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Does the Nobel kill the Robin Hood Tax? [1]

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So, that Nobel award then. What's the political lesson we should draw from this?

Myself I would say that it kills the Robin Hood Tax, aka the Financial Transactions Tax (FTT) stone dead [3].

> The 2013 Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel was awarded jointly to Eugene F. Fama, Lars Peter Hansen and Robert J. Shiller "for their empirical analysis of asset prices".

Along the way Fama and Shiller proved two things. Firstly, the effficient markets hypothesis itself. Which is simply that markets are efficient at processing the information about what prices should be in that market. Shiller then went on to emphasise that it is speculation itself that produces some of that efficiency. Specifically he pointed out that in the US housing market there's no real way to speculate on falling prices. You cannot short houses for example. This meant that those people who thought there was a bubble could not influence prices: for there was no method of their putting their money where their thoughts were. And it is that money following thought which produces the efficiency of the information processing by the market. So much so that Shiller's idea is to introduce futures and options markets for housing to aid in preventing futher bubbles.

Now think of what the FTT people are arguing. That speculation is a bad idea, that we must discourage it through taxation. This is, in the eyes of the above theory, of course entire nonsense. For if speculation is what moves to return prices to their "correct" level, then we want more of it not less.

You can of course still believe in the FTT if you wish. But it's worth pointing out that the Nobel Committee has just declared that the scientific consensus is that you're wrong.

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