF to include in its report to the G20 an accurate and substantial description of financial transactions taxes (FTTs) as a feasible and necessary tool, drawing on independent evidence from economists and academics who have examined the feasibility of such taxes, modeling a range of different rates and analyzing the technical feasibility and impact on different markets of unilateral implementation of such taxes.

We look forward to your response to this urgent request.

Comment # 68

The British Bankers' Association ('BBA') is the leading association for the UK banking and financial services sector, speaking for 223 banking members from 60 countries on the full range of UK or international banking issues.

The BBA submits the following comments in response to the above call for evidence from the International Monetary Fund ('IMF'). We welcome the opportunity to provide our views at such an early stage in the IMF's policy development process and look forward to reviewing the initial IMF study once it is released later in the year. However, as this request for views has been issued at such an early stage in the policy development process, we have based our comments below on assumptions about the type of model under consideration. Our contribution focuses therefore on:

- the burdens associated with government interventions to repair the banking system;
- increasing the resilience and reducing the risks of the financial system;
- thoughts on various ways the financial sector could help to defray the costs of public sector crisis support; and
- practical impediments to the introduction of a possible tax on financial sector transactions.

In submitting our views, we wish to make absolutely clear that we recognize the responsibility that the banking industry generally has for the situation in which the financial system was placed in recent years. We fully accept that there is a need for the industry and regulatory authorities to work towards reducing the prospect and potential scale of future government intervention in the banking system. But we do believe that this should be done on the basis of a proper understanding of the causes of the crisis, the basis of the interventions undertaken and the impact that remedial measures – particularly in the key areas of capital and liquidity – will have on the availability of credit and the transmission to the wider economy. **Access to full letter here**

Comment # 69
With reference to the call for external views on the potential usefulness and impact of various approaches to financial sector taxation, Health Unlimited would like to make the following contribution. Health Unlimited is an international development NGO, headquartered in the UK and with programmes in over a dozen countries in Africa, Latin America and Asia. Many of these countries have been significantly hurt by the global economic downturn which followed the financial crisis. We believe that the international community should impose a Financial Transactions Tax on the banking sector. Not only would this recoup the costs of the bank bail-outs, it would also mobilise significant revenue to counter the wider costs of the economic crisis that followed the banking sector near-collapse. An insurance style levy would not raise anything like as much revenue. G7 countries are facing a gaping budget deficit that threatens commitments for example to end child poverty, fuel poverty, safeguard jobs and front line services. Internationally, governments have committed to the Millennium Development Goals, which range from halving extreme poverty, to providing universal primary education and reducing hunger and disease, by 2015. Even if rich countries stick to their commitment to provide 0.7% of national income as aid, there will be a huge shortfall in what is needed to meet these promises. Moreover, following failure to reach binding agreements in Copenhagen, new and additional finance is urgently needed if countries are to be able to restructure their economies to respond to a low-carbon world and adapt to the inevitable impacts of climate change. Meanwhile the financial sector has exploded in the last two decades, becoming further divorced from real growth, production and job creation. The ‘casino economy’ is now 56 times bigger than global economic production. The financial crisis of the past two years has caused widespread economic crisis while governments have been forced to bail out the banks to prevent the whole system from collapsing. Yet already banks are returning to ‘business as usual’ with huge profits and record bonuses. The FTT is the only solution on the table that can significantly address the major financing challenges we face while renewing the social contract between banks and society. We hope the IMF will seriously consider the FTT and propose it as one of the options that the G20 should investigate further.
Comment # 70
I am writing to you in my capacity as Chairman of the International Council of Securities Associations (ICSA), which is the global forum bringing together trade associations and self-regulatory organizations for the securities industry. I would like to note from the outset that ICSA members are supportive of the objectives of the IMF’s study evaluating various ways to fund the financial sector support that would be required in a financial crisis. We are particularly supportive of your commitment to include in the evaluation the need to bolster systemic efficiency and effectiveness, “…including by removing existing distortions and avoiding the introduction of new ones.” These are among the important benchmarks against which all of the proposals should be assessed. As a global organization dedicated to encouraging the sound growth of the international capital market, ICSA is generally opposed to any policy measures that would reduce liquidity and efficiency in the global capital market. We are concerned that some of the policy proposals made in response to the global financial crisis, such as those that would impose a tax on financial transactions, could have the effect of reducing liquidity and the economic efficiency of markets. This would generate substantial costs that would ultimately be borne by businesses and consumers, who rely on the financial markets to invest, raise finance and manage risk, and would therefore adversely impact economic growth. For that reason, we believe that the IMF’s study can make an important contribution to the current policy debate by evaluating both the costs and benefits of the various policy proposals. We also hope that the report will provide an assessment of the aggregate impact on the global economy of the various regulatory and legislative reforms that have been introduced in response to the global financial crisis combined with the tax proposals that are under review. We look forward to reviewing the results of your study as soon as it is released. **For original letter click here**

Comment # 71
Thank you for the opportunity to provide comments on the potential usefulness and impact of various approaches to financial sector taxation. Please find enclosed a letter by the European Insurance and Reinsurance Federation, the CEA, with our initial comments for your consideration in the forthcoming IMF study on this topic. We would be pleased to provide you with any additional information you may require or to answer any questions you may have. The strength and impact of the measures taken by world leaders in response to the global economic crisis and the coordination of activities at G20 level has been unprecedented. The CEA, the European insurance and reinsurance federation, is closely following the G20 process, as cooperation will be essential to ensure that consistent measures are taken across the globe, to avoid regulatory fragmentation and to reduce market distortions and opportunities for regulatory arbitrage. We have noted the G20 leaders' request that the IMF prepare a report "with regard to the range of options countries have adopted or are considering as to how the financial sector could make a fair and substantial contribution toward paying for any burdens associated with government interventions to repair the banking system". In response to this request, we understand that the IMF is seeking stakeholders' views by 1 February 2010 on the potential usefulness and impact of various approaches to financial sector taxation to consider in their study. In considering the case for a "Financial Service Tax" and in analyzing the different options countries have adopted or are considering, we would like to encourage the IMF to take the following points into account: **Full CEA letter here**

Comment # 72
I am writing on behalf of The Norwegian Forum for Environment and Development regarding the IMF's report to the Group of 20 (G20) on how the financial sector could make a fair and substantial contribution toward paying for government bailouts. The cost to our communities of the financial crisis, as well as the bailouts of the financial sector, has been tremendous. As a result, we need a response from the IMF and the G20 that matches the scale of the crisis. We are strongly urging the IMF to include in its report to the G20 an accurate and substantial description of financial transactions taxes FTTs as a feasible and necessary tool, drawing on independent evidence from economists and academics who have examined the feasibility of such taxes, modeling a range of different rates and analyzing the technical feasibility and impact on different markets of unilateral implementation of such taxes. We look forward to your response to this urgent request. **For original letter click here**

Comment # 73
In reference to your correspondence on "Financial Sector Taxation", I have no new solutions but I would like for you to not to skip over too quickly the proposal of a [modular] securities transaction tax (STT) on [liquid] OTC [equity] derivatives; also, because a STT could be introduced as a part of a wider design. I think that there are three rationales that can justify a STT, one builds on the room left open by economic literature, the second on the current developments in competition among trading venues, and the last on the crisis. **Full comment click here**

Comment # 74
We, the undersigned civil society organizations are writing to you in response to the IMF's request for views on the potential usefulness and impact of various approaches to financial sector taxation. We believe that financial transactions taxes (FTTs) are an urgently needed tool for ensuring that the financial sector pays for the costs of government bailouts of their industry. FTTs can also help raise crucial additional funding for a range of priorities such as reducing budget deficits, contributing to economic stimulus, and paying for global public goods such as health care, education, and mitigating the impact of climate change. FTTs could also help rein in speculation in the financial industry that led to the economic crisis. **For full letter click here**

Comment # 75
Please accept the attached comments on behalf of the Organization for International Investment (OFII). **Complete comments here**

Comment # 76
I would like to express my strong favour for a financial transaction tax. It is a way both to generate urgently needed money AND and to improve our economy. I only would like to say more on the second point as, in the past, there have been many economists who opposed such a tax. The financial sector in general and the financial innovations particularly always promised to create a more stable economy. The crisis has proven this to be wrong. The innovations created not only higher risks but also more intransparent. It is now obvious that not every innovation and not every higher liquidity in the financial markets are of advantage for economy as a whole. This is why a financial transaction tax is utterly necessary. It would shrink the markets, more concretely their excess liquidity. It would help to reestablish a reasonable relation between the financial sector and the rest of the economy. Of course, the tax would not change the situation completely. But it would contribute to a better way of shaping our economy.

Comment # 77
I am writing on behalf of Americans for Financial Reform regarding the IMF's report to the Group of 20 (G20) on how the financial sector could make a fair and substantial contribution toward paying for government bailouts. The cost to our communities of the financial crisis, as well as the bailouts of the financial sector, has been tremendous. As a result, we need a response from the IMF and the G20 that matches the scale of the crisis. We are strongly urging the IMF to include in its report to the G20 an accurate and substantial description of financial transactions taxes FTTs as a feasible and necessary tool, drawing on independent evidence from economists and academics who have examined the feasibility of such taxes, modeling a range of different rates and analyzing the technical feasibility and impact on different markets of unilateral implementation of such taxes. We look forward to your response to this urgent request.

Comment # 78
We propose a *leverage money tax (not a transaction-tax !, a tax on financial products!)*, a levy on any kind of emitted debt obligation or credit granted. It should be devised as a duty on all certified securities (including shares) and all contracts having the character of a credit (all liabilities). Such a tax would be demanded from those who burden the community by increasing the risk of inflation and instability. A leverage money tax could be devised to be inversely proportional to the weight of risk of the credits granted (= money creation). All those who need to pay higher interest rates for credits anyhow – i.e. especially small and medium sized businesses and private households – would thus be unburdened, while those who profit most in the financial markets would be burdened. The tax could be levied via security settlement systems (management of securities in depositories), via global custodians and other custody service providers. When all liabilites are included – which, at the end of the day, are summarized on the passive side of the balance sheet – the tax can also be registered and managed in the context of the tax return. Details will depend especially on the way in which an obligation for registering emissions – and such like – can be implemented. **More here** (extract of the book: **Global Financial System in Balance: Crisis as opportunity for a sustainable future)**

Comment # 79
Oxfam strongly urges the IMF to recommend an FTT to the G20. Oxfam believes the evidence in favour of an FTT is comprehensive and persuasive. We call on Dominique Strauss-Kahn, as managing director of the IMF, to recommend the FTT as one clear, achievable option for the G20 to discuss in April. The FTT is the only option that could raise sufficient resources to compensate for the huge human cost of the financial crisis, and additionally contribute to mitigating the costs of the climate crisis for the poorest nations,

while at the same time contributing to other vital policy objectives such increasing market stability.
Full OXFAM comment here

Comment # 80

Some Thoughts on Bank Insurance in Lieu Of Bank Tax for Global Banking: The point of Taxing banks and financial institutions is to **deter** the behavior of persons and institutions that hold a philosophy that there should be no limit to making money and that money, however it is made is good.

To allow money changer and the sort to insure against their own indiscretions is like asking the Fox to Guard the hen house. We all know that this is non-sense, because it is not in the nature of the Fox to Guard the hen house, but to eat the hens. Measures that carry a penalty are in order, and a **Tax** is the right one for what has happened to the Global Economy. Asking the banks and financial houses to give up money, up front each year is the only way to teach them not to have bad behavior because, you must take from them the very thing that motivates the bad behavior. Insurance will only provide a situation like that of **AIG,** when the debts come due there is no money. We must set up a **"Real Money Treasury"** that holds money to be used in situations like that of the **Icesave** debacle.

Although, **Icesave** was ill conceived and misrepresented, it is a case in point for **Tax.** World populations cannot be asked to support the transgression of the few who used client and savers money and lost it and then had to be bailed out to make up for their greed and to keep them, the same people in their places, this is **Hypocrisy** of the highest order, while millions go hungry. Especially, when they, the banks and other financial groups are being paid handsomely to keep peoples money safe.

The problem that **insurance** brings is that, there will be **no real money** in the **Till** for immediate disbursement and long evaluations would need to be taken before anything could b done to save or rectify a bad situation. The Tax should be universal for all who are in financial transactions, money holding and fund management. This way no one can say that th **is unfair**, they all must pay. The rules for disbursement should be clear. When a situation happens the money is immediately disbursed to save the system and the perpetrators are brought down and taken out of the system. If banks and other money groups are not put under pressure to behave they are not going to do so.

We must ask ourselves why, a judge fines people for breaking the law, the answer is, to stop them from doing so. The answer to bad behavior is punishment, not waivers because may be embarrassed. Those that are, should do something else with their time. The money game is not for them and they should leave it to well meaning people. The World is too small now for money wheeling and dealing on the **Back-Hand-Side**. There are too many people who are at risk, for banks and financial groups to play **Mickey Mouse Money Game** therefore, this behavior must stop. If the banks and other money changers do not want to be **Taxed** they should move on to something like farming and have a real job. There is a need now in the World for Food.

Comment # 81

Attached please find two papers by Robert Pollin in response to your call for consultation on financial sector taxation. Please let me know if you have any questions, or if you would prefer the documents in a different format.
Working Paper (October 2002): This paper examines the viability of security transaction excise taxes (STETs) as one policy tool for promoting a more stable financial environment, specifically with respect to the U.S. economy. Contrary to a large recent critical literature, we show that a STET can be designed without creating large distortions between segments of the financial market. We also show that a modest STET for the U.S.—beginning with a 0.5 percent tax on equity trades and scaled appropriately for other financial instruments—would generate substantial new government revenues, on the order of $100 billion per year. **For complete paper here**

Brief Policy (November 2009): As we dig our way out of the 2008-09 economic disaster created by casino capitalism, one idea for bring-ing some measure of control over speculative financial practices that is gaining worldwide support is to impose a tax on financial market transactions. In its basics, the idea of a financial market transaction tax is very simple. It would mean that financial market traders would pay a small fee to the government every time they purchased any financial market instrument, including all stock, bond, options, futures, and swap trades. This would be the equivalent of sales taxes that Americans have long paid every time they buy an automobile, shirt, baseball glove, airline ticket or pack of chewing gum, eat at a restaurant or have their hair cut. The financial market transaction tax would also be equivalent to the taxes that are already incorporated in the price of state lottery tickets. Casino owners in Las Vegas, Atlantic City and elsewhere also already pay high tax rates for the privilege of operating their establishments. The financial transaction tax can be used to address two distinct but equally important concerns. First, the tax would discourage financial market speculation simply because it raises the costs—and thus reduces the profit opportunities—for speculators. But assuming the tax rate is not set high enough to shut down financial market trading altogether, the tax could also be a large new source of tax revenues. The tax rates could be also be adjusted depending on whether the primary aim was either to shrink speculative market trading, to raise revenues, or to hit a sweet spot that achieves both aims to some meaningful degree. **For complete paper here**

Comment # 83

I attach a joint submission by the Trade Union Congress, Tax Justice Network, Christian Aid, Task Force on Financial Integrity and Economic Development and Tax Research UK to your above consultation. We would be pleased to discuss the submission with you and will also be pleased to answer any questions you might have. Permission to reproduce the submission on your web site is granted.

Full submission here

Comment # 84

Please find attached some observations on feasibility, market impact, and incidence of a financial transaction tax. These notes are based on a presentation I made at a civil society meeting with the IMF on 28 January 2010. My co-presenters were Stephan Schulmeister and Bruno Jetin.

Full comments here

Comment # 85

Jubilee Australia supports a tax on financial transactions for the following reasons:

(1) An appropriately designed FTT could make markets more stable and reduce the risk of further financial crises by helping to curb the excessive liquidity and volatility of prices in financial markets, both of which have helped caused the instability seen in markets since the late 1990s.

(2) The tax could raise revenue from the financial sector to see it help to share the financial burdens resulting from government interventions to shore up the global financial system. The revenue could also be used for other necessary global public goods.

Here full Jubilee Australia's Submission to the IMF.

Comment # 86

Die vielen vergangenen Strukturanpassungsprogramme des IWF für die 3.Welt haben unendlich viel Elend zu verantworten - wie Sie sicher auch ohne Jean Ziegler wissen - sollten Sie sich jetzt nicht auch zu einem effizienten krisenvermeidenden "Strukturanpasssungsprogramm" für die Börsianer entschließen, werden Sie vor der Weltgeschichte als Katastrophe dastehen!

(pending translation)

Comment # 87

A financial transaction tax is very important for the economy justice in the world. **Please support an international or national financial transaction tax!!!**

A financial transaction tax could be a **input control of financial transactions**. It could generate prosperous live inside the economic market. Please do not look only at the economic market. Please look at the whole anthroposphere. So, please **keep an eye on the input of our anthroposphere** (see annex).

With an **input tax of raw materials** like the "Earth Cent" **renewable energy or resources and recycling will be advantaged, technical innovations will be boosted, economic growth will be decoupled from environmental impact** etc. The (e.g. with only one cent per unit and 1 USD per energy unit) **"Earth Cent" income** (e.g. 9.5 bn USD per year) can

finance green technology and/or adaption of the climate change and/or the UN Millennium Developement Goals.
Moreover the "Earth Cent" income can **substitute the UN rates** of the UN members. Herewith the "Earth Cent" **use a established global financing system** and have not to create a new financing system. **All together, real economic and ecological justice will be realised.**
Please support the "Earth Cent" or **please retell about such a global input tax proposal.**

Comment # 88

Sehr geehrte Damen und Herren,
aufrechte Demokraten dürfen nicht zulassen dass unsere Gesellschaft auseinander driftet und sich in arm und reich spaltet. Eine gerechte Steuerleistung ist die Basis einer solchen Entwicklung Einhalt zu gebieten. Den Geiz und die Gier können wir nicht abschaffen, die Politik muß aber über kluge Steuerungsmodelle die großen Ungerechtigkeiten ausgleichen.
Gelingt ihr das nicht, werden unsere Gesellschaften über den sozialen Sprengstoff, der sich schon gebildet hat, zerrissen werden.
Daher: Rasch handeln. Es ist höchste Zeit für mehr Gerechtigkeit und die Kapitaltransfersteuer ist gerecht.
(pending translation)

Comment # 89

Als Ex-Banker ich begrüße Ihre Initiative, für die Finanztransaktionen eine Art „Umsatzsteuer“ für (spekulative) Kapital-Transaktionen einführen zu wollen. Diese Steuer soll buchstäblich das Verhalten der Banker „steuern“ hin zu mehr Sicherheit – insbes. für die Verbraucher und Steuerzahler als unfreiwillige „Bürgen“, wenn die Risiken, wie in den letzten 2 Jahren erlebt, jegliches begreifbare Maß überschritten haben. Diese spekulativen Transaktionen haben ein Ausmaß erreicht, dass nach meiner Kenntnis das **50 bis 200-Fache** der Geldtransaktionen der weltweiten Realwirtschaft (Güter und Dienstleistungen) ausmacht. Sie sollte auch die Spekulationen an den Waren-Termin-Börsen erfassen, die zu überhöhten Preisen auf dem Weltmarkt führen (Erdöl, Energie, Weizen, Stahl u.a.)
Die Ausgestaltung und Höhe sollte sich zum Einen nach den Risiko-Potential (wie eine Art Versicherung) richten und einen Sicherungsfonds speisen und zum anderen nach dem Bedarf für öko-soziale Ausgleichs-Maßnahmen insbesondere in der 3. Welt (Grundbedürfnisse auf Ernährung, Bildung, Wasser, Gesundheit, Wohnen, Umweltschutz, Infrastruktur, Einkommen/Existenzbasis etc.). All das sollte als Hilfe zur Selbsthilfe verstanden sein, um – später – den Betroffenen mehr Selbständigkeit und –Verantwortung zu ermöglichen. Auch diese Summen sollten in ein Fonds, der z.B. der UN, der Weltbank u/o dem IWF angegliedert ist.
Es wird höchste Zeit, dass der Umverteilung von „Unten nach Oben“ Einhalt geboten wird! Weltweit sind nur 10% „Netto-Zinsempfänger“, die von 80% „Netto-Zinszahlern“ alimentiert werden. Das ist ein sozialer Skandal!
Dazu rege ich an, dass endlich das aktuelle Tabu-Thema „Geld- und Währungs-System“ in Frage gestellt und geändert wird: Denkbar ist die Einführung einer Umlaufsicherung des Geldes, das für Zahlungszwecke dient. Dies könnte in Form einer „Geldhaltegebühr“ auf Bar- und Giral-Geld erfolgen, das dem Umlauf entzogen wird. Das könnte mittel- bis langfristig nachfolgende Vorteile bringen:

- Geld würde (wieder) ein neutrales Tauschmittel für ALLE
- Inflation und Deflationen werden überwunden
- Die Zinsen sinken auf die „Risiko-Prämie“
- Angebot und Nachfragen kommen ins Gleichgewicht
- Der Wirtschaftkreislauf wird belebt durch höhere Umlaufgeschwindigkeit des Geldes
- Vorbeugung für Arbeitslosigkeit und Rezession
- Bisher vernachlässigte langfristig wirkende Öko-Investitionen werden rentabel
- Das horrende Überwachstum der Geldvermögen wird gebremst
- Die Wirtschaft und die Staaten werden vom Wachstums- und Verschuldungs-Druck befreit
- Die hohen Zinslasten sinken entsprechend

- Spekulative Einkommen werden reduziert und schließlich
- wird die Umverteilung von Unten nach Oben abgebaut.

Kurz: Eine solche Liquiditätsabgabe führt zu einer stabilen Wirtschaft und Gesellschaft! Ich freue mich auf Ihre Erfolge und ein Feedback

(pending translation)

Comment # 90

Sehr geehrte DAmen und Herren,

ich bin schon seit Jahren der Meinung, dass eine - wenn auch geringe - Finanztransaktionssteuer die Finanzmärkte etwas beruhigen würde. Damit würde das dringend benötigte Geld für die armen Länder und deren selbständige Entwicklung frei werden. Außerdem ist eine solche Steuer leicht und ohne großen Verwaltungsaufwand zu erheben.

(pending translation)

Comment # 91

Dear Mr. Strauss-Kahn:

In response to the IMF's solicitation of comments on the potential usefulness and impact of various approaches to financial sector taxation in relation to the study requested by the G-20, we, the members of the APEC Business Advisory Council (ABAC), are pleased to convey to you our views on this matter.

We believe that imposition of a global tax is an inappropriate response and a further burden to industries, especially small and medium enterprises, and consumers in the wake of the global financial crisis. We also believe that the proposals under consideration would be harmful for a range of additional reasons, including the practical challenges of implementing any such tax. Further we express additional specific concerns including the following:

- Key to the APEC agenda is reduction of transaction costs. The proposal is directly counterproductive to this goal.
- It would have a very significant negative impact on real economic recovery, as these additional costs are likely to further reduce financing of business activities at a time when markets remain fragile and prospects for the global economy are still uncertain.
- Industries and consumers as a whole would be unfairly penalized.
- It would further weaken financial markets and reduce the liquidity, particularly in the case of illiquid assets.
- Effective implementation would be virtually impossible, especially as opportunities for cross-border arbitrage arise from decisions of certain jurisdictions not to adopt the tax or to exempt particular activities.
- There is no global consensus why a tax is needed and what the revenue would be used for, and therefore no understanding how much is needed. Any consequential tax would need to be supported by clear consensus for its application.

We do hope that the IMF and G-20 will take these views into consideration. We will greatly appreciate continued efforts taken by the IMF and G-20 governments to maintain close consultation and dialogue with the private sector in the formulation and implementation of measures to strengthen financial systems and promote global economic recovery. **Original letter here**

Comment # 92

The Parameters of a Financial Transaction Tax and the OECD Global Public Good Resource Gap, 2010 – 2020

A **Trade Union Advisory Committee (TUAC)** policy paper on the value and parameters of a Financial Transaction Tax (FTT) in the context of enormous OECD country public resource gaps created by the financial crisis and significant government commitments for financing development and climate change mitigation and adaptation measures.

This paper examines the value and parameters of a Financial Transaction Tax (FTT) in the context of enormous OECD country public resource gaps created by the financial crisis, on the one hand, and significant government commitments for financing development and climate change mitigation and adaptation measures on the other.

As a result of the global crisis, including the bailing out of the banking sector, OECD government deficits have reached unprecedented levels.
For the OECD, the size of fiscal consolidation projected at $300-370bn per year over the coming years will place severe budget constraints on governments. Working families risk paying twice for the crisis: first through rising unemployment and falling incomes and then, as a result of cuts in public expenditure, through reduced access to social services and the corresponding rise in inequality. The OECD fiscal consolidation programme would put post-war welfare systems and social cohesion at risk. And yet these same governments have still to deliver on their commitments to finance global public goods, including raising Official Development Assistance to 0.7% of Gross National Income and climate change adaptation and mitigation measures for developing countries. The global public good resource gap that would emerge would be in the range of $324-336bn per year between 2012 and 2017 ($156bn for climate change, $168-180bn for ODA). These figures could change should the global economy move to self-sustaining recovery and growth rates and hence tax receipts rise. Nonetheless, at least part of the new public policy coming out of the crisis should be grounded on a revision of tax policy. The criteria for tax policy must be social justice, economic value and political acceptability. On all these grounds an FTT would make sense.
The economic justification for an FTT starts with the acknowledgement of the harmful effects of short-term speculation producing strong and persistent deviations of asset prices from their theoretical equilibrium levels. Such "overshooting" in prices lead to speculative bubbles over the long run. A measured and controlled increase in transaction costs implied by an FTT would slow down trading activities so as to align capital flows with economic fundamentals and the real economy , while freeing up new sources of financing for global public goods. Since the original proposal by James Tobin, the idea of an FTT has been developed in many different ways both by economists and civil society groups, which have a strong focus on financing for development. Today, the issue is back on the agenda with the current global crisis and the G20 process in particular. Unlike in the pre-crisis literature, it has now gained considerable traction, both as a financial stability instrument and as a solution for financing for development.
For full paper submitted by the TUAC click here

Comment # 93

I am writing on behalf of **Central Única dos Trabalhadores – CUT Brasil** regarding the IMF´s report to the Group of 20 (G20) on how the financial sector could make a fair and substantial contribution toward paying for government bailouts. The cost of the financial crisis to our communities, as well as the bailouts of the financial sector, has been tremendous. As a result, we need a response from the IMF and the G20 that matches the scale of the crisis.
We are strongly urging the IMF to include in its report to the G20 an accurate and substantial description of financial transactions taxes FTTs as a feasible and necessary tool, drawing on independent evidence from economists and academics who have examined the feasibility of such taxes, modeling a range of different rates and analyzing the technical feasibility and impact on different markets of unilateral implementation of such taxes.
We look forward to your response to this urgent request.
Sincerely, **Central Única dos Trabalhados – CUT Brasil**

Comment # 94

The financial crises revealed the deficiencies of the financial system. A huge number of symptoms of this crisis were mentioned and published, however, hardly the reason for the crises. The main reason for the crisis is the **exponential** growing financial asset worldwide. The economy is growing **linear** at most. So the biggest part of the money is no longer invested in the economy but in speculation. The result is that worldwide only a few percent of the money is used for the turnover of goods and more than 90 % are used for speculation. This fact aggravates the financial crises. In order to reduce the speculation it is unconditionally necessary to introduce a "**Financial Transaction Tax**".
It should be started at a low level, e.g. with 0.01%, and it should be increased stepwise. The money collected by this tax is urgently needed in order to achieve the "**Millennium Development Goals**". So I strongly recommend that you should support to introduce this tax.

OTHER RELATED QUESTIONS

	QUESTION
Q1	The IMF has issued a call for views on Financial Sector Taxation. Is there any document supporting this consultation?
Q2	Will comments be treated confidentially if requested?
Q3	I just read your call for comment on a Financial Sector Tax and note that you write that "comments will be available on the IMF website after January 1 in order to stimulate debate on the issue." Could you please send me the link to the page where these have or will be published? I'd love to keep on top of the debate.
Q4	We note you will publish comments on the IMF website regarding the subject of IMF financial sector taxation inquiry. Can you please advise how the IMF intends to protect the privacy of contributors? Emailed comments on financial matters may cause troubling security problems if names and contact details of contributors are to be internet-published by the IMF. If emailed contributions are clearly marked <u>CONFIDENTIAL</u>, can content be published, but without personal details, in order to guarantee security.