

Taxing Transactions

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[Alex Brummer](#) of the Daily Mail has written a good article on transaction taxes (just to prove I'm not always pick on this paper), saying:

No one should consider the transactions tax on the banks dead and buried, despite the scorn poured on Gordon Brown's brief appearance at the G20 summit.

What the critics of the tax fail to acknowledge is that wholesale banking is an imperfect market where the domination of a handful of really major players allows super-normal profits to be made, which drive bonus payments.

This is not the 'work of God', as argued by Goldman Sachs chairman Lloyd Blankfein in his Sunday Times interview. It is profiteering by the few on the backs of the many, and the Prime Minister deserves some credit for buying into the argument.

So that deals with the justification just about as succinctly as can be. But he's got his head round the detail too:

It is only too easy for people to say it cannot work because any such tax is too porous. Transactions taxes of a kind have always existed, including stamp duty on share dealings. This may be a bad tax as far as the City is concerned but it has raised money for the UK Exchequer despite the fact that hedge funds have all kinds of avoidance strategies such as trading through contracts for differences.

There will always be people who will try to outwit the system. But the betting must be that the bigger players Goldman, JP Morgan, Barcap et al, have too much riding on not alienating governments in the G20 economies to try such tactics.

So while there will be leakage it will be limited. Indeed, the clampdown on tax havens demonstrates it is possible to bring them within the purview of global regulation with enough willpower.

I happen to entirely agree with this logic.

[Polly Toynbee in the Guardian](#) asks a different question — and one I know much asked by the chattering class at Westminster — which is why has Gordon Brown done this now? As she notes:

There is plenty to remember and regret about the Brown chancellorship. The sum total of Labour's tax regime has been little change in tax distribution. A graph would not reveal to a Rip Van Winkle that a social democratic government had been running tax policy. Compare that to Labour in the 1960s with its radical changes to corporation tax and capital gains, or Denis Healey's inheritance tax. New Labour has not used the tax system to make the country fairer, while green taxes have gone down, not up. Brown thought it enough to use the proceeds of tax for progressive purposes, without redistributing tax itself. As a result Britain became less equal, and income and wealth were shared less fairly. Instead of shifting attitudes to appreciate the social value of tax, he colluded with an anti-tax ideology that calls all tax a burden.

That is why his sudden espousal of the Tobin tax looks unconvincing. It doesn't belong in his back story — unless he redefines that story as a journey of rediscovery of lost social democratic tax ideas. Then he might take people with him: because his Tobin tax should be a roof-raising, banker-bashing, debt-defying, public-service-saving, rabble-rouser of a political winner.

Polly's analysis is [consistent with my own of Brown as a Chancellor](#). He has not shown commitment to social democratic tax ideas — which has been one of the most important failings of his time in office. But there's always time for reform.

I hope it is genuine.

I hope that there's time for delivery.