

Robin Hood Tax: briefing for campaigners

Along with other development agencies, environmental groups and UK anti-poverty organisations, we are calling for governments to adopt a Robin Hood Tax.

A tax on financial transactions of an average 0.05 per cent would raise around \$400 billion per year to help fight poverty and to help developing countries combat climate change. These taxes are also a first step towards a fairer financial system.

What?

More properly the Robin Hood Tax is a tax on financial transactions, these are taxes on trades in financial assets, such as currency, stocks and derivatives, mainly by financial institutions.

We are calling for an average rate of 0.05 per cent to be applied to such transactions globally. Revenues raised could be divided between coping with the costs of the economic crisis in the UK, international development and climate change.

The financial sector is relatively under-taxed compared to the rest of the economy. The precise rate of tax would vary depending on the rate of profit in trade on each asset. Wiping out trades in financial assets is not our aim and would be counter-productive for raising revenue.

We are also calling for governments in favour of Financial Transaction Taxes (FTTs) to implement taxes on currency now, to show that it can be done and to begin raising much-needed cash.

Why?

Given the lack of progress towards the Millennium Development Goals, a new and reliable source of funding for developing countries could make a real difference in the fight for poverty eradication. In just one minute, the tax could raise enough funds to educate over 7,000 children or meet the healthcare needs of nearly 4,000 people, according to UN estimates of the investment required to meet MDG targets.¹

The Copenhagen Accord agreed to examine innovative financing to help developing countries to deal with climate change and to move to low-carbon economies. We put these public costs at more than US\$195 billion per year. FTTs could provide over half this sum. For example, this money could be used transform developing country power sectors from carbon-intensive to climate-friendly programmes.

Calls for FTTs also respond to the growing perception that a “socially useless” financial sector needs to be reformed. Through FTTs banks begin to pay the costs of the global crisis and to underwrite for themselves the risk that their activities can generate. FTTs would discourage the most risky and short-term speculation and instead encourage longer-term investments.

¹ UN Millennium Project (2006) A Practical Plan to Achieve the Millennium Development Goals, Chapter 17: Resources required to finance the Millennium Development Goals

These are first steps towards financial markets that work for development – that provide the economic stability needed for poverty eradication, support the economic activities of poor men and women, promote low carbon development and are politically accountable. We believe that more needs to be done, but that FTTs are a positive recognition that interventions are needed to change how financial markets work.

Why now?

Political and public support for FTTs is at a peak because of the financial crisis:

- French President Sarkozy, German Chancellor Merkel and our own prime minister Gordon Brown have all indicated support for FTTs.
- Within the US, leading economists, such as Joseph Stiglitz and Dean Baker, as well as the speaker of the house of representatives, also support FTTs.
- The G20 tasked the IMF with an FTT study to inform their work programme responding to the financial crisis. In Copenhagen, climate change negotiators agreed to investigate innovative financing methods. A “leading group” of 55 governments have been looking at FTTs and are set to report their findings this year.
- FTTs are also easier to implement now, than when Tobin originally proposed a levy on currencies, because of computerisation of systems in the financial sector.

What next?

The Robin Hood Tax campaign launches in February 2010. UK anti-poverty organisations, environmental groups and development NGOs are joining forces to urge the UK government to:

- Agree a plan to implement a global financial transaction tax within the G20 at their meeting in South Korea at the end of the year.
- To implement a tax on sterling now to demonstrate commitment to and feasibility of FTTs and to start raising much-needed revenue.

A video about the Robin Hood Tax, plus more information on the campaign and ideas about how you can act, can be found at cafod.org.uk/robinhoodtax.