

Funding the Future

\$690bn a year

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As the Tax Justice Network [notes on its blog](#), Germany's Finance Minister, Peer Steinbrück, has just [written this](#):

"Citizens are aware of the hundreds of billions of euros and dollars used to prop up banks. Bonus payments in the financial sector now go hand in glove with massive job losses in the real economy.

The political answer to this crisis must encompass more than improved regulatory regimes, risk-management strategies, and capital requirements. How governments handle the burden-sharing between Wall Street and Main Street will determine social cohesion, market stability, and political leaders' reputations for years to come."

And what are the details of his plan?

"A global financial-transaction tax, applied uniformly across the G20 countries, is the obvious instrument to ensure that all financial-market participants contribute equally. German Foreign Minister Frank-Walter Steinmeier and I suggest the G20 take concrete steps toward implementing a tax of 0.05 per cent on all trades of financial products within their jurisdictions, regardless of whether these trades occur on an exchange. Retail investors could be exempt."

TJN just signed [a letter](#) endorsing this idea, and it follows statements in support of it from [Britain's chief regulator](#), and from France's Foreign Minister, [Bernard Kouchner](#).

Note that Steinbrück's proposed tax rate, at 0.05%, is ten times greater than Kouchner's, at 0.005%. So how much would this new proposal raise?

"Based on calculations by the Austrian Institute for Economic Research, such a global tax at 0.05 per cent could yield up to \$690bn a year, or about 1.4 per cent of world GDP. This tax would not unduly burden financial-market participants, yet it would raise a significant amount of money to finance the costs of the crisis."

Phew! (We presume that figure refers to what would happen if the tax prompted no

change in behaviour.) And we like the end of Steinbrück's article:

"There is a clear-cut case for a global financial transaction tax: it would be just, would do no harm, and would do a lot of good. If there is a better idea for fair burden-sharing, let's hear it. If there isn't, let's have this tax now."

Hat tip to TJN