



European Trade Union Confederation (ETUC)
Confédération européenne des syndicats (CES)

Brussels, 3 September 2010
JM/AB/lw

To:

Mr José Manuel Barroso, President of the European Commission
Mr Didier Reynders, Belgian Minister of Finance
Mr Jean-Claude Juncker, Prime Minister of Luxemburg

Copy to:

Mr Michel Barnier, Commissioner for Internal Market and Services

[Sent by e-mail]

Financial Transaction Taxes

Dear Sirs,

We understand that at the forthcoming ECOFIN meeting in Brussels on 7 September, ministers will be discussing, among other things, financial sector taxation. On that occasion the ETUC urges you to discuss the clear benefits of a financial transaction tax (FTT) as a separate and equally valuable tool aside from and additional to the various proposals emerging around bank levies and resolution funds for future crisis.

Workers and their families are paying a triple bill for a crisis they have no responsibility for: as job holders who are facing high and rising unemployment; as taxpayers who are facing social austerity and higher taxes for less public sector services; and as parents who are facing less quality in education, training and good quality jobs for their children. In stark contrast to this, the crisis for banking institutions and their managers seems to be over. The huge bail-out programmes have not given rise to any more socially responsible behaviour in the banking sector but have in fact added to moral hazard and widespread self-service mentality. The ETUC believes that a FTT on all transactions can contribute to re-pay the costs of the crisis and fund other public good objectives.

We are deeply concerned that the Commission non-paper on financial sector taxation dismisses the feasibility of a European Transaction tax and rejects the adoption of a Financial Transaction Tax (FTT) on purely ideological grounds. It is drenched in pre-crisis thinking of allegedly efficient financial markets, a thinking that led to the current crisis. This dogmatic approach runs counter to the EU position at the Toronto G20 Summit and to the majority view in the European Parliament.

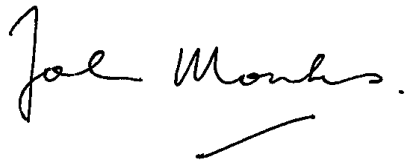
Regrettably, the same judgement applies to the draft EU terms of reference in preparation of the Seoul G20 Summit. These express concern of the cumulative

effects of regulation and tax burden for the banking sector and relegate FTT to further analysis – an unacceptable reversal of the concept of fair burden sharing.

The ETUC strongly believes that it is high time for action. We need now a European FTT that raises money to finance recovery measures and that tackles purely speculative activities. A European financial transaction tax applied to all financial transactions would significantly curb speculation, and levies applied to banks would limit their excessive reliance on unstable sources of funding. By discouraging socially useless very short term trading, the FTT would help bring the financial sector to a level more consonant with the real economy.

The EU institutions must not dismiss FTT at the outset. I hope that you will make progress on this important question and report this letter to the ECOFIN meeting.

Yours sincerely

A handwritten signature in black ink that reads "John Monks." The signature is written in a cursive style with a long horizontal stroke at the end.

John Monks
General Secretary