

[Sir Bob Geldof](#) [1]

Written by [Tim Worstall](#) [2] | Saturday 15 November 2008



Sir Bob Geldof, a good businessman, he's done sterling work in raising money to alleviate famine and poverty and I even liked one or two of the songs he wrote and sang. But there's still some work to be done in informing him how the [world works](#) [3]. On the Tobin Tax:

This levy, even if it is cut to 0.005 per cent would limit volatility in small economies whilst generating enormous sums [2] for the poor. It would also cost taxpayers nothing.

That's so amazing as to be fantastical. A tax which raises billions and trillions yet doesn't cost the people who pay the tax, the taxpayers, anything? I have a feeling that our gentil and parfait knight is a tad confused here, for such a thing is not possible.

Second, we need to institutionalise the means by which profits from carbon trading can be channelled to development. As Germany has already shown, this is a vast market. It involves creating incentives for polluters to pollute less while generating resources for development. It is a smart, painless way to create revenues and jobs while bringing the poor into the global economy. A Europe-wide scheme is planned, but in Washington it should be seized upon as an effective mechanism for growth and development. It, like the Tobin tax, is tax neutral to the consumer while curbing overproduction of carbon dioxide and helping the world's poorest.

Again, there's a desperate confusion of ideas here. Certainly cap and trade (or a carbon tax) would generate funds. It is also possible that those funds could be used to pay for development. But if you use those funds to pay for development you cannot then state that it is tax neutral to the consumer. If you take \$x squiddly billion from the taxpayers of the industrialised countries to send to Africa then \$x squiddly billions are being sent from the taxpayers of the industrialised countries to Africa. It matters not whether you get it from income tax, from a carbon tax, from the auction of permits, it simply isn't tax neutral for you've just taken \$x squiddly billions from those taxpayers.

The only way such schemes can be tax neutral is if other taxes are reduced by whatever amount is being raised: in which case there are no resources being generated to pay for development. Still, he is at least (partially) sound on trade:

Third, this new round of globalisation must not be accompanied by a return to protectionism. Make Poverty History called for progress on debt, aid and trade. Trade is the area in which the least has been delivered.

Quite, voluntary exchange is how wealth is created, let's get on with it, shall we?

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