

## [We don't want a financial transactions tax because it's an extremely bad idea](#) [1]

Written by [Tim Worstall](#) [2] | Saturday 27 July 2013

The buffoons who are our elected politicians are calling again for a financial transactions tax. The only problem with having such an FTT being that it's an extremely [bad idea](#) [3].

In a report that calls for the Government to implement the Kay recommendations, MPs have called for the Government to consider imposing an FTT to help reduce high frequency trading. Professor Kay, whose report into short-termism in equity markets was published last year, did not contain any mention of the FTT. But Adrian Bailey, chairman of the Committee, said he had found support for the tax during evidence sessions. ?The Government should assess the likely impact of the introduction of a Financial Transaction Tax and how the obstacles to its implementation can be overcome,? he said.

There's no particular problem with implementing an FTT. It's just that it's a very silly thing indeed to try and do. As the House of Lords Committee which looked at the same subject [pointed out](#) [4]:

A European tax on financial transactions could cost Britain's economy up to 20 times the amount it raises, a committee of lawmakers said on Friday. Britain has said a transaction tax, dubbed a Tobin Tax after the U.S. economist who devised it in the 1970s, would only work globally and the EU plans are ?deeply confused.? Britain is fiercely opposed to the proposed financial transaction tax (FTT), which the European Union said could raise 57 billion euros (49 billion pounds) a year if implemented across the bloc. ?The FTT is likely to induce a loss in GDP between five and 20 times larger than the revenues raised from the tax,? according to an economic sub-committee of the House of Lords, the upper chamber of the parliament.

Perhaps part of the difference here is that I was asked to prepare evidence for the HoL report and did so, while the HoC one seems to have had no one who understood the EU's own report into said FTT. That EU report stating that by imposing an FTT the economy would be smaller than it otherwise would be and that the tax revenue losses from said smaller economy would be substantially larger than the direct revenues from the tax. The FTT is thus a method of reducing tax revenues. We even have a pair of Nobelists (Mirrlees and Diamond) insisting that transaction taxes are in and of themselves a bad idea.

Or, as we might more cogently put it, the FTT a damn stupid idea that we really don't want to implement.

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