

A flaw in the TUC masterplan | Tim Worstall □

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Worstall makes a fool of himself in the Guardian on the proposal by the TUC for a bank transaction tax in the UK. As I noted in response:

Worstall seeks to make a point and fails to do so

First, the interbank market seems to work on SWIFT, not CHAPs.

Second, the interbank market has dried up - that was what precipitated the crisis.

Third, transactions through the Central Bank - which is how this market functions right now - could be exempted from the tax.

Fourth - as the TUC note - there will be a behavioural response. Actually, one is desirable. Far from the paranoia about their being too little liquidity in the market - as was the mantra pre 2008 - the reality, as the likes of Roger Bootle and many others realise - was there was far too much. So massive short term speculation was the order of the day then - and we all saw where that led to. Reducing that liquidity is a major requirement of any banking reform. This one helps that.

Fifth, if Swift was included the rate could be much lower

Sixth, most important of all - Worstall misses the point of making such suggestions. They are put forward to stimulate constructive debate. Worstall is committed to snide and pedantic commentary based on a belief in the efficient market hypothesis (now so bankrupt that it's hard to credit anyone with giving it the time of day) with the aim of a) suppressing debate and b) bolstering the myth of market supremacy.

Worstall needs to accept that markets will change, massive change in banking is required, banks will need to contribute significantly - and disproportionately to raising the revenues need to eventually fill the fiscal deficit and that the TUC has by opening this debate made clear that there are payment mechanisms for finance within the UK

economy that could be taxed for this purpose.

Worstell might even need to recognise that long termism - even 30 day lending - may be what is needed to create stability in financial markets - with benefit for us all and an end to profiteering for the few.

No one submitting such a proposal expects the idea to be taken on board by the Treasury without considerable further work and due diligence. And as the TUC and others will show in their submissions prior to the Pre-Budget report ? this is just one of a raft of progressive options available that mean that cuts in public services can be altogether avoided in the UK economy.

This though is something Worstell ignores. From his UKIP perspective government is bad and taxes are an evil. Read in this perspective Worstell's analysis is pure neo-liberalism ? and precisely the narrow minded analysis that got us into the mess we're in now.

Disclosure: I advise the TUC on tax matters