THE TIMES

Raid on savers is a death knell for Cyprus

Ralph Silva

The decision to tax savings has prompted an outpouring of anger in Cyprus Reuters

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Unbelievable. That's the only thought that comes to mind when thinking about the Cyprus plan to tax savings. What on earth are they thinking?

It is to Britain's benefit to offer the Cypriot Government the gift of 100 well-trained psychiatrists to help them through their obvious mental breakdown. The world has never known a government in more need of Prozac.

Cyprus simply does not understand what money means to people. Politicians think of money as a line in a spreadsheet, an abstraction to be moved freely, but ordinary people have a very different perspective. For us mortals, money is emotional; it is the blood that keeps our lives moving forward and without it, causes unthinkable pain and suffering.

To say that savings will be subject to unexpected taxation tells people they should not put anything away. For those considering how to live after retirement, it tells them that the best place to put their money is under the mattress where the government cannot reach it.

These are the alternatives that Cypriots are facing today, because the only alternative is to die something like 9.9 per cent earlier than planned.

There is one winner in this scenario: makers of door locks and those who make a living by breaking into homes. I assure you, it's going to be a booming business. For everyone else, this is a death knell in the future of the nation, and possibly Europe.

With less money in savings, there is less money for banks to lend, with a shortage of lending than business cannot hire new people. Unemployment goes up, and the economy worsens. This is incredibly simple economics, the fact the government does not realise it makes you wonder what they are actually seeing.

This plan has far-reaching implications. What are Spaniards, Portuguese, Greeks or even Italians thinking today? Some will now fear that this type of taxation is now an option for their governments.

If you are scared, then you might think about taking your money out of the bank (where it isn't earning any interest) and hide it in the back yard. Sure, not everyone will do that, but it only takes a few thousand people to start a bank run and Europe can hardly afford another bank run.

Savings has to be a human right in our part of the world. Sure, taxing interest made on savings may be a necessary evil in our current economic condition, but to take the money from people that have worked their whole lives to prepare for their future, is simply wrong.