

It is worrying when powerful and influential politicians declare their support for damaging and unprincipled economic proposals. But it happens all the time. Setting out his pitch in anticipation of the G20 Summit which starts in a few days' time, [Wolfgang Schäuble, Germany's finance minister, announced](#) that he wants the European Union "to take the global lead in introducing a financial transaction tax to curb speculative trading, along with tougher regulation of big banks and the "shadow" banking sector, such as hedge funds."

Since there will always be enough countries who will refuse to play ball, action by the EU, or the Eurozone countries alone, will be a futile and self-harming gesture. A tax on financial transactions would not have stopped the present troubles, which are but a phase in the economic roller coaster that had its origins over 200 years ago, nor will it prevent the same thing from happening again.

There is no moral or economic justification for such a tax.

The latter point has been missed by soft liberals who are rightly incensed by what has been happening over the past four years but have failed to look beneath the surface of things.

The one tax for which there is a moral imperative - a charge on the annual rental value of land - would indeed have prevented the ongoing disaster.

Further benefits would be that it would open up economic opportunities for all, thereby shrinking the wealth gap. An incidental advantage would be that tax havens could not function.

The boom-bust was at its root a credit fuelled land price boom, with loans being given out on the security of land prices which had themselves been pumped up by this easy credit - a self-feeding bubble.

Had a substantial tax on the annual rental value of land been in place before around 2005, any country that had adopted it would have been substantially insulated from this catastrophe.

The same reform is also a prerequisite for getting the financial system on to a sound footing.