

GLOBAL ACTION ALERT

Challenge the IMF to Report the Truth: a New Financial Transactions Tax for Domestic and Global Needs is Feasible, and Urgently Needed

Dear Colleagues:

There is an historic and exciting opportunity for civil society to join efforts to win action on a new financial transactions tax (or FTT), which would assess a modest tax on trades of stock, currency, options, and other derivatives. An FTT would perform two crucial objectives:

- raise billions in desperately needed revenue for investing in community priorities--globally and domestically--such as health, education, climate and economic stimulus
- curb the rampant speculation that helped create the current global financial crisis

We need your help **today** to use this unique opportunity, by challenging powerful governments and international institutions to publicly support an FTT. See below for three proposed actions.

BACKGROUND: At the 2009 Group of 20 (G-20) Summit in Pittsburgh, the G-20 charged the International Monetary Fund (IMF) with preparing a report on "the range of options countries have adopted or are considering as to how the financial sector could make a fair and substantial contribution toward paying for any burdens associated with government interventions to repair the banking system."

Under pressure from civil society, the IMF has announced a request for public comment by February 1, 2010. The IMF states: "For the review, we would like to obtain external stakeholders' views on the potential usefulness and impact of various approaches to financial sector taxation." (See the IMF request at <http://www.imf.org/external/np/exr/consult/2009/index.htm>) In addition, the IMF is preparing a series of face-to-face and video consultations in several cities with civil society. For more information about these meetings with the IMF, contact Fraser Reilly King at Halifax Initiative: freillyking@halifaxinitiative.org.

The IMF has historically been critical of the idea of an FTT. Because of this position, civil society is concerned that, unless pressured, the IMF will most likely only focus its report on a proposal for a limited "insurance system" to attempt to limit harmful effects of future economic crises. The IMF has also expressed support for President Obama's recent proposal, announced January 14, 2010, to recoup bailout funds by taxing big banks at a rate of \$9 billion per year over the next decade. **These proposals are insufficient and they could waste an historic opportunity to rein in harmful speculation in financial markets and to increase funding for compelling domestic and global needs.** Civil society groups must challenge the IMF to include a substantial, accurate exploration of taxes on financial transactions in its report.

PLEASE TAKE ACTION TODAY:

- *Read and endorse* this short global sign-on letter to Dominique Strauss-Kahn, Managing Director of the IMF (see below). The deadline for organizational endorsements is January 30, 2010. Send the name of your organization to: imfpetition@gmail.com

- You can also *submit comments* to the IMF on behalf of yourself or your organization. You do not have to be an economist or an expert in taxation systems to submit comments. You can use the draft comments (see below) as a template for organizing your own submission. If you have questions, contact Asia Russell at asia@healthgap.org. Comments *must* be received by the IMF by February 1, 2010.

• *Contact your government's* representative to the IMF Board and urge them to tell the IMF Managing Director that the IMF's report to the G-20 must include a thorough exploration of proposals for taxes on financial transactions, drawing from independent expertise from economists and academics. If you don't know who your government's representative to the IMF Board is, contact Pamela Gomez at pamela.gomez@oxfaminternational.org.

TALKING POINTS AND ADDITIONAL BACKGROUND MATERIALS ABOUT FTTs: Below are talking points addressing key myths about FTTs, and other basic facts. For more information see:

“Financial Transaction Tax—the Time is Now!” a general update for campaigners around the world on progress that can be made on achieving a tax on financial transactions:

<http://rethinkingfinance.org/documents/financial-transaction-tax-time-now>

“The Financial Transaction Tax at a Glance,”

http://rethinkingfinance.org/local_articles/financial-transaction-tax-glance

“Responses to Criticisms of Taxes on Financial Speculation,” Dean Baker, CEPR,

<http://www.cepr.net/index.php/publications/reports/response-criticism-fft/>

GLOBAL SIGN ON LETTER TO THE IMF

February 1, 2010

Dominique Strauss-Kahn
Managing Director
International Monetary Fund
700 19th Street, N.W.,
Washington, D.C. 20431

Re: IMF Request for external stakeholders' views on the potential usefulness and impact of various approaches to financial sector taxation

Dear Mr. Strauss-Kahn:

We, the undersigned civil society organizations are writing to you in response to the IMF's request for views on the potential usefulness and impact of various approaches to financial sector taxation.¹

We believe that financial transactions taxes (FTTs) are an urgently needed tool for ensuring that the financial sector pays for the costs of government bailouts of their industry. FTTs can also help raise crucial additional funding for a range of priorities such as reducing budget deficits, contributing to economic stimulus, and paying for global public goods such as health care, education, and mitigating the impact of climate change. FTTs could also help rein in speculation in the financial industry that led to the economic crisis.

Evidence from economic research as well as real-world implementation indicate that, contrary to commonly received wisdom, FTTs are technically feasible to implement and that they do not result in significant tax evasion or massive shrinkages of the market. We are aware of other proposals, such as the creation of a system of mandatory insurance by banks or the collection of an annual fee from banks that have benefitted the most from government bailout programs. Relative to

¹ <http://www.imf.org/external/np/exr/consult/2009/index.htm>

the harm caused by the financial sector, these proposals unfortunately would not meet the G20's threshold for generating a "fair or substantial contribution" toward paying for the burdens caused.

The IMF's report to the G20 on this matter should include a substantial and accurate description of FTTs as a feasible and necessary tool, drawing on independent evidence from economists and academics who have examined the feasibility of such taxes, modeling a range of different rates and analyzing the technical feasibility and impact on different markets of unilateral implementation of such taxes.

Finally, we urge the IMF to publish a draft version of its report so that full consideration of key viewpoints can be ensured—before finalization of the report.

We look forward to working with you on this important matter.

Sincerely
[list in formation]

TEMPLATE FOR SUBMISSION TO THE IMF: After you have endorsed the global sign-on letter above, please feel free to adapt this template letter below for your own organizational submission. Submissions should be e mailed to imfconsultation@imf.org by February 1, 2010.

Dominique Strauss-Kahn
Managing Director
International Monetary Fund
700 19th Street, N.W.,
Washington, D.C. 20431

Re: IMF Request for external views on the usefulness and impact of various approaches to financial sector taxation

Dear Mr. Strauss-Kahn:

I am writing on behalf of [organization name here] regarding the IMF's report to the Group of 20 (G20) on how the financial sector could make a fair and substantial contribution toward paying for government bailouts. The cost to our communities of the financial crisis, as well as the bailouts of the financial sector, has been tremendous. As a result, we need a response from the IMF and the G20 that matches the scale of the crisis.

We are strongly urging the IMF to include in its report to the G20 an accurate and substantial description of financial transactions taxes FTTs as a feasible and necessary tool, drawing on independent evidence from economists and academics who have examined the feasibility of such taxes, modeling a range of different rates and analyzing the technical feasibility and impact on different markets of unilateral implementation of such taxes.

We look forward to your response to this urgent request.

Sincerely
[Organization name here]