Funding the Future

There's money in printing money

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The FT has reported that:

Brussels is considering a â‚¬56bn raid on European Central Bank profits to plug a hole in the EU's long-term budget after Brexit. The European Commission will discuss the plan at its weekly meeting on Wednesday, where it is due to consider a range of new revenue sources as it tries to maintain its financial firepower once the EU's second-biggest net budget contributor leaves the bloc in 2019.

The ECB proposal would divert profits made by the eurozone's 19 national central banks from printing banknotes straight into EU coffers. The commission estimates the revenue stream could generate â‚¬56bn during the seven-year span of the next EU budget.

More than 90 per cent of the so-called seigniorage profits are distributed by the ECB to the eurozone's 19 central banks that often pass a portion on to their national treasuries.

First, it's smart thinking: this is EU generated money, after all.

Second, this shows just how much creating money out of nothing is worth to banks.

Third, now recall that private banks also create money out of nothing. Admittedly they don't do it very well as they then seem to lend it to people who do not want to pay it back. But in essence, their core product costs nothing to make precisely because it comes free as a result of a government licence and that fact should be differentiated from the fact that they are as a result rather reckless in the way that they manage it.

Fourth, shouldn't banks be paying rather more in the way of additional taxes as a result, simply to reflect this fact?

And fifth, shouldn't this charge most especially apply since the state even underpins the supply of depositors funds that mean their promise to pay is acceptable as a result of depositor guarantee schemes that, in effect, supply most of bank capital?

I do of course know that banks do have additional tax regimes now. But my question is, has anyone really worked out if they are enough to reflect the benefit provided? I would be curious to see the figures.