

Prove City trading is of benefit or shut up

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The right wing libertarian Lib Dem economist Giles Wilkes [has responded](#) to a [blog here](#).

I'll try to ignore the patronising bits and try to find arguments, such as:

I am utterly convinced that the 50bps stamp duty in the UK (a) falls on pensioners and (b) increases cost of capital for companies, for example. Abolishing it would improve welfare, and not introduce dangerous destabilizing speculation.

Only in saying that he depends upon an Institute for Fiscal Studies report that assumed that the efficient market hypothesis was valid — a somewhat big leap of faith these days — but to which he obviously subscribes.

And then I can't ignore the patronising bits. He says:

So the point should be to move the debate over to where it is conducted along grown-up evidence based lines, as I think Lord Turner is capable of. Not everyone involved in this debate is so capable. So instead of:

“How much shall we take from Evil People to do Good Things, given that there are No Bad Consequences and that the people who disagree with me are clearly evil and corrupt or stupid?”

we move to:

“Transaction taxes can raise money and lower liquidity. At what level could they be set so that the liquidity lost is not harmful or if harmful is made up for by the money raised?”

Much more boring. Not sure it will attract the quantity of luvvies that the Robin Hood Tax campaign has

I've offered [evidence based thinking](#). He's ignored it — as if by pretending the counter argument does not exist he'll win. But having used this ruse and abuse to further his

cause as to the social worth of socially useless activity in the City (Lord Turner's words — not mine) he goes on to say:

Incidentally it would also help if some of the people in the debate recognised that Corporations are not People. The tax on Corporates then fall on employees, shareholders, and so on. Read [Tim's post on this](#).

Intriguing that the unholy alliance between the Lib Dems and the far right marches ever onward, but he also ignores the fact that I have engaged extensively with Tim Worstall on this issue — using a degree of respect in that exchange which appears beyond Giles' capability. But in doing so both Worstall and Giles did, again, miss the elephant in the room — and again, I am sure, quite deliberately so. I summarise that elephant in a comment on Giles' blog where I say:

But let's get to the real nub — since you clearly can't / won't address the issues on liquidity — and deal with incidence

As you know I have discussed this at length with Tim and he could not disprove the arguments I presented — indeed — he agreed they were logical is my assumptions held — he just disagreed with the logic

So why don't you address incidence instead and answer these questions:

- a) On whom does the incidence of churning costs fall in pension funds?*
- b) Does stamp duty reduce churning?*
- c) If so is stamp duty beneficial in welfare terms assuming your answer to (a) is pensioners?*

Then answer the same question on where the incidence of the costs of City trading in forex, derivatives, etc fall and then suggest why that incidence is beneficial

Then follow through and suggest why reducing the incidence of those charges would harm society

Arguing about the incidence of the tax — as you on the right like to do (sorry, but true — that's an accurate description of your position on this) is a mere side show

Address the issue of the incidence of the charges the tax is designed to reduce — that's the elephant in the room

If you can do that then there is a grown up debate — but right now you're wanting to squabble in the wings

It's not you as a result whose got the high ground — you've not even entered the arena

of discussion until you do this

For right wingers to use the incidence argument as proof that financial transaction taxes are harmful is absurd whilst they refuse to consider who bears the cost of supporting the City and its economically useless activities (again, not my words, that's Lord Turner again). This tax is designed to reduce the incidence of the charges for useless activity — which will always be several times greater than the incidence of any tax.

If that incidence of useless charging to pension funds and others is reduced the benefit to society is high — and the fact that the incidence of the tax appears to be on pensioners is irrelevant — they will be better off from reduced charges for management of their funds.

This is the basis of the claim we â€śÄ„Ä²luvvies' make.

Now it's time for the â€śÄ„Ä²nasties' to justify why they are demanding continuing opportunity to abuse al the rest of us.

So I want reasoned answers to questions from Giles Wilkes on the real incidence issue — about why we should support City abuse from excessive trading.

I'm not expecting to get them. There's good reason: Lord Turner is right. But no doubt Giles can try.