

# Call for Offers

## Impact of a Financial Transaction Tax on economic recovery and financial stability

RLS study on the EU Financial Transaction Tax 2020

The Rosa-Luxemburg-Stiftung is an internationally operating, left non-profit organisation for civic education affiliated with Germany's Left Party. Active since 1990, the foundation has been committed to the analysis of social and political processes and developments worldwide. We work in favour of a more just world system based on international solidarity.

### Background & objectives

Internationally, the coronavirus pandemic has prompted policymakers to seek new sources of revenue in order to cover the costs of the health crisis and assist the economic recovery. This includes proposals for a tax on financial transactions.

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The German/Franco proposal currently under consideration by 10 European Union member states for a harmonised Financial Transition Tax (FTT) marks a major departure from the proposal as originally envisaged in 2011. Instead of applying to 28 member states, it will apply only to the 10 member states participating in the EU's enhanced cooperation system. The amount to be raised by the tax was estimated to reach 57 billion euros annually in 2011. This figure was revised downwards to 30-35 billion euros in 2013 when the enhanced cooperation procedure was launched – and it has now been revised downwards further to just a fraction of that, approximately 3.4 billion euros. Such major changes to the FTT proposal dramatically weaken its potential as a tool for progressive redistribution of wealth in the EU.

The contrasts between the scope and impact of the original proposal and the current proposal have been documented – particularly with regard to the estimated amount of funds raised under such the instrument. There is also a need to examine the impact of the current German-Franco proposal on financial speculation and stability in the EU, and to compare this with the original European Commission proposal (2011) and the first proposal made under the enhanced cooperation procedure in 2013.

Both of the first two proposals (in 2011 and 2013) covered the majority of financial instruments and trade types, including shares, bonds, derivatives, synthetic investment products and high-frequency trading. By contrast, the current proposal follows the French model and covers only trades in shares issued by publicly listed companies valued at more than 1 billion euros. Instead of applying to 85% of the financial transactions that take place within the EU, it will apply to transactions carried out by just 500 EU-based companies.



Against the backdrop of the dismantling of post-crisis financial regulations, the drastic reduction in the scope of transactions to be covered under the FTT represents a missed opportunity to curb dangerous financial speculation in the EU.

### **The study**

This study will examine the international conceptions of an FTT, including renewed calls for such a tax in the wake of the coronavirus pandemic. It will compare the various proposals for an EU FTT made over the past decade, and offer an analysis and critique of the current German-Franco proposal.

It will provide an overview of the current volume and nature of financial transactions taking place in the EU, and provide an estimate of the likely impact of the three distinct FTT proposals on financial speculation.

It will examine – from a quantitative and qualitative perspective – whether the current proposal, by taxing only the safest and most highly regulated transactions, may have the effect of shifting a percentage of financial transactions into the unregulated sector; as well as examining whether the existing national FTTs in place in certain participating member states are more effective than this proposal.

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The study will outline the likely impact of the three proposals on raising funds to aid the economic recovery, and the future financial stability of the EU. Finally, it will comment on the shortcomings, if any, of the various proposals with regard to reducing financial speculation to a safe level, and point to potential additional solutions for achieving this.

### **Conditions**

Word length: 10,000–12,000 words

Language: English

Honorarium: €9.600 (for 12,000 words)

### **Timeline**

Submission of abstracts: Tuesday, 2 June 2020

Notification to authors: Tuesday, 16 June 2020

Submission of study: Tuesday, 1 September 2020

Publication: October 2020

### **Application**

Abstracts of up to 1,000 words must be submitted to Florian Horn at [florian.horn@rosalux.org](mailto:florian.horn@rosalux.org), subject line: “[your name] – Abstract: Impact of a Financial Transaction Tax”, by Tuesday, 2 June 2020, 11 am CEST. Late submissions will not be considered.

