

November 11, 2009

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

Dear Mr. Strauss-Kahn:

Re: Request for civil society participation in IMF study on how the financial sector can help pay for the bailouts

In September, the Group of 20 (G20), at their summit in Pittsburgh, mandated the International Monetary Fund (IMF) with preparing a report ahead of the next G20 summit in June 2010 to consider *“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.”*

We, the undersigned civil society organizations, citizens’ groups, social movements and other stakeholders, welcome this initiative and look forward to working with you on this important matter. **We are writing with four requests:**

1. As part of its report, the IMF should pay serious consideration to proposals for financial transaction taxes as a key tool for ensuring that the financial sector helps pay for government bailouts of their industry.
2. The IMF should establish a formal process for engaging civil society views in this initiative, both by setting up a clear channel for submitting written input as well as organizing public dialogues. The IMF has created such mechanisms for civil society dialogue in the past on other important matters, such as debt restructuring and cancellation, and more recently in the governance reform process at the IMF that you initiated.
3. The study should thoroughly explore the possibility of taxes on currency transactions and on all financial transactions, taking independent evidence from economists and academics who have looked at the feasibility of such taxes, modeling a range of different rates and analysing the technical feasibility and impact on different markets of unilateral implementation of such taxes.
4. The IMF should be open to the work of other international bodies that are focusing on this issue, such as the Taskforce on International Financial Transactions for Development, recently created by French Foreign Minister Bernard Kouchner under the auspices of the Leading Group on Solidarity Levies for Development.

Background on Financial Transactions Taxes

Since the outbreak of the crisis, a number of organizations and countries have pointed to the need for a financial transaction tax (FTT) to both help stem the speculative flow of a broad array of financial instruments and also generate resources for public goods. This alone would not resolve the crisis, of course, but it could play an important role in raising funds to compensate those who ended up paying for the resulting “bail-outs”.

Unlike a currency transaction tax or a “Tobin tax,” which just covers currency transactions, an

FTT would have a much broader tax base, covering all kinds of financial assets such as shares, bonds, securities and derivatives, and both domestic and cross-border transactions. Technically the FTT can be levied easily and at very low costs since all stock exchange transactions are captured by electronic platforms. A simple electronic tag would automatically transfer the tax to the tax office. At a tax rate of 0.5 percent, it would also help curb speculative transactions that add little to the real economy.

Such taxes already exist. The most prominent example is the British “*Stamp Duty*”, which levies a 0.5 percent tax on the nominal price of any purchase of shares of UK companies and which has not led to substantial tax evasion or the weakening of the City of London. Country specific financial transaction taxes exist in Austria, Greece, Luxembourg, Poland, Portugal, Spain, Switzerland, Hong Kong, China, and Singapore. The U.S. state of New York levies a stamp duty on Wall Street (*New York Stock Exchange* and *NASDAQ*) on all firms based there. Claims that financial transactions taxes are not feasible should therefore not be a serious concern.

Growing Support for Financial Transactions Taxes

As you are no doubt aware, many politicians have recently voiced their support for taxing financial transactions, among them French President Sarkozy and German Chancellor Merkel. U.S. President Barack Obama has also noted the need for “*a Financial Stability Fee on the financial services industry so Wall Street foots the bill -- not the American taxpayer*”. Your predecessor, former Managing Director Horst Köhler, now President of Germany, said at Chancellor Merkel’s swearing-in ceremony that the new German government should support an FTT. The U.S. House of Representatives is exploring the idea of an FTT, and European Commission President Barroso and Lord Turner, Chair of the British Financial Services Authority, are also favourable to the idea.

We want to add our voices to these calls for financial transactions taxes and to offer our input as you work to prepare a report of significant value to the G20. We consider this a critical component of the G20’s goal of ensuring the integrity and stability of our global financial system.

Sarah Anderson from the Institute for Policy Studies, Peter Wahl from Weltwirtschaft, Ökologie & Entwicklung (WEED) and Fraser Reilly-King from the Halifax Initiative Coalition will be following up with you on this request.

Yours sincerely,

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ActionAid International
ACV-CSC
Africa Action
Africa-Europe Faith and Justice Network
Alliance Sud
Americans for Financial Reform
ARCI
Attac Austria
Attac Belgium
Attac Catalunya
Attac France
Attac Vlaanderen
Both ENDS
Bretton Woods Project
CAFOD

Campagna per la Riforma della Banca Mondiale
Campaign for America's Future
Canadian Union of Postal Workers
Center for a World in Balance
CIVICUS
Development Alternatives with Women for a New Era (DAWN)
Ethical markets Media (USA and Brazil)
European marches against unemployment
European Network on Debt and Development (Eurodad)
FDI Watch
FERN
Financial Action Network
Fundación Ágora S. L.
Global Policy Forum Europe
Global Social Justice
Halifax Initiative Coalition
INKOTA-netzwerk
Institute for Policy Studies, Global Economy Project
International Trade Union Confederation
Jubilee Australia
Kairos Europa
KEPA (Service Centre for Development Cooperation)
Loretto Community
Make Poverty History Canada
Medical Mission Sisters
Norwegian Forum for Environment and Development
Oxfam International
Oxfam Québec
Public Citizen
Service Employees International Union
Sisters of Charity Federation
Somali Community Literacy Center
Social Watch
Tax Justice Netherlands
Tax Justice Network
Tax Research UK
The Third World Institute (ITeM)
Trade Union Advisory Committee to the OECD
Trades Union Congress (TUC)
Stamp Out Poverty
War on Want
Weltwirtschaft, Ökologie & Entwicklung (WEED)
Workers' Educational Association
World Development Movement
World Federalist Movement

Cc:

John Lipsky
IMF Executive Directors
G20 Finance Ministers