

[Newton's laws of banking](#) [1]

Written by [Tim Ambler](#) [2] | Wednesday 7 October 2009



The IMF and Bank of England [want](#) [3]

to tax banks to pay for future credit crises. It's a bad idea.

Newton's third law of banking is that every good idea has an equal and opposite daft one. We had a banking crisis because banks did not have the cash when they should have done. So it is a good idea to pay executive bonuses in paper (shares) and not cash ? always assuming they should be paid at all. The banks hold onto the cash and if the shareholders are silly enough to dilute their holdings in favour of the executives, so be it. There's also a faint chance the executives' shares will give them a longer view of performance.

On the opposite, daft, side, the IMF and Bank of England are suggesting two separate new bank taxes. The IMF head, Dominique Strauss-Kahn, long-term French economics minister and previously a member of the Union of Communist Students, is planning bank taxes and also for Britain to lose its seat at the IMF top table. No hint of nationalism there of course.

Closer to home, [Paul Tucker](#) [4], Deputy Governor of the Bank of England, is suggesting taxes for the government to squirrel away until the next financial crisis when the money can be returned to the banks. Who believes any money given to this government, or any UK government come to that, will still be there in two years time, never mind 20 years time?

The FSA had a similar idea in their March discussion document (DP09/2) which suggested the banks themselves should hide away some rainy day reserves. For most of the 81 respondents, that exemplified the very lack of transparency which the FSA was complaining about. Secret reserves in banking were outlawed 40 years ago and rightly so.

Could someone please bring these regulators back to earth? Banks are businesses and should be taxed like any other business. They should not be deprived of the cash they need but do not have.

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