EU Robin Hood Tax would boost growth, say experts

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I have shamelessly lifted the following from Owen Tudor on the TUC's Touchstone blog:

A new report, launched in Brussels on Monday by the Socialists and Democrats in the European Parliament, shows that — contrary to what the finance sector's paid lobbyists have been insisting — a European financial transaction tax (FTT) would boost growth in Europe by at least 0.25%, raise the revenue to combat poverty and climate change at home and abroad, and help re-balance the economy by making long-term investment more worthwhile than short-term, high frequency trading. This new report by noted economists Prof Avinash Persaud and Prof Stephany Griffith-Jones comes on top of revised estimates from the European Commission who originally produced some of the data that fat cat financiers pounced upon. The Commission's original impact assessment was based on a flawed model which shows all taxes as harming growth, whatever the revenues are used for, but misunderstandings of what the impact assessment showed were used to create concern among progressive politicians and abused by people opposed to the tax all along to justify their position (even though the same people shed few tears over the impact on growth of measures they support like increased VAT or cuts in public services.)

Welcoming the new report, Socialist MEP Anni Podimata, who will draft the European Parliament's report on the Commission's proposed FTT, said:

"This study confirms what we have been saying all along. The financial markets have to make a fair contribution to the crisis they provoked. An FTT will reduce the fragmentation of the internal market. Put together with other tools, it will act as a disincentive to high frequency trading and other practices which increase risk without ensuring liquidity. This would contribute to a better financing of the real economy, encourage investment and job creation in the EU. The S&D Group is against putting the entire burden on ordinary taxpayers, and calls for measures to boost growth. In this sense, an FTT is an integral part of this approach."

The Commission's new approach was set out last week in a combative article in several national newspapers around Europe by EU Tax Commissioner Semeta - only a year ago an FTT-sceptic — who wrote:

The more the financial transaction tax approaches implementation, the shriller — hardly by chance — the rhetoric of its opponents. They twist the Commission’s official data and thereby invent apocalyptic scenarios concerning the impacts of the tax on growth, employment and competitiveness.

The FTT will neither damage growth and competitiveness nor lead to more unemployment. From an isolated perspective every tax causes economic costs. However, the costs of the FTT are small and, absolutely legitimate, given the enormous support the financial sector has been granted in the recent years. Furthermore, the costs have to be offset against the positive effects from the use of the revenues of the FTT.

The Griffth-Jones/Persuad paper also disproves the suggestion that an FTT would hit pension funds or pensions, and urges the European Commission to use the model of the UK stamp duty to prevent evasion by forum-hopping, rather than the Commission’s current proposal of a ‘residence principle’.