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Bank Tax: A Roundup of Reactions

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I'm still trying to figure out whether the "financial crisis responsibility fee" that the administration is proposing would promote the stability of the financial system and/or broader economy — or if it's just, as one economist I spoke with put it, a "bad banker tax," an effort for President Obama to prove his banker-hating bona fides to America.

In the meantime, here's a roundup of some of the reactions so far:

"Although the political debate will put on lot of emphasis on 'punishing' banks and 'paying back' TARP funds, these are not the issues. That's all water under the bridge. On a going forward basis, a tax on bank debt is sound economic policy — even if all the banks and bankers that caused the crisis had disappeared and new ones rose up to take their place." — Martin A. Sullivan, tax.com

"This proposal is not all about political theater. There are valid policy reasons as well for a moderate tax, spread out over a number of years." — Douglas J. Elliott, Brookings Institution

"If the effort is really about deficit reduction, then it completely misses the mark. Any serious deficit reduction plan has to start with Medicare and Social Security. … The real outcome of this proposed tax would be to increase consumer banking costs while reducing the value of bank equity, all at a time when banks are already undercapitalized." — Mark A. Calabria, Cato Institute

"Using tax policy to punish people is a bad idea." — Jamie Dimon, JPMorgan Chase (said before details came out)

"I like the way the tax is structured: it's simple, and the liabilities-minus-deposits formula naturally puts more of the onus on investment banks than commercial banks. It also encourages banks to fund themselves with equity rather than debt." — Felix Salmon, Reuters

"The tax isn't nearly big enough!" — James Kwak, BaselineScenario

"To the extent that it discourages banks from making loans in the future and increases the incentives for banks to use off-balance sheet vehicles, the tax is a bad thing." — Paul

Ashworth, senior United States economist, Capital Economics

"I would have preferred to recoup the bailout money and increase the safety of the system at the same time through a tax on assets (to get at the too big to fail problem) and a tax on leverage (to reduce the damage the big banks can cause if they do fail)." — Mark Thoma, Economist's View

"So Morgan Stanley and Goldman Sachs and Citigroup can probably be expected to fork over, oh, maybe $500 million each. I wonder if their accountants will even notice it?" — Kevin Drum, Mother Jones

"What's mystifying, then, is that the fee will only apply until TARP has been repaid. If it is understood that a tax discouraging excess leverage is a good thing, I'm not sure why you'd want the tax to sunset as soon as the bill from the last crisis is settled, especially since that will probably be right around the time that everyone will forget how dangerous big banks can be." — Free Exchange, The Economist

"There are few better political maneuvers — especially for a president with mediocre approval ratings — than to propose something that's popular with the electorate but will probably never see the light of day. If the tax idea fails, the White House can always blame Republicans." — Brian Wingfeld, Forbes.com

"Banks will argue that this fee will force them to pass on costs to the consumer in the form of higher loan interests or some such thing. An administration official who briefed reporters last night made clear he didn't think this argument would hold much water: If banks try to pass on the fees, they'll likely lose market share to other banks, either smaller ones who aren't affected by the fee or to banks who realize it will be hard to make the pass-on-costs argument while awarding employees huge bonuses." — Tim Fernholz, The American Prospect

"As policy, the tax helps to level the playing field between large and small financial institutions, reducing the benefit of being 'too big to fail.' (It doesn't go nearly far enough, but it does advance the cause.) As politics, it puts the administration back on the opposite side of the Wall Street bad guys." — Jonathan Chait, The New Republic

"The Obama administration's proposal is a positive step toward holding the banks accountable for the damage that they have caused. However, it should not prevent the stronger actions needed to fully cover the cost of the damage and to restore efficiency to the financial sector." — Dean Baker, Center for Economic and Policy Research