

SPARE US FROM FEAR AND GREED



THE world is driven by two emotional forces, fear and greed ... this has been a good week for greed." This comment, made casually by a financial commentator being interviewed by the BBC World Service, stopped me in my tracks. It made me go away and look a little closer at the role of the financial markets in our everyday lives.

Each night, the news now ends with a summary of what has been happening on the Stock Exchange. Normally it doesn't make the slightest difference to me ... at the moment when it seems about time to put the kettle on. But for large sections of the economy I realise that this has become an important barometer of our wellbeing.

Each day people can go into work and produce the same sort of goods, complete the same number of orders, activities, sales or services, but their price and 'value' is determined elsewhere. Let me give you an

example.

Last week there was a bit of a panic in the financial markets. The American Federal Reserve Board raised their short term interest rates. As a result, share prices in Britain fell sharply and £14 billion was wiped off the value of Britain's publicly quoted companies in what was described as "a day of nervous and volatile trading" on the Stock Exchange. If, like me, you don't own shares you might be tempted to say "so what?" Unfortunately, such panics affect a lot more people than those who have been caught out "having a flutter". Share values can affect company borrowing limits and prompt banks to call for the early repayment of loans or reductions of overdraft. The worker, doing the same steady job that was fine yesterday, can find the firm in panic today.


It is even worse when you look at the daily flutters on the world's currency markets. Each day over £200 billion is spent on the London Foreign Exchange Market, simply buying and selling other people's money for speculative purposes. It's a bit like betting on the horses except that if you are one of those with absolutely pots of money, you can make the market react in the way you want it to. Men like George Soros, the American financial guru, can make the pound fall just by saying it is going to fall. He made billions of pounds overnight just by buying and selling pounds during Britain's "Black Monday" fiasco. Now Britain's total annual wealth only comes to £636 billion — a sum exceeded every three days by those who play the roulette tables of the London currency markets! At a global level, the entirety of world trade — of the goods that we make and sell — comes to only one per cent of the world's speculative trading of money, and only six countries have annual wealth which exceeds the daily trade in money in what is becoming a global casino economy.

I make these observations at the time when we are witnessing the pageants and fanfares of different companies bidding to run the National Lottery. Perhaps it is time to put them on to a similar footing. If you want to place a bet on the Grand National you have to pay betting tax on it. If you buy a ticket in the National Lottery, a portion of it will automatically go to the Government in tax. So why not tax the flutters of the international currency speculators?

In America they are talking about introducing a 'transactions tax' on currency speculation. The European Commission is looking at a similar proposal for Europe. It would be a move towards putting a premium on 'stability' rather than fear or greed as the centrepiece of international relations and trade. It would also have a very interesting effect on government finances. I did a little calculation about such a tax in Britain — only on the movement of speculative capital (not the buying and selling of goods). If a tax of one-eighth of one per cent was introduced it would bring in £50 billion a year! Even the Tories could clear the public sector borrowing requirement.

It would allow businesses to get on with doing business, workers to go on making things, trade to go on nationally and internationally. Only the big players on the world money markets would be upset — those with no loyalty to country or continent, just the quick buck.

All we need is a Government which knows that there is more to life than being torn apart between the turbulent deities of fear and greed.

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