



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



**THE SENATE**

**PROOF**

**QUESTIONS WITHOUT NOTICE:  
TAKE NOTE OF ANSWERS**

**Financial Transactions Tax**

**SPEECH**

**Tuesday, 24 March 2015**

BY AUTHORITY OF THE SENATE

---

## SPEECH

<b>Date</b> Tuesday, 24 March 2015	<b>Source</b> Senate
<b>Page</b> 33	<b>Proof</b> Yes
<b>Questioner</b>	<b>Responder</b>
<b>Speaker</b> Lambie, Sen Jacqui	<b>Question No.</b>

---

**Senator LAMBIE** (Tasmania) (15:27): I move:

That the Senate take note of the answer given by the Minister for Finance (Senator Cormann) to a question without notice asked by Senator Lambie today relating to a financial transactions tax.

Today I asked that the Liberal-National government introduce a new tax, a financial transactions tax, or an FTT, for Australia. I want this financial transactions tax applied to specific companies which co-locate within our stock exchanges and use supercomputers loaded with sophisticated software to make big profits. And I want the revenue from a financial transactions tax to be linked to aged Australians' pensions and to veterans' pensions.

The companies which I am targeting with a financial transactions tax have acquired supercomputers and software packages which enable the owners of companies to (1) identify and intercept share buy-and-sell orders; (2) high-frequency trade and skim billions of dollars in profits. These companies, according to an Australia Institute research paper, while having a huge technical advantage over retail or mum-and-dad investors, even have a big technical advantage over large institutional investors. In short, if you (1) have the right IT hardware and software and (2) are located close enough to the stock exchange, then you have a licence to print money while using supercomputers to high-frequency share trade.

A financial transactions tax is a tax that all three major parties have run away from. Whatever the reason, the bottom line is Australia is missing out on another source of income that most of Europe is now taking advantage of. Our pensioners have been targeted by the Liberals for 'budget savings'. We all know that is Abbott code for, 'I'm going to steal money from you.'

In a forthcoming paper from the Australian Institute, which I will help officially launch this Thursday in parliament, the writer says:

The European Commission have advocated for a 0.1 per cent tax on the transfer of shares, bonds and financial instruments, and a 0.001 percent tax on derivatives. A European Union-wide special financial transactions tax is set to be introduced on January 1, 2016. Both Italy and France are using revenue from the tax to pay down national debt.

A financial transactions tax is not a new idea. Information I commissioned from the Parliamentary Library states:

The idea to introduce FTTs goes back to John Maynard Keynes in 1936. Writing during the Great Depression, Keynes proposed a securities transaction tax to reduce destabilising speculation in equity markets. The idea received renewed interest when economist James Tobin suggested in 1972 introducing a tax on international foreign exchange transactions. Tobin saw the tax acting like soft capital controls by throwing 'grains of sand in the wheels of the market' thereby enhancing the policy space for national fiscal and monetary policy.

And:

In August 2009, Lord Turner, chair of the UK Financial Services Authority, canvassed the possibility of imposing a FTT on all financial transactions to promote an efficient financial sector, particularly more stable financial markets.

A general FTT has come to be seen as a way of reducing financial market volatility and excessive speculation in these markets as a safeguard against future financial crises.

As I explained in the lead-up to my question to the finance minister, the type of financial transactions tax I am proposing is very simple, targeted and not as complicated as the tax systems proposed by John Maynard Keynes and James Tobin.

The financial transactions tax I am proposing should only be levied on businesses in Australia which are co-located in or near our stock exchanges, using supercomputers, complex IT software and high-frequency share and stock trades. It would conservatively raise between \$1 billion and \$1.4 billion, while saving mum-and-dad investors from \$2 billion worth of profit skimming. My financial transactions tax would provide a new revenue stream which could be tied to our aged pensions and veteran pensions. Who could possibly oppose it? Firstly, it is a win for our mum-and-dad investors. Secondly, it is a win for our pensioners and veterans. Thirdly, it is a win for our financial markets, which would be better protected from high-frequency share speculation and brought into, as the Australia Institute says, 'closer correlation with activity in the real economy'.

Question agreed to.