

Time is ripe for a Financial Transaction Tax (FTT)

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Outline:

Financial Transaction Tax Anything new since the last decade ?

Situation on financial markets 2007

- a) New **proposals** and **studies**
- b) New **public** and **government support**
- c) New initiatives at **UN** and **G20-IMF**
- d) New momentum for **CSO activities**
- e) Some **dates** for the next 6 months
- f) New **literature**

Situation in 2007

total turnover on main financial markets:

70 x World GDP

World GDP (2007) = US\$ 65.6 trillion

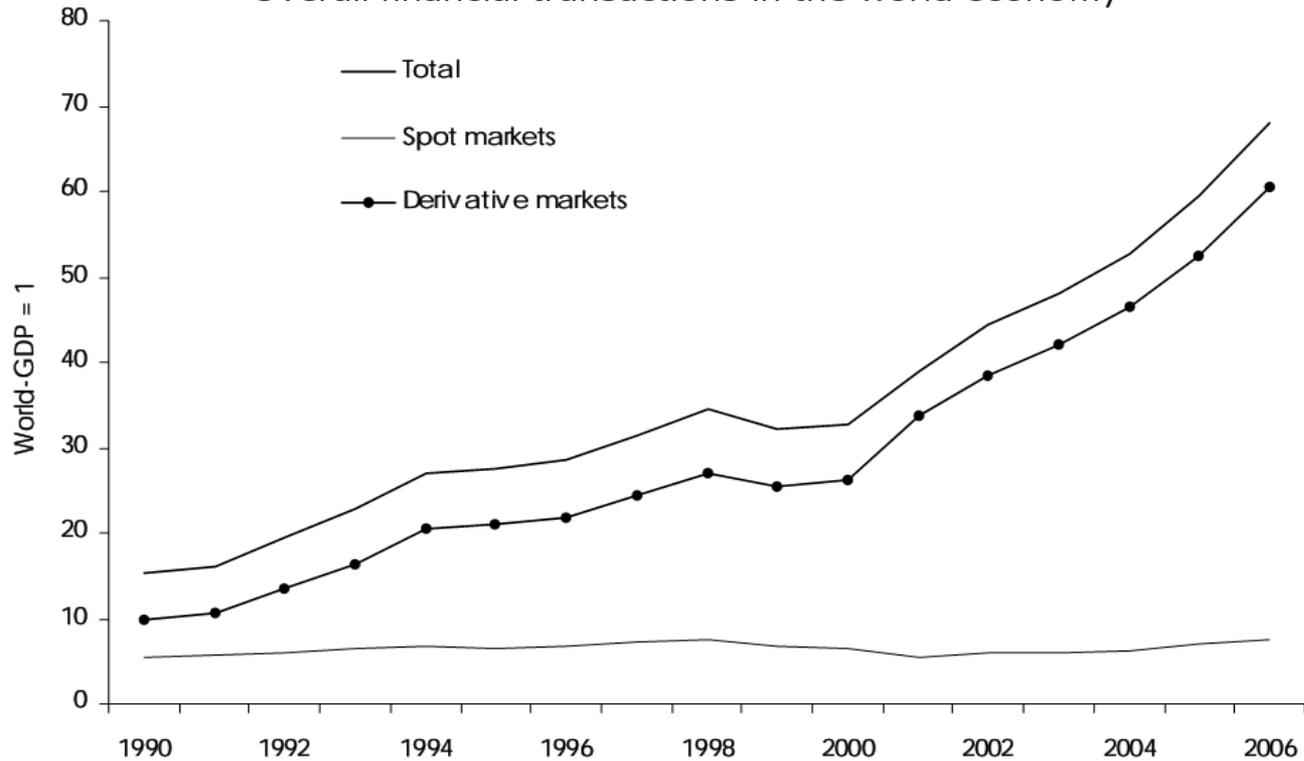
of which 88 % derivatives trading

US\$ 4000 trillion = 4 Quadrillion = 4 thousand million million =

4×10^{15}

US\$ 4.000.000.000.000.000

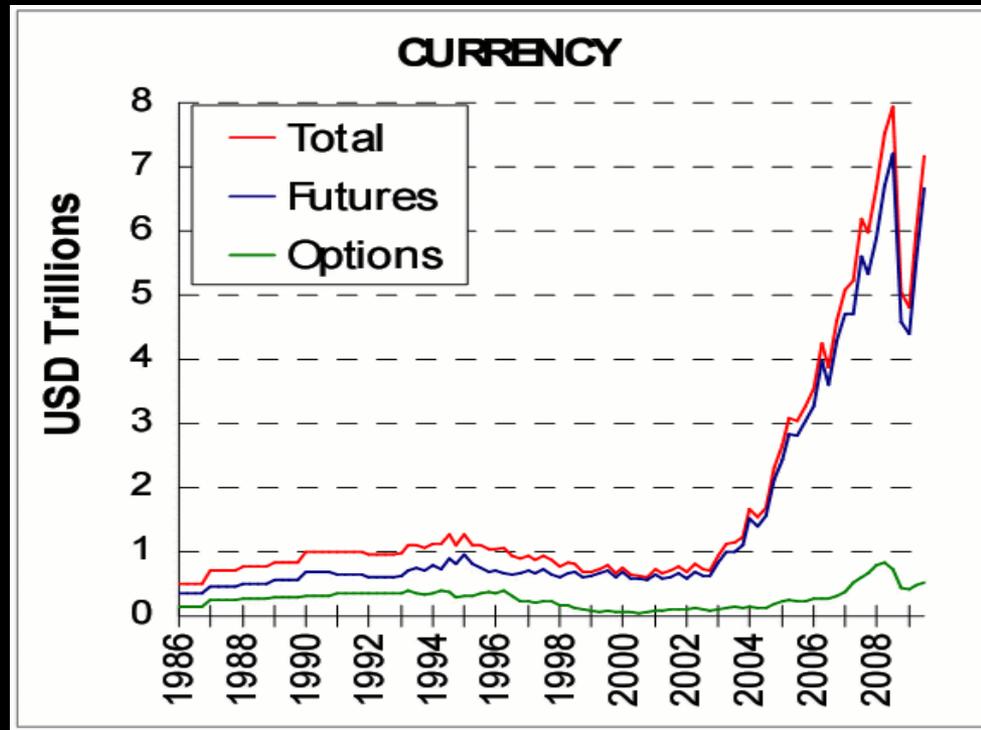
Overall financial transactions in the world economy



Source: BIS, WFE, OECD, OEF. Schulmeister 2008

Quarterly turnover

exchange-traded currency derivatives

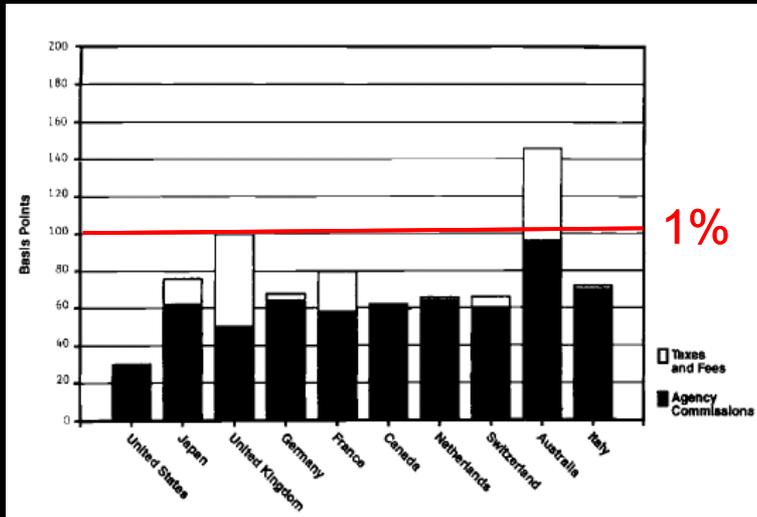


Source: EU parliament [IP/A/ECON/IC/2009_86]2010

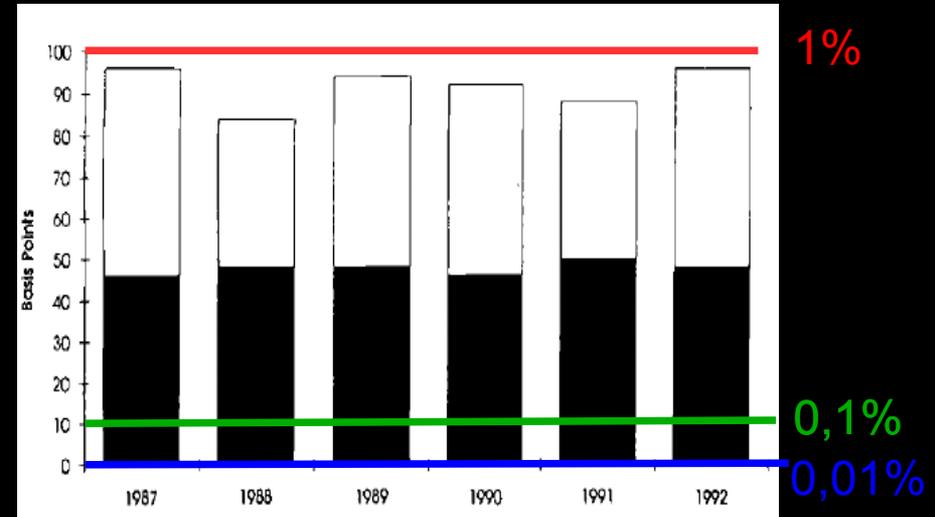
“Only” 0,78% of all derivatives

The Cost of Financial Transactions

taxes and fees vs agency commission



full round trip trading costs for major markets in 1991



full round trip trading costs for US investor in UK 1987-1992

source: Campbell & Froot 1994

Some current proposals

An European CTT (Spratt 2006, Oikos)

rate: 0,005% expected revenues per year
for EU alone US\$ 4,3 Billion (if global US\$ 23,5 Bn)

A general FTT (Schulmeister et al. 2009, CIDSE)

	0,1%	0,05%	0,01 %
Glob.	US\$ 86-253 Bn	US\$ 63-169 Bn	US\$ 51-67 Bn

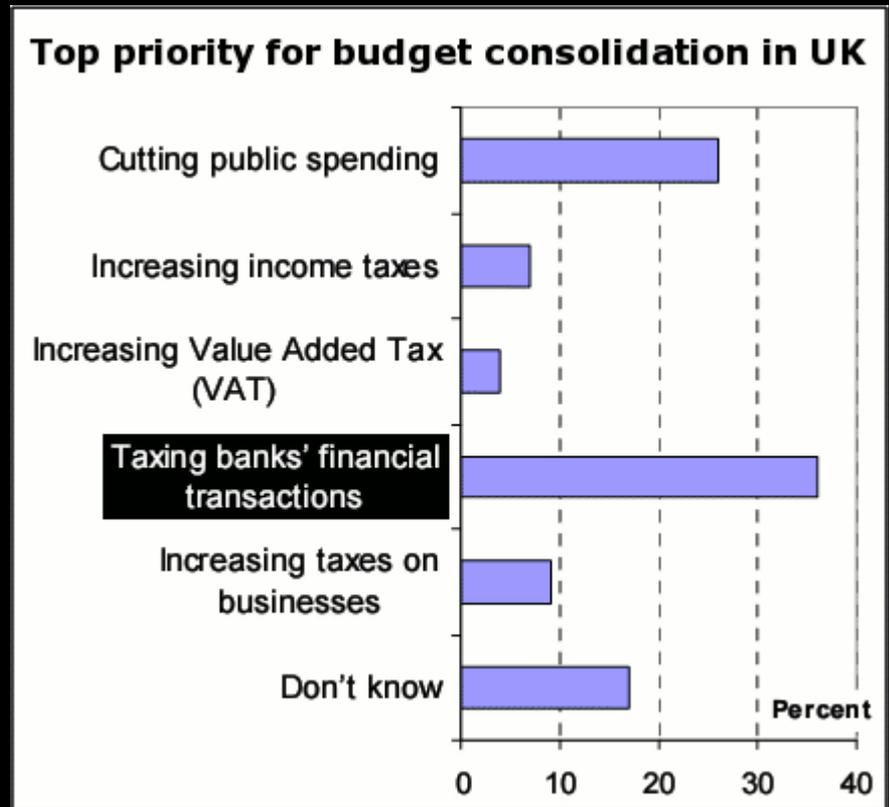
New support by governments and the public

Opinion poll in **UK** ->
Oxfam-GB Nov 2009

50.000 signatures in **Germany** -> parliament has to discuss a FFT

French most active government support for FFT: *Christine Lagarde* and *Bernard Kouchner*

... and others



Support by (some) governments

*European Council declaration, **paragraph 15**
" *encourages the IMF to consider the full range of options including ... a global financial transaction levy in its review.*" [Dec 2009]

*(Feb 2009) members of the US Congress introduced a bill to impose a *tax on certain securities transactions*
Press reports proposal to go to US Senate [Dec 2009]

*59 countries give mandate to *UN Taskforce* (includes **Belgium but not the Netherlands**) [Dec 2009]

Algeria, Bangladesh, Benin, Belgium, Brazil, Burkina Faso, Burundi, Cambodia, Cameroon, Cap Verde, Central African Republic, Chile, Congo, Côte d'Ivoire, Cyprus, Djibouti, Ethiopia, Finland, France, Gabon, Germany, Guatemala, Guinea, Guinea Bissau, Haiti, India, Italy, Japan, Jordan, Lebanon, Liberia, Luxembourg, Madagascar, Mali, Morocco, Mauritius, Mauritania, Mexico, Mozambique, Namibia, Nicaragua, Niger, Nigeria, Norway, Poland, Saudi Arabia, Sao-Tomé-et-Principe, Senegal, Sierra Leone, South Africa, South Korea, Spain, Togo, Uruguay and the United Kingdom.

- **Observer Countries:** Austria, China, Egypt, Romania

New initiatives at the UN level

Taskforce on International Financial Transactions

The work will analyze the place, role, and volume of international financial transactions and its actors (banking sector including intermediaries and market regulators) in the global economy, the financial needs for development in the context of the 2015 deadline to achieve the MDGs, and the way in which innovative financing based on financial transactions can contribute to achieving them.

- **Progress report** by 28 January 2010
- **Provisional report** by March 2010
- **Final report** by April 2010

IMF got mandate by the G-20

"to look into financial sector taxes".

CSO letter of 11 Nov. 2009 to IMF, 3 Dec. 2009 Strauss-Kahn promised that:

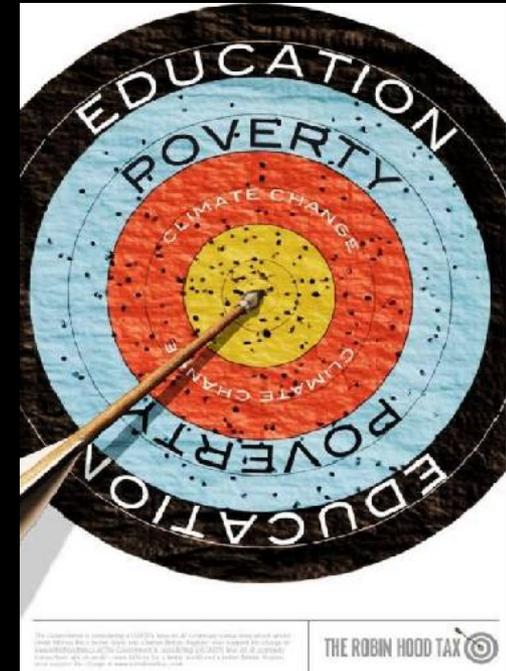
"there will be avenues for drawing on input from CSOs, academic and other experts specializing in the issue"

and proposes

"to meet with a group of senior CSO representatives to discuss the issue at the appropriate time"

An "initial analysis" will be presented to the G20 during the IMF spring meeting 23-25 April 2010

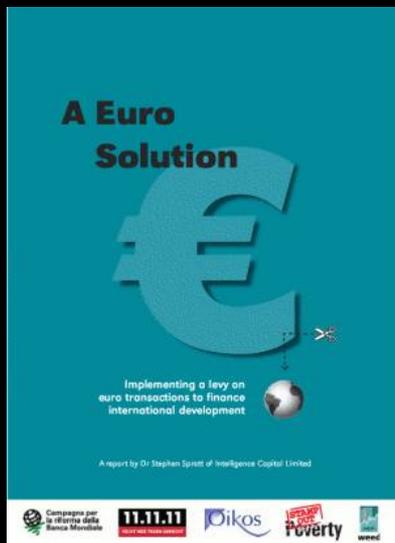
Some impressions from the **UK campaign** plans:



Some dates for next 6 month

Jan.	25 :	G7/World Bank/IMF meeting in UK
	28 :	Progress report UN task force
Feb.	5-6:	G7 finance ministers, Canada
March		Provisional report UN task force
	16-17 :	Financing for Development UN
	29-30 :	G8 Foreign Ministers Quebec
April		Final report UN task force
	24-25 :	"initial analysis" of IMF presented to G20
May		(?) UK election (before 3 June !)
June	18-25 :	Week of action (G20) in Canada
	26-27 :	G20 meeting in Toronto

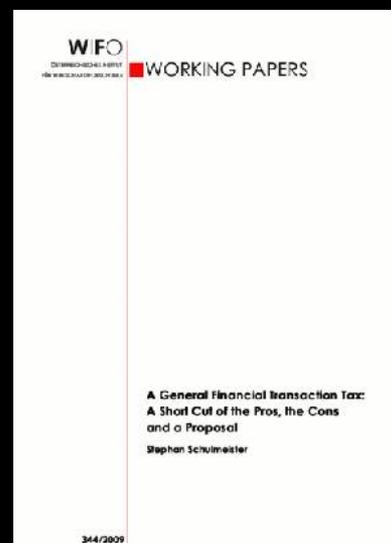
Essential reading:



(2006) p.60



(2010) p.24



(2009) p.20

"A Euro solution"
Stephen Spratt

"Financial Transaction Tax: Small is Beautiful"
Zsolt Darvas, Jakob von Weizsäcker

"A General Financial Transaction Tax: A Short Cut ..."
Stephan Schulmeister