The Robin Hood Tax Scam Is Back

In a burst of uninformed enthusiasm, William La Jeunesse, writing for *Fox News*, announced that the bill offered by Senator Tom Harkin (D-Iowa) and Representative Peter DeFazio (D-Ore.) — the "Wall Street Trading and Speculators Tax Act" — was the Robin Hood tax.

If he knew better, La Jeunesse would have called it by its correct name: the Tobin Tax, first offered 40 years ago by a Keynesian economist, following the collapse of the Bretton Woods agreement when President Nixon took the United States off the gold standard. That bit of information would no doubt have helped to curb his enthusiasm.

La Jeunesse wrote:

> The measure would impose a tiny three-hundredths-of-a-penny tax on financial trades. Supporters say the bill would cost the average investor just $1 per year, but could raise up to $35 billion annually.

This painless way of extracting funds from its owners would then allow further spending to stimulate the economy, according to DeFazio:

> It's .03 percent. But it will still generate about $35 billion a year in income — income that could be used to rebuild the real economy, infrastructure [and make] other investments.

Any proposal to increase taxes, direct or indirect (the Tobin tax qualifies as an indirect tax), can be examined at least three ways. Who is proposing it and what is his agenda? Who has analyzed its impact impartially and has the intestinal fortitude to tell the truth about the bill? And are taxes in general moral, and indirect taxes specifically?

James Tobin was an unabashed establishment Keynesian economist. Born in 1918, he received degrees from Yale and Harvard. Upon graduation he immediately went to work for another Keynesian, Paul Samuelson (author of the widely read college textbook *Economics, an Introductory Analysis*) and quickly adopted a fondness, even a reverence for, Keynesian economics. He built his career around promoting the concept that government's role in the economy was to "intervene in order to stabilize" it and quickly took a job in 1941 in OPA — the Office of Price Administration — which was responsible for price fixing commodities like food and rubber during the war. In that position he was able to apply his Keynesian interventionist theories on a practical level.

It's fair, then, to conclude that the Tobin tax is an interventionist maneuver to fix some problem and cure some ill. According to DeFazio, that problem and ill is "speculators." Said DeFazio:

> [This Tobin tax] would benefit long-term investors with stability. It would benefit the economy with a longer-term perspective on investing, and it would reward patient capital as opposed to this useless daily second-be-second millisecond-by-millisecond churning [by speculators] that goes on.

But would it?

Not according to the nonpartisan Congressional Budget Office (CBO), which was queried about the bill by Senator Orrin Hatch (R-Utah). The ranking member on the Senate Committee on Finance, Hatch asked the CBO three questions:

1. What impact would the proposed tax have on gross domestic product (GDP) and on U.S. jobs?

2. What impact would the tax have on municipal financing, including the cost to municipalities of funding their activities?

3. What effect would the tax have on the depth and liquidity of the global market for U.S. Treasury securities?

The response from CBO Director Douglas Elmendorf was refreshingly blunt: The tax would have substantial negative impact in all areas. It would slow the American economy; it would shift jobs overseas to avoid paying the tax; it would raise the cost of municipal financing, and it would reduce the attractiveness of U.S. securities in foreign markets.

In addition, according to a study of the tax by David John of the Heritage Foundation, the tax:

> would weaken the already frail recovery and harm investors who are saving for retirement as much as or more than it would harm high-frequency traders….
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> [It would negatively impact] financial institutions … that manage assets owned by small investors such as pension funds, mutual funds, and similar entities….
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> [It] would have a powerful negative impact on the economy….
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> [It] would raise the cost of financial transactions … [and would hurt] average investors who would … bear the burden of the tax when their portfolios fall in value and suffer from damage to the overall economy.

Not surprisingly, one of those supporting the Tobin tax proposed by Democrats Harkin and DeFazio is none other than that great speculator of the 20th century: George Soros. On September 16, 1992, Soros speculated that the Bank of England would be forced to raise interest rates and, as a result, made a huge bet (estimated to be more than $10 billion, in English pounds) that the value of the English pound would consequently plummet. He was right, it did, and Soros became an enormously wealthy man.

In a moment of candor Soros said in 2001:

> It is not at all clear to me that a Tobin tax would reduce volatility in the currency markets. It is true that it may discourage currency speculation but it would also reduce the liquidity of the marketplace.

Soros, however, has another reason for supporting the bill: It would pave the way for a world currency. In his 2005 book, *Soros on Globalization*, he made this plain:

> [Because] the globalization of financial markets has given capital an unfair advantage over other sources of taxation, a tax on financial transactions would redress the balance…. The tax ought to be extended to all markets, not just currency markets….
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> Collection has to be worldwide, including tax havens. How could it be enforced? The collecting country must be given a portion of the proceeds….

In other words, the Tobin tax must be enacted worldwide and local governments must be bought off with part of the proceeds to persuade them to enforce it. "Bribe" is a better word for it, but Soros doesn't use that word.

> What about the morality of the Tobin tax, or of taxes in general? The Encyclopaedia Britannica defines taxation as "that part of the revenues of a state which is obtained by the compulsory dues and charges upon its subjects." In 1947 Frank Chodorov noted: "That is about as concise and accurate as a definition can be; it leaves no room for argument as to what taxation is."

Taxation is "compulsory" and it is levied, by force, upon the government's "subjects." Wrote Chodorov:

> If the state has a prior right to the products of one's labor, his right to existence is qualified. Aside from the fact that no such prior right can be established, except by declaring the state the author of all rights, our inclination (as shown in the effort to avoid paying taxes) is to reject this concept of priority. Our instinct is against it. We object to the taking of our property by organized society just as we do when a single unit of society commits the act. In the latter case we unhesitatingly call the act robbery….
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> Robbery is robbery, and no amount of words can make it anything else.

Chodorov added that the Tobin tax, as an indirect tax, is especially pernicious:

> It is not the size of the yield, nor the certainty of collection, which gives indirect taxation preeminence in the state's scheme of appropriation. Its most commendable quality is that of being surreptitious. It is taking, so to speak, while the victim is not looking.

The Robin Hood tax, properly called the Tobin tax, can now be seen for exactly what it is: one more governmental extraction from rightful property owners by surreptitious means, with all manner of negative consequences and a hidden agenda. That's certainly enough to wish it an early death.