

## Debate Ammunition: Banks and tax

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### **The Richard J Murphy YouTube Channel**

#### **Debate Ammunition**

#### **Should banks pay more tax?**

Funding the Future | June 2026

#### **Today's topic**

Should banks pay more tax?

The video to which this Debate Ammunition [relates is available here.](#)

#### **The core argument**

Banks are not ordinary businesses and should not be taxed as if they were. They create money out of thin air through a public licence granted by the state, they operate inside a framework of government guarantees that remove the normal commercial risks every other business must bear, and their profits are therefore economic rents extracted from society rather than returns earned through productive activity. The question is not whether banks should pay more tax than other businesses; it is how much more they should pay.

#### **The argument structure**

Step 1: Banks exist only because the state allows them to — Banks can operate solely because the Bank of England banks for them, the government has declared a legal tender currency, and the state provides the regulatory framework within which they function. No other sector depends so completely on public authority simply in order to exist.

Step 2: Banks create money, and that is a privilege no other business enjoys — When a

bank makes a loan it creates new money by entering figures into a computer; it does not lend out deposits or existing capital. The Bank of England confirmed this in 2014. A retailer or manufacturer cannot conjure its product from nothing; a bank can, and does so under a public licence.

Step 3: The state absorbs the risks that banks create — The government guarantees deposits up to £120,000 per person, removing the capital risk banks would otherwise have to carry themselves. Governments cannot allow large banks to fail because the social cost would exceed the cost of a bailout. Banks know this; they price risk accordingly; and we, the public, bear the ultimate liability.

Step 4: Banks extract rents from the real economy rather than creating value — Approximately 85 per cent of UK bank lending is linked to property, not to productive investment. Banks inflate house prices through mortgage overextension, distort commodity markets through speculation, and profit from the instability they help to create. After Russia's invasion of Ukraine in 2022, banks made large speculative profits from the resulting energy and food price spike, helping to generate the cost-of-living crisis that followed. Their profits are therefore economic rents, not productive returns, and rents should be taxed heavily.

### **Their argument → your rebuttal**

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#### They Say Your Response

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Banks are commercial businesses like any other. Taxing them more heavily than other companies is arbitrary and unfair discrimination. Banks are unlike any other business precisely because they create the money they lend from nothing, operating under a public licence, inside a state guarantee framework that no retailer, manufacturer, or service provider enjoys. Identical tax treatment for fundamentally unequal situations is not fairness; it is a subsidy to the sector.

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Higher bank taxes reduce bank profitability and therefore reduce the capital available for lending, which damages investment and jobs. This claim rests on a misunderstanding of how banks work. Banks do not need to retain profits in order to lend; they create the money they lend at the moment they make each loan. Lower taxes do not increase lending capacity. The argument has no monetary foundation, and the actual record shows that UK banks have directed their profits into property and financial engineering, not productive investment.

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Banks already face additional regulation and specific levies. Piling on further taxes

would drive activity offshore and damage the City of London. Banks operate here because their customers, their legal framework, their central bank, and their state guarantees are here. The existing additional charges do not begin to reflect the value of the public privileges they exploit. The question is not whether there should be additional taxation but whether the amount already charged is sufficient; it manifestly is not.

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Bank profits ultimately flow back to shareholders, pension funds, and savers, so taxing banks more heavily harms ordinary people. Bank profits flow disproportionately to those who already own capital. Meanwhile, speculative activity in commodity and currency markets pushes up the prices of food, energy, and housing for everyone else. The cost-of-living crisis generated after Russia's invasion of Ukraine in 2022 illustrates the point precisely: the banks profited; the public paid through inflation, high interest rates, and further austerity.

### **The one-liner**

“Banks create money out of thin air under a public licence, they operate inside state guarantees that eliminate their normal commercial risk, and their profits are rents extracted from society: of course they should pay more tax than anyone else.”

### **Further reading**

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Post Date What it covers

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[Why we need to tax banks more](#) June 2026 **The companion blog post to this video, setting out the full case for additional bank taxation.**

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[Banks do not lend savers' money](#) June 2023 **Explains the mechanics of money creation through lending and why the popular assumption that banks recycle deposits is wrong.**

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[Banks cannot lend their depositors' funds](#) August 2025 **A detailed examination of why bank capital and deposits are not the source of credit, undermining claims that lower taxes produce more lending.**

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[How do banks create money?](#) June 2025 **A plain-language explanation of credit creation for a general audience; directly supports the argument that banking is unlike any other commercial activity.**

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[The Bank of England spells it out in full: money is made by banks out of thin air](#) March 2014 Richard's response to the Bank of England's landmark 2014 Quarterly Bulletin confirming credit creation theory; the foundation for the money-creation argument in this video.

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[There's money in printing money](#) March 2018 Explores seigniorage and the question of whether banks are paying sufficient tax for the privilege of money creation; asks whether current levies reflect the scale of the public subsidy.

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[It's time for a new financial transactions tax if it's fiscal policy that's going to control inflation in the future](#) November 2020 Makes the case for a financial transaction tax as a tool for limiting speculative activity and managing inflation; directly relevant to the video's proposal for taxing bank speculation.

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[The only thing going up in the UK is economic rents - and that is the road to ruin](#) September 2023 Develops the argument that rent extraction, including by banks through mortgage inflation and financial speculation, is the central structural problem in the UK economy.