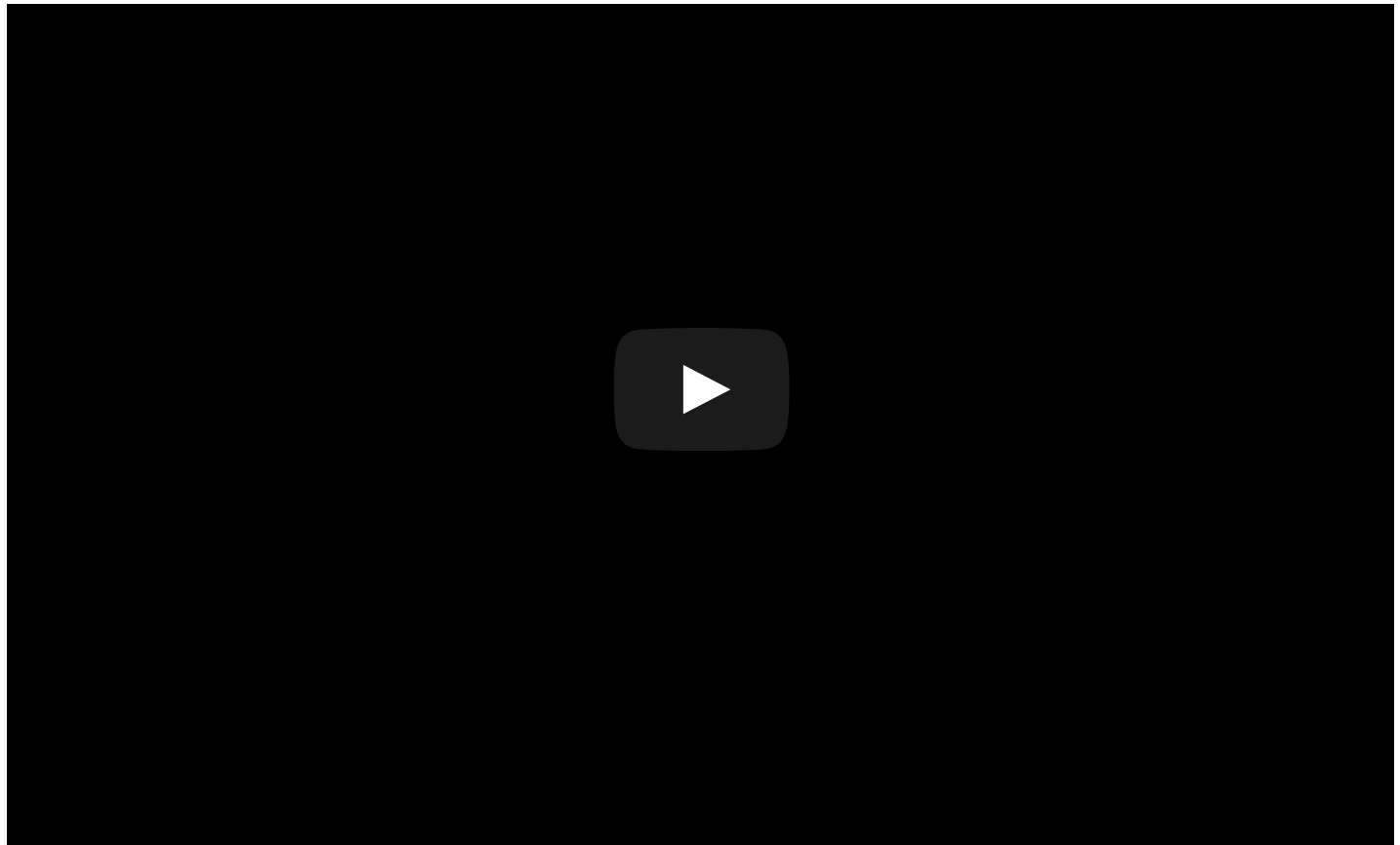


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# A Small Tax That Could Add Up to Huge Gains for Public Health

September 25, 2014 | by Heather R. Benjamin | Public Health Program | Add your voice

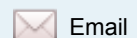


*David Hillman is the director of Stamp Out Poverty, an organization that advocates for new sources of funding for global development. In the video above, he describes the financial sector's responsibility to help alleviate the damage caused by the global financial crisis. I followed up with him recently about what a financial transactions tax could mean for public health needs.*

## What is a financial transactions tax (FTT)?

An FTT is a modest tax—a fraction of a percent—collected on transactions of shares, bonds, currency, or derivatives. FTTs do not apply to the types of transactions carried out by ordinary members of the public, such as loans. They target finance companies that are making huge numbers of financial transactions on a daily basis.

Because financial markets have grown so immense, applying taxes at these very small rates will raise billions of dollars that we can spend on public health, among other social goods. FTT revenues can be



used to protect jobs and services domestically and save lives internationally.

## **Why is an FTT needed now?**

FTTs are one of the few available options that can generate additional financial resources in sufficient quantity to make a real difference for people in need.

In the two years after the financial crisis, wealthier countries spent six cents of every dollar the world produced to bail out banks that had failed. Ordinary citizens with no responsibility for the crisis have effectively subsidized the bailouts while suffering job losses and cuts to public services. The effect in developing countries has also been devastating: according to Oxfam, the crisis left a hole of \$65 billion in their budgets. But at the same time, assistance from rich to poor countries has slumped.

Applying FTTs would produce billions in new revenue, creating a channel by which the financial sector can make a greater contribution toward public health and development objectives that have been knocked so badly off course by their actions.

Recently, FTTs have gained considerable political momentum, particularly in Europe. In particular, the [Robin Hood Tax campaign](#) has brought tens of thousands of citizens into the streets to advocate for it. In the wake of the global financial crisis, citizens and governments see the implementing of FTTs as a way for the financial sector to make a fair and substantial contribution for the economic damage it has caused.

## **Are there any examples of successful FTTs?**

Many!

There are more than 30 FTTs in effect around the world that collectively raise more than \$30 billion per year. In the UK, a 0.5 percent tax on share purchases raises around \$5 billion a year. Perhaps surprisingly, in the United States, a very small FTT on equities pays for the U.S. financial regulator—the Securities and Exchange Commission.

Ten European countries, including Germany, France, Italy, and Spain, are currently negotiating the introduction of a wide-ranging set of FTTs, with revenues of more than 10 billion euros per year set to come in by January 2016. This represents a significant achievement that ought to inspire other countries to follow suit.

Again, financial transactions occur so steadily and at such volume that FTTs have become straightforward means for countries to raise money. For example, since 2006, small taxes on airline tickets have generated more than 2 billion for HIV and AIDS, and these have also funded [UNITAID](#)'s TB and malaria treatments, which have saved hundreds of thousands of lives.

The machinery of FTT suggests they can support ambitious health goals.

## **Won't taxes on financial transactions damage economies?**

Not at all. In fact, the opposite is true. They grow as business grows.

In the business of trading, there are many transaction costs, such as commissions and various fees for research, clearing, and settlement. The fees that financial institutions charge clients are many times what an FTT would cost.

Opponents regularly rail against the FTT, claiming it will be bad for jobs and growth in order to scare decision makers into not introducing it. This does not square with the evidence: many countries with FTTs display strong growth, such as South Korea, Hong Kong, India, Brazil, Taiwan, South Africa, and Switzerland. Indeed these are some of the fastest growing economies in the world.

## What could FTTs mean for public health and global development?

Look to Brazil, which is one country that has already instituted an FTT to generate public health revenue. Of the money it collects, half goes toward to the Ministry of Health, a quarter to Social Security spending, and the other quarter to poverty reduction.

A financial transactions tax could offer even greater revenue, and could support the [Global Fund to Fight AIDS, Tuberculosis, and Malaria](#), which has proven itself so effective in the fight against pandemic diseases. It could also fund clean water initiatives, or work to reduce infant and maternal mortality.

*Stamp Out Poverty is a grantee of the Open Society Foundations.*

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