

## [Algirdas Semeta: European Commissioner as East End schmutter salesman](#) [1]

Written by [Tim Worstall](#) [2] | Saturday 11 February 2012

You know that a politician is losing it when he comes across as an East End schmutter salesman: you know the line, never mind the quality sir, feel the width! Which is exactly what Algirdas Semeta does here as he tries to defend the absurd [financial transactions tax](#) [3].

All taxes, when looked at in isolation, carry an economic cost. But there is an urgent need to raise revenue and the cost of the FTT is small compared to the trillions of euros and pounds of support that the financial sector has received in recent years.

Moreover, the positive effects of using revenues from the FTT must be taken into account. If the projected €57bn (£47.7bn) per year is put towards consolidating national budgets, reducing other taxes or investing in public services and infrastructure, the direct economic effect of the FTT should be positive for growth and employment in Europe.

That first part is indeed true: all taxes have costs as they are raised. Which is why we have to look at the costs imposed by each tax and the way the tax is raised. Not wander off into a salesman's patter about how gloriously we're going to spend the money.

Ways of spending funds can have good effects, yes. And we should consider those effects when deciding how to spend money. But different ways of taxing things have different effects. So we should not, cannot, justify a specific tax by the glory of how we're to spend the revenues. We should, must, justify a particular tax by the effects of just that tax, comparing it to the effects of the other ways in which we could raise the same revenue: for of course, the glories of the spending will be the same even if we reduce the impacts of the raising.

There is an urgent need to balance budgets. How could this small tax on the financial sector be worse for growth and competitiveness than further hikes in income taxes, or deeper cuts in public spending?

Well, I don't know about you matey but I, when confronted with a thorny question like this, tend to go and seek the opinions of the experts in the point at hand. Perhaps Mirrlees and Diamond, you know, the blokes who got their Nobels for exploring this very point, the various forms of taxation and the elements that make up an optimal taxation system? The blokes who were writing papers on this while you were having Soviet economics drummed into you in Vilnius? The blokes who point out that transaction taxes are entirely contra-indicated for the way that they cascade through the economy makes them vastly more expensive in effects as against revenues than taxing capital, corporations, income or consumption?

You know, the experts who say that an FTT is a very bad idea indeed?

But then I'm not a politician having to defend a near insane idea for which I'm extraordinarily grateful. For I'm allowed to look at facts, not compose rhetoric.

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[1] <http://www.adamsmith.org/blog/politics-government/algirdas-semeta-european-commissioner-as-east-end-schmutter-salesman>

[2] <http://www.adamsmith.org/taxonomy/term/5778>

[3] <http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/9072297/Rebalancing-the-financial-transactions-tax-debate.html>

[4] [http://disqus.com/?ref\\_noscript](http://disqus.com/?ref_noscript)

[5] <http://disqus.com>