

UK and France reject EU bank plan

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[FT.com / Global Economy - UK and France reject EU bank plan.](#)

As the FT notes:

Britain and France were at odds with other European Union countries on Wednesday over plans to insure against future bank failures, in another sign of the problems in trying to forge a common response to the bloc's economic woes.

Michel Barnier, EU internal market commissioner, set out plans for member states to form national funds to help wind up or reorganise failing banks, funded by a levy on the financial sector.

The UK is right to oppose this - although it is doing so for all the wrong reasons.

The right tax on banks is, without doubt a full financial transaction tax - designed to reduce liquidity in the system and raise revenue at the same time. I've written about [this here](#).

A levy to create a fund makes no sense at all. First there's the risk of moral hazard. second, where is it to be invested? If via banks a loop is created, and that negates the purpose.

In which case a tax that changes the system is needed. Bring on financial transaction taxes!