Lobbying to kill off Robin Hood

The financial industry's scaremongering strategy to block a Financial Transaction Tax in the EU

March 2012

A Summary

Big banks and financial companies are doing their best to stop the introduction of a financial transaction tax (FTT) in the European Union. A proposal for an FTT is on the table, but still has to be approved by the Council. The industry has put all its lobbying machinery to work, implementing a scaremongering strategy, to convince member states to reject the tax. There is a real risk that their lobbying will pay off, either by defeating the entire idea of taxing transactions, or by watering down an already timid proposal.

Introduction

A financial transactions tax, commonly dubbed a “Robin Hood tax”, is a simple tax on all financial transactions. Since the ATTAC-movement and the tax justice movement picked up the issue more than a decade ago, the popularity of the idea has grown steadily. It now looks as though it might be possible to introduce such a tax in a large area in Europe. Many groups have called for such a tax to be introduced at a global level in order to collect money for development or for the fight against climate change.

The EU's proposal does not have such global ambitions, but is intended to discourage speculation and create a new revenue stream. At a time when citizens are keen for the financial sector to contribute to the costs of the crisis, some European leaders have started to push for an FTT at an EU level. The European Parliament has also pledged its support and the Commission, which was previously reluctant, has finally put a proposal on the table.

Throughout all this process, big banks and financial companies have been lobbying hard to try to stop the FTT or at least water it down. There is a lot of money at stake, so they are using all their tools: privileged access to the political powers, threats to relocate, scaremongering and the selective use of data... And although it may seem that they are losing the battle, the war is not over yet. The FTT still needs to be approved by the Council.

The industry has been lobbying, not only in the EU, but also at the national level, to convince member states to reject a financial transactions tax. Some governments have already declared whose side they are. The UK[i] stated early on that it would veto the proposals and Sweden[ii] is also opposed. Some Eurozone countries, such as Ireland[iii] and The Netherlands[iv]are also reluctant, while France and Germany have become its main champions, and together with seven other EU countries, including Spain, Belgium and Greece, have signed a letter to the Danish EU presidency in support[v].

Nothing has yet been decided, but with this division it seems unlikely that an agreement will be reached, either at the EU or at the Eurozone level. Some voices are already calling for alternatives and it is becoming more and more likely that a watered down tax may be put forward, perhaps a little like the stamp duty reserve tax in the UK, which is a tax on shares, but not a real transaction tax. Campaigners say this would be a lost opportunity to make real change in order to curb speculation and regulate a dangerously deregulated financial sector which led the EU to the current crisis.

1. The Commission proposal: let's make it look fair

What is an FTT and what is it for?

The Financial Transactions Tax (FTT) is a tax imposed on any financial transaction – be it a trade in currencies, shares or speculative financial instruments including derivatives or securities. The objective is to bring the number of trades down to stabilize the financial system. Since 1990 the amount of money and the number of trades carried out in the financial markets has gone up steeply, and even the financial crisis in 2008 turned out to be nothing but a minor slow down: the number of trades is still huge, worth more than 70 times global GDP[vi].

Most of these trades are done in split seconds. Billions change hands every minute. And big investments, or big withdrawals of investments, can create a strong reaction from other investors – often called 'herd behaviour' - partly because a lot of trading is computerized and happens very quickly.

A market with these characteristics is inherently unstable, and the basic idea of the FTT is to cool the casino, that is to say to discourage short term and high-frequency investments by imposing a small tax on every transaction, eg. 0.1 or even 0.05 %. Even a very small tax would bring the number of trades down significantly.

Due to the very low level of tax, the FTT would not have an impact on long term productive investments, but would discourage short term speculative behavior. On top of this, a tax would harness significant revenues: hundreds of billions of euros that should be spent on development in developing countries, on combating climate change, and on welfare, proponents say.

Is the Commission proposal an effective one?

The Commission's proposal differs in two respects from a genuine FTT[vii]. For a start, the tax proposed on the speculative instruments is low – 0.01 %. And maybe more importantly, no tax is proposed on currency transactions, which actually cover a large percentage of trades[viii]. In general, the Commission has paid very little attention to the stabilising effect of the tax, and has focused almost entirely on the revenue it might bring in. A tax, according to the Commission, would make the financial sector pay for some of the mess it created through the financial crisis. An effective argument with the public.

But in the debate on the tax, what has taken centre stage is not these weaknesses, but rather the agenda of the financial lobby. They have been keen to highlight the effects of a tax that is not imposed globally. Obviously, the tax will be more effective, the bigger the market is. The ideal version would cover the entire financial market. But with staunch US opposition, such a scenario is unrealistic. Despite evidence[ix] that a tax could be effective in a smaller area – eg. the Eurozone – the financial lobby is keen to argue that this is a reason to scrap the idea. Trades will simply move elsewhere, they claim.

2. Financial industry's strategy: gamble on fear and amnesia

Manipulating ideas and numbers to create fear

The financial lobby has tried to make institutions, media and citizens believe that an FTT is a crazy, stupid and terrible idea that will drive the EU to collapse, often using very loose arguments.

The financial lobby has tried to highlight the impact of the tax on small investors and savers. Actually, not all consumers of financial products would pay equally, with long-term investors paying least and short-term speculators paying most. As Oxfam explained in a briefing paper, "the strength of an FTT lies in the fact that it hits this high frequency short term trading, which are often the most distortionary and damaging to the economy and not normal business transactions, government finances, lending and depositing, pension funds and buying insurance"[x].

The fear of business leaving Europe because of the FTT is another of the main arguments brandished by the financial lobby. This risk, however, could easily be avoided, if the FTT was imposed on all trades related to assets in the countries covered by the FTT. Based on such a principle, the residency of the trader would have no impact on the question of taxation.

In January, there was media coverage[xi] of a study suggesting the tax would damage the economy, with headlines such as: “New Financial Transaction Taxes Will Carry Disproportionate Costs”. The study quoted was actually commissioned and published by the Global Financial Markets Association (GFMA), an industry lobby group. The figures in this report totally contradict the Commission's own calculations and estimates from other studies.

Impact on the economy

In fact a superficial reading of the Commission's impact assessment would suggest a total longterm loss to GDP of just -0.5%, but following Danish attacks on the proposal using the data, Commissioner Semeta stepped into the debate, arguing that such a reading did not take into consideration other expected positive effects on growth.

It has been pointed out that when the authors who did the original modelling updated the model they got a far lower estimate of only -0.2%. A further study found that the model “excludes some of the positive impacts such as the reduction of systemic risk (thus the probability of further crises), the expansion of total aggregate demand for consumption, and the boost of the European real economy through fiscal consolidation”. According to this study, the possitive effects are likely to more than compensate the negative effects, so that the impact on the GDP would be positive and around “+0.25% as a minimum”[xii].

The industry claims that the tax would be detrimental for the general economy and does not mention that the FTT is one of several measures meant to lower the risk of a collapse of the financial system, like the one in 2008. Refraining from effective counter-measures could be extremely costly. But with the crisis now more than three years ago, the financial lobby seems to be betting on public amnesia.

A well coordinated campaign

Banks and financial companies have a common interest in blocking the idea of an FTT, so in this battle they have joined efforts to achieve their goal. For this reason, the large financial industry associations at European and international level are playing a prominent role. For example, the International Swaps and Derivatives Association (ISDA), which is a global trade association for over-the-counter (OTC) derivatives, and the Association for Financial Markets in Europe (AFME), which represents the leading global and European banks and other capital market players, are very involved. Each of them reports spending more than 1 million Euros annually to lobby the EU[xiii] and both have a strong position against the tax.

Apart from public statements, participation in consultations and open letters to the institutions[xiv], these two associations have also held meetings with staff from the European Commission's Taxation and Customs Union Directorate-General (TAXUD), as has been shown by access to documents requests by Corporate Europe Observatory.

The documents released show that representatives of ISDA had at least one meeting about the FTT in October. “Many thanks for the nice welcome that you gave us at the

Commission in Brussels", said one representative from ISDA in an email after the encounter. And it is also documented that someone from TAXUD agreed to assist at another meeting on the issue organised by AFME in November.

BusinessEurope, the main business lobby group in Brussels, representing 20 million companies, is also fighting against the FTT and has sent letters to the Danish Presidency of the Council and the Commission attacking the tax.

The financial industry has tried to take coordinated action, sending joint letters from different bodies, in order to give an image of unity (see examples below). Within each country, to get the government on its side, the financial lobby has used more or less the same arguments and strategies as at the European level, though with some local differences.

In Denmark, in the domestic debate, it was a surprise to many members of the governing parties that their government opposed an FTT. The Commission's revised views of the impact assessment did not seem to reach the Danish Government[xv], which according to the Danish media, had been heavily lobbied by the financial sector[xvi]. And as chair of the European Council, the Danish government is able to effectively counter the tax[xvii].

The UK

The industry and the government: close friends

If there is an EU government which is clearly against the FTT, it is the UK. Prime Minister David Cameron has clearly said he would veto a European-wide financial transaction tax[xviii,] His objections seem to be clearly driven by private economic interests, with the City the leading financial centre in Europe, which gives the financial sector a prominent role in the country - and apparently close links to political power.

The founder of one of London's biggest hedge funds, David Harding, the chief executive of Winton Capital, admited in an interview to the Financial Times that he was "surprised to the degree to which the Treasury and the FSA [Financial Services Authority] act as lobbying organisations for the financial services industry"[xix]. The Bureau of Investigative Journalism revealed recently that "51.6% of Conservative party funding came from the financiers and the City, many of whom are actively lobbying against the introduction of the FTT"[xx].

> "The Treasury and the FSA act as lobbying organisations for the financial services industry"
>
> David Harding, CEO of Winton Capital

The founder of spread betting firm CMC Markets, Peter Crudas, told the Sunday Times's undercover reporters he had attended a party at Woburn Abbey and gained personal assurances from David Cameron on the tax. “I knew he was seeing [Angela] Merkel the next day, so when I’m having my photograph done I said: 'Prime minister, for God’s sake, don’t let them bring in the Tobin tax where they tax financial transactions'. He said: 'Don’t even worry about it, don’t even think about it, it ain’t going to happen, not on my watch'. Thank you prime minister ... Bosh. Off we go”, Cruddas said[xxi].

> “I have had it first-hand from very senior members of our administration who I know personally and have had good relations with for a long time, that it will be vetoed”
>
> Michael Spencer, Icap's CEO

Another “well connected” company is Icap, the biggest interdealer broker by trade volumes in the world. Its chief executive, Michael Spencer, did not mince words, saying he knew very well which doors to knock on regarding the proposed FTT: “I have had it first-hand from very senior members of our administration who I know personally and have had good relations with for a long time, that it will be vetoed without any doubt and without any reservation at all”[xxii].

Spencer also warned the company would move its main operations away from London “extremely rapidly” if an FTT was to be put in place. Such threats that businesses will move away, leading to job losses and a loss of competitiveness have been one of the key arguments put forward by the industry in press releases, consultation documents and letters to political leaders, in a clear strategy of scaremongering. But in the UK a nationalist argument was also often used with the financial lobby trying to make politicians and citizens believe that the UK would be losing out to the EU if an FTT was introduced.

Everyone has their say, but not the same chances of being listened to...

In a call for evidence[xxiii] carried out by the EU subcommitee of the UK Parliament about the proposal for a financial transactions tax, the financial lobby worked hard to spread these ideas. For example, the Alternative Investment Management Association (AIMA), which represents the interests of the global hedge fund industry, claimed in its response to the consultation that the risk of relocation and dislocation of markets was “too great” if an EU FTT was introduced, and it even tried to push for UK opposition to an FTT at any level. It warned that a Eurozone FTT would be less damaging to the UK economy but it would still be affected.

“We have to be very much on our guard and use our diplomacy, because it is going to impact more on the UK than anywhere else,” claimed John Chown, founder chairman of JF Chown & Company, in a meeting with the committee.

The Association for Financial Markets in Europe (AFME) , whose members are banks, brokers, law firms, investors and other financial market participants, defended the same ideas: “The economic effects of transaction taxes are generally to raise the cost of capital for companies, to reduce security prices (and hence the value of savings such as pensions), to reduce investment and, in consequence, to reduce GDP. Financial transactions taxes also encourage relocation of business.”

The financial lobby also emphasises the damage for the final user. “Such a tax would be borne by ordinary savers and investors and not the financial services industry,” claims the Investment Management Association (IMA).

The Association of British Insurers (ABI) , the Association of Corporate Treasurers (ACT) , Black Rock, the British Bankers Association (BBA) , City of London Corporation , International Swaps and Derivatives Association (ISDA) and Lloyds all opposed the tax in this call for evidence. On the other side, the Trades Union Congress, Oxfam or Stamp Out Poverty defended the introduction of an FTT.

Questions have been raised about the neutrality of the House of Lords committee judging the evidence. Conflicts of interests have been identified for at least five of the 12 members of the committee, according to their declarations of interests (see the box). Lord Flight, for example, holds many positions linked to the financial industry: chairman at Flight & Partners Limited (manager, private equity fund), director of Investec Asset Management Limited (investment manager), director of Metro Bank (retail bank) amd chairman of Arden Partners (stockbroker), among others.

Information in the declaration of interests:

Lord Flight:
- Chairman, Flight & Partners Limited (manager, private equity fund)
- Director, Investec Asset Management Limited (Investment Manager)
- Chairman, CIM Investment Management Limited (Investment Manager)
- Chairman, Loudwater Trust Limited (Venture Capital Investment Trust)
- Chairman, Downing Structured Opportunities VCT1 plc (venture capital trust)
- Director, Metro Bank plc (retail bank)
- Arden Partners plc (Stockbroker)
- Chairman, Lynx Security Services Limited (guarding company)
- Marechale Capital (Corporate Advisor)
- Aurora Investment Trust Plc (and trading subsidiary AIT Trading ltd)
- Edge Performance VCT

Lord Hamilton :
- Director, Jupiter Dividend and Growth Trust PLC (investment trust)
- Split Capital Investment Trust
- Director, IREF Property fund

Lord Haskins :
- Various personal interests in equities and bonds

Lord Kerr of Kinlochard:
- Director, Scottish Power Ltd
- Deputy Chairman, Royal Dutch Shell plc
- Director, Rio Tinto plc
- Director, Scottish American Investment Company Ltd

Lord Vallance of Tummel :
- Member, International Advisory Board, Allianz SE (insurance)
- Member Supervisory Board Siemens AG

Letters, interviews, reports...

Of course, the financial industry did not limit itself to lobbying through the public consultation. Transcripts of the oral evidence given to the Committee reveal references to follow up documents. And a letter to the Chancellor of the Exchequer, George Osborne, was signed by the heads of eleven organisations from the financial sector (ISDA, AFME, AIMA and FOA, among others)[xxiv], urging him to continue to take a strong stance against the tax, and to encourage the UK to work closely with those EU member states which are also opposed to the proposal.

> "We need resistance from the UK in order to prevent this tax to happen"
> Josef Ackermann, CEO Deutsche Bank

In an interview with CNBC, Deutsche Bank's chief executive officer, Josef Ackermann, said he was "grateful" to David Cameron: "Because we need resistance from the UK in order to prevent this tax to happen"[xxv].

Different associations or institutions from the sector have published comments or statements attacking the FTT whenever possible. "The financial transaction tax (FTT) makes the EU a less attractive place to do business, reducing trade and investment volumes and the taxes paid on them," claimed Chris Cummings, chief executive officer of The City UK, in September after the Commission's proposal was announced[xxvi]. The British Bankers Association (BBA) also stated : "This transaction tax is a job loser and the costs will be borne by the wider economy"[xxvii].

This battle, of course, continued in the media. "A European-wide financial transaction tax may wipe off as much as 10 percent from equity valuations and offset the benefits to the region's economy of governments raising money," HSBC told Bloomberg[xxviii]. The UK CBI employers' group attacked the tax plan in the Financial Times as a "crude instrument" that would divert trading activity to New York and Hong Kong[xxix].

After the European commissioner for taxation, Algirdas Semeta's letter defending the FTT and denouncing the missrepresentation of the Commission's figures, was published in February[xxx], the financial lobby responded in an open letter signed by the heads of BBA, The City UK, ISDA, IMA and ABI[xxxi], attacking these figures again and saying they were "flawed".

Ireland

Not without the UK

Ireland's government is also against the FTT proposal, at least as long as the UK is opposed. Irish Prime Minister, Enda Kenny, said that the introduction of European tax on financial transactions without UK participation would just "not be acceptable"[xxxii]. The "no" from Ireland (like Luxembourg and The Netherlands) would make it imposible to put in place a Eurozone FTT.

In the case of Ireland, the links between political and economical power and the influence of the financial lobby are also very evident. The Irish Financial Services Centre (IFSC) was set up in 1987 by the Irish Government and today hosts half of the world's top 50 banks and half of the top 20 insurance companies, including Merrill Lynch, Sumitomo Bank, Citibank, JP Morgan (Chase), Commerzbank and BNP Paribas. Ireland's financial industry, in a private sector initiative, created the role of chairman of IFSC in 2010, awarding the position to former taoiseach John Bruton[xxxiii], who was also an EU ambassador to Washington DC.

As can be guessed, Bruton's position on the FTT seems to reflect the industry's ideas. He considers the tax “a really bad idea”[xxxiv] that would lead to “financial sector activities moving out of Europe, and the tax revenues that those activities generate for EU states going into the treasuries of non-EU countries”[xxxv].

The financial lobby has also employed its scaremongering strategy in Ireland. The Irish Banking Federation said in a statement: “The proposed financial transaction tax could be detrimental to economic growth and could drive valuable business activities out of Europe. Increased banking activity will be central to driving economic recovery and growth, none more so than in Ireland, but this proposed tax could have the very opposite effect on the level of such activity”[xxxvi]. Brendan Bruen, director of Financial Services Ireland, told the Irish Times that the proposal did not make “an awful lot of sense” and would not achieve its aims in terms of regulatory and fiscal stability. Instead it would damage, not just the competitiveness of Ireland, but of Europe, by incentivising the transfer of transactions out of regulated European centres to offshore centres such as Bermuda and Singapore, he warned[xxxvii].

France

A small watered down tax to gain votes

> “It is difficult for the UK to criticise this tax as madness, since stamp duty served as its inspiration”
> François Baroin, French Finance Minister

The French president, Nicholas Sarkozy, who faces elections this year, has tried to make of the FTT a personal cause and he announced he would put it in practice in France, even if he was left the only one to do so in the EU. Of course, he has also been under a lot of pressure from the financial sector, and that is perhaps why the levy he finally approved is a watered down version of a real FTT. According to the French Finance Minister, François Baroin, it was inspired by the UK's stamp duty, which is a tax on shares, but not a financial transaction tax. “It is difficult for the UK to criticise this tax as madness, since stamp duty served as its inspiration,” he said in reply to British critics[xxxviii].

In France, the financial lobby has focused on fuelling the fear of a loss of competitiveness for France. La Fédération Bancaire Francaise published a statement warning the French levy would be a handicap to the development of Paris' financial market and claiming it would not only be detrimental for big companies, but also for institutional or small investors[xxxix]. Paris Europlace association, which represents companies and aims to promote the Paris financial market, made similar noises, stating in a press release that an FTT just for France, instead of whole Europe, would weaken French economy[xl].

The chief executive officer of Société Générale, Frederic Oudea, told Neue Zuercher Zeitung[xli], that any financial-transaction tax should be applied internationally and include London's financial centre. “Everything should be done to attract capital to Europe rather than scaring it off,”he argued.

Who is behind the scaremongering figures?

In all this battle of arguments and figures, the Edhec-Risk Institute, the research facility of private French Edhec Bussiness School, has also been lobbying the French government against an FTT. An open letter signed by this institute was sent to French Prime Minister, François Fillon, in which it said that they did not recommend the introduction of a “Tobin tax”, either in France or across Europe. “This could not only have negative effects for the French financial industry, but more generally, it could also have repercussions for the entire eurozone,” it states.

However, the picture would not be complete if it was not said that Edhec-Risk Institute has a number of different partnerships with businesses. And indeed, according to their website, these include Société Générale Corporate & Investment Banking, the French Banking Federation (FBF), Deutsche Bank, BNP Paribas Investment Partners, and AXA Investment Managers.

Germany

From strongly defending the idea to starting to search for alternatives

As in France, Germany's government has raised the FTT as a priority issue, which does not mean that the financial lobby has not been active there or that it completely failed.

Chancellor Angela Merkel has defended the tax and together with other EU heads of states and governments has urged the Danish presidency of the EU Council to put this issue on the agenda. However, now that it is clear that consensus is impossible in the Council, the German Finance Minister, who supports the tax, says that there is an obligation “to concentrate on alternatives”.

And he added that these could include a stamp duty on shares or a tax that could be levied on traders' bonuses or profits. As happened in France, a watered down version of the EU FTT is gaining momentum. Is it the only way out? No, the idea of enhanced cooperation to put the Commission's proposal in place in a reduced number of member states is still on the table, but it seems less and less likely.

Again the heavy artillery of the financial lobby is out

It is undeniable that the industry in Germany has brought out the heavy artillery in order to stop the FTT the same way it did in the rest of the EU. The Association of German Banks made a public statement saying it was "convinced that an FTT would be harmful to both growth in Germany and the global economy"[xlii]. "The decision to introduce a European financial transactions tax is a mistake. A tax of this kind will damage the European financial industry and, in the final analysis, even threaten economic growth," claimed Michael Kemmer, general manager of the Association of German Banks[xliii].

Andreas Schmitz, president of the association of German private banks insisted that it would drive companies away, telling Reuters "the introduction of a financial transaction tax in the euro zone could result in business migrating to less-regulated territories". Thomas Richter, managing director of Germany's association of investment and asset management BVI said a financial transactions tax would primarily hit companies and investors in Germany, as well as savers[xliv].

Deutsche Bank, as mentioned above, has also fought hard against an FTT. "Such a measure would be counterproductive," Thomas Mayer, chief economist and head of research at Deutsche Bank told Deutschlandradio[xlv]. The chief executive officer, Josef Ackerman, according to CNBC, said he was disturbed by "the revival of the transaction tax," which he warned would not only make it more difficult for banks like his to be profitable in the euro zone but will drive bank customers to other areas of the world, including the U.S. and emerging markets[xlvi].

Der Spiegel also reported that in order to avert criticism, the banks had decided to dispatch "representatives of the fund industry, which is somewhat inconspicuous", to campaign against the FTT. The national association presented "a horrifying calculation, according to which a German who puts away 100 euros a month into a voluntary state-subsidized private pension program [...] would pay about 14 000 euros in financial transaction taxes over the course of 40 years". However, at the Finance Ministry in Berlin, "such scenarios are viewed as the malicious calculations of lobbyists," the magazine explains.

3. The EU process: will the FTT turn into worthless scraps of paper?

How the process works

The European Parliament adopted a resolution in favour of introducing a financial transactions tax in March 2011[xlvii]. At that point, Commissioner Semeta considered a financial transactions tax at EU-level only as a "premature" option, but in September of 2011 the Commission finally presented its proposal[xlviii] for an FTT in the EU. Now the European Parliament is expected to vote on the proposal during the June plenary.

In the meantime, the Economic and Financial Affairs Council is also dealing with this issue. EU decision-making on tax issues requires unanimity voting in the Council, after consulting the European Parliament. That is why lobbying the member states on this issue is essential for the financial sector and for the moment, as has been shown, they have clearly gained some allies.

Dark clouds over Robin Hood's future

On 13 March the 27 EU finance ministers discussed the FTT for the first time. The issue will continue to be studied in the Council. And the Danish Presidency plans to organise a discussion with the ministers of possible compromise proposals before the end of June. But the outcome of this meeting was not very promising.

The member states opposed to the tax stood by their positions and the idea of looking for other options started to crystallize. Dutch Finance Minister, Jan Kees de Jager, urged the European Commission to look for alternatives, including a financial activities tax, a bank tax, or a stamp duty. Even Germany, one of the FTT's champions at the European level, expressed support.

> “We just can't get it done”
> “We'll try something else”
> Wolfgang Schäuble,
> German Finance Minister

Der Speigel reported that Wolfgang Schäuble, the Finance Minister, “already seemed prepared for failure”[xlix]. “I will now back equal alternatives, such as extended stock market tax and one which has the broadest possible backing”, he said later in an interview[l].

“We just can't get it done”, Schaeuble stated some days after the encounter. “We just won't get it done even in the euro zone,” he explained. “So as a result we'll try something else”. Schaeuble was hopeful some countries in the EU would begin implementing an enhanced stamp duty, including derivatives, this year, but admitted this would not be possible in the broader bloc, reported Reuters.

Austrian Deputy Finance Minister Andreas Schieder said the tax was too important to drop now. "I don't yet see that the financial transaction tax has died and I refuse to declare prematurely that such an central project is dead," he said. The goal had to be to get as many countries as possible on board, Schieder added[li]. However, Jean-Claude Juncker, Luxembourg Prime Minister and Eurogroup Chief, argued: "My suggestion is to keep the same goal [of keeping the financial sector accountable] and to look for a different instrument"[lii].

To sum up, the financial lobby seems to be close to scoring a success on the issue. Winning this battle against the FTT would be another victory for the industry, whose long-term strategy focus is on avoiding any kind of regulation in the sector that can curb their activities or benefits. Regulation was said not to be necessary some years ago. Now that the crisis has shown that it is, the financial lobby claims that it is too costly. But if they suceed in keeping the regulation weak and lax, another crisis may be inevitable.

References

[i] Reuters, “David Cameron: I will veto financial transaction tax”, The Telegraph, 08/01/2012 http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/9000702/David-Cameron-I-will-veto-financial-transaction-tax.html

[ii] Anders Borg, Sweden's finance minister, told the BBC a European financial transaction would not work, citing his country's own experience with a similar tax. See: BBC, “European financial tax not a good idea, says Sweden”, 30/09/2011

[iii] Joe Brennan, “Ireland’s Kenny Says Transactions Tax Without U.K. Unacceptable”, Bloomberg, 13/01/2012

[iv] Dutch News, “The Netherlands opposes EU financial transaction tax plan”, 22/03/2012

[v] The letter says: "We strongly believe in the need for a financial transactions tax implemented at European level as a crucial instrument to secure a fair contribution from the financial sector to the costs of the financial crisis and to better regulate European financial markets". It is signed by the finance ministers of France, Germany, Austria, Belgium, Finland, Greece, Spain, Portugal and Italy.
Valentina Pop, “Nine EU countries form splinter group on financial tax”, EU Observer, 08/02/2012

[vi] See, for instance, Stephan Schulmeister; “The implementation of a general financial transactions tax”, 2011, page 30: http://stephan.schulmeister.wifo.ac.at/fileadmin/homepage_schulmeister/files/Implement_FTT_end_06_11_korr.pdf

[vii] For documents on the Commission’s proposal, see http://ec.europa.eu/taxation_customs/taxation/other_taxes/financial_sector/index_en.htm

[viii] This means that the proposal is very far from the original proposal for a transactions tax, the Tobin tax. Actually, the Tobin tax is a tax on currency transactions only.

[ix] See for instance Stephan Schulmeister; "Implementation of a General Financial Transactions Tax", WIFO, 2011.
http://www.wifo.ac.at/wwa/jsp/index.jsp?fid=23923&id=41992&typeid=8&display_mode=2

[x] Oxfam, “A Missed Opportunity: The European Commission Staff Working Document on Innovative financing at the global level ”

[xi] See, for example: Taxation, “New Financial Transaction Taxes Will Carry Disproportionate Costs”, 17/01/2012

[xii] Griffith-Jones and Avinash Persaud, “Financial Transaction Taxes”, February 2012

[xiii] According to their entries in the Transparency Register, consulted on 27/03/2012

[xiv] See, for example:
-Simon Lewis (AFME chief executive), “If the banks are taxed, we’ll all end up paying “ Oped article, The Times,07/11/2011
More examples are found along the text.

[xv] Politiken, 26. January 2012: http://politiken.dk/udland/ECE1518944/eu-kommissaer-vestager-har-ikke-forstaaet-ny-finansskat/

[xvi] Altinget, 13. November 2011: http://www.altinget.dk/artikel/lobbyist-i-centrum-for-strid-om-finansskat
Politiken, 21. October: http://politiken.dk/debat/signatur/ECE1427229/bankerne-har-besat-slotsholmen/

[xvii] As when neoliberal think tank CEPOS was offered a prominent place in a Council-related debate in Copenhagen on the FTT. See Politiken, 19. March 2012: http://politiken.dk/politik/ECE1574236/sfere-positive-taenkere-holdes-vaek-fra-moede/

[xviii] Reuters, “David Cameron: I will veto financial transaction tax”, The Telegraph, 08/01/2012

[xix] Sam Jones, “Hedge fund chief backs transaction tax plans”, Financial Times, 28/11/2011

[xx] Nick Mathiason, “Hedge funds, financiers and private equity make up 27% of Tory funding”, The Bureau of Investigative Journalism, 30/09/2011 http://www.thebureauinvestigates.com/2011/09/30/hedge-funds-financiers-and-private-equity-tycoons-make-up-27-of-tory-funding/
Nick Mathiason, “Analysis: Cameron backs City agenda by resisting Robin Hood tax at G20”, The Bureau of Investigative Journalism, 04/11/2011 http://www.thebureauinvestigates.com/2011/11/04/analysis-cameron-backs-city-agenda-by-resisting-robin-hood-tax-at-g20/

[xxi] Quoted in Alice Ross, “Cruddas’ Tobin tax boast speaks volumes about ‘premier league’ lobbying”, The Bureau of Investigative Journalism, 26/03/2012

[xxii] Simon Mundy and Jeremy Grant, “Icap prepared to quit London over tax”, Financial Times, 29/09/2011
See also: Gordon Rayner, “Cash for access: donor boasted over transaction tax veto”, The Telegraph, 27/03/2012

[xxiii] All the documentation related to this call for evidence can be found here: http://www.parliament.uk/business/committees/committees-a-z/lords-select/eu-economic-and-financial-affairs-and-international-trade-sub-committee-a/inquiries/financial-transaction-tax/

[xxiv] The complete list of organisations is: Association of British Insurers (ABI), Association for Financial Markets in Europe (AFME), Alternative Investment Management Association Limited (AIMA), Association of Private Client Investment Managers and Stockbrokers (APCIMS), British Bankers' Association (BBA), Futures and Options Association (FOA), London Energy Brokers' Association (LEBA), Wholesale Market Brokers' Association (WMBA), Europe Lending Association (ISLA), International Swaps and Derivatives Association (ISDA) and Investment Management Association (IMA).
The document is available in:
http://www2.isda.org/attachment/MzY3NA==/Joint_Association_FTT_Letter_24_10_11.pdf

[xxv] CNBC interview with Deutsche Bank Chairman & CEO Josef Ackermann on CNBC, 26/01/2012

[xxvi] Chris Cummings, Comment on European Commission proposals for a financial transactions tax, The City UK website, 28/09/2011

[xxvii] BBA, Statement on European Commission proposals for a financial transactions tax (FTT), BBA website, 28/09/2011

[xxviii] Alexis Xydias, "Europe Trading Tax May Wipe 10% From Stocks Value, HSBC Says", Bloomberg, 13/02/2012

[xxix] Joshua Chaffin, Stanley Pignal and Jeremy Grant, "Business attacks transaction tax plan", Financial Times, 28/09/2011

[xxx] Algirdas Semeta, "Rebalancing the financial transactions tax debate", The Telegraph, 09/02/2012

[xxxi] Letter to Daily Telegraph (UK) , 13/02/2012, available in:
http://www2.isda.org/attachment/NDAyNQ==/FTT%20letter%20to%20Daily%20Telegraph.pdf

[xxxii] Joe Brennan, "Ireland's Kenny Says Transactions Tax Without U.K. Unacceptable", Bloomberg, 13/01/2012

[xxxiii] John Bruton is a clear case of revolving doors that is documented in Alter EU's report "Block the revolving door: why we need to stop EU officials becoming lobbyists", written by Jens Clausen and Vicky Cann and published in November 2011.

[xxxiv] Finance Dublin, "Ireland's 12.5 p.c. - older even than Sarkozy himself", 13/01/2012

[xxxv] John Bruton, "The euro crisis-what could go wrong?", www.johnbruton.com, 03/12/2011

[xxxvi] Statement published in its website: "Proposed Financial Transaction Tax", 29/09/2011

[xxxvii] The Irish Times, "Noonan says Government committed to legislate for limit to State borrowing", The Irish Times, 18/08/2011

[xxxviii] Scheherazade Daneshkhu, "France to push on with trading tax", Financial Times, 13/02/2012

[xxxix] FBF, "La taxe sur les transactions financières va pénaliser la place de Paris", FBF's website, 07/02/2012

[xl] Paris Europlace, "La mise en place d'une taxe sur les transactions financieres, qui ne serait pas au moins europeenne, affaiblirait l'economie française", 06/01/2012

[xli] Quoted in: Bloomberg, "SocGen Wants Transaction Tax to Be International, CEO Tells NZZ", 20/02/2012

[xlii] Banken Verband, "A financial transactions tax and its impact", 01/2010

[xliii] Banken Verband, "Association of German Banks warns against financial transactions tax", 28/09/2011

[xliv] Reuters, "German financials blast euro zone transaction tax", 11/01/2012

[xlv] Quoted in: "Deutsche Bank's Mayer Sees Financial-Transaction Tax in Europe", Bloomberg, 11/01/2012

[xlvi] Margo D. Beller, "Transaction Tax Will Drive EU Bank Customers Away: Ackermann", CNBC, 17/08/2011

[xlvii] "The EU should promote the introduction of an FTT at global level, failing which, the EU should implement an FTT at European level as a first step". European Parliament resolution of 8 March 2011 on innovative financing at global and European level (2010/2105(INI))

[xlviii] Brussels, 28.9.2011 . COM(2011) 594 final . 2011/0261 (CNS) . Proposal for a Council Directive on a common system of financial transaction tax and amending Directive 2008/7/EC . {SEC(2011) 1102} {SEC(2011) 1103}

[xlix] Der Spiegel, "The financial transaction tax is overdue", 14/03/2012

[l] Expatica, "Germany seeks alternatives to financial transaction tax", 23/03/2012

[li] Reuters, "Financial transaction tax not dead yet – Austria", The Economic Times, 27/03/2012

[lii] Expatica, "Eurogroup chief calls for alternative to finance tax", 27/03/2012