PASS THE WALL STREET SPECULATION TAX

Keep Wall Street in Check & Generate Revenue for Needed Services

Despite the economic disaster of 2008, high-risk,high speed and speculative trading is still rampant on Wall Street. And Big Banks are still not paying their fair share of taxes. A growing coalition supports a Wall Street Speculation Tax, which can help make the financial system safer at the same time as it makes possible investments for the public good—like improved investments in education, infrastructure, health care, poverty reduction, and mitigating climate change—rebuilding the American middle class.

What is the Wall Street Speculation Tax? The Wall Street Speculation Tax (also called a financial transaction tax, Robin Hood tax, or Tobin tax) is a very small tax of a few cents per hundred dollars of Wall Street transactions, such as trades of stocks, bonds and derivatives. Similar taxes exist in many other countries and the U.S. taxed Wall Street trades from 1914 until 1966. Bills to reinstate a Wall Street Speculation Tax would not only stop some kinds of destructive high frequency trading outright, it would also collect revenue from Wall Street churners and speculators.

Why do we need a Wall Street Speculation Tax? A Wall Street Speculation Tax would help stop wasteful and risky high-frequency trading. This kind of trading may enrich Wall Street institutions but it creates market instability and adds nothing to the wider economy. A Wall Street Speculation Tax will return Wall Street's focus to long-term investments that build jobs and bring capital to Main Street businesses. A very small tax on this kind of trading would raise hundreds of billions of dollars over the next decade— enough to address all kinds of social problems, ranging from education to infrastructure.

Who supports the Wall Street Speculation Tax?The Wall Street Speculation Tax is supported by a wide range of groups—from labor unions like the Communications Workers of America and the AFL-CIO, to consumer groups seeking to curb reckless Wall Street speculation. Faith leaders like the Vatican also support the tax along with financial industry professionals like John Bogle (the founder of Vanguard Group) and leading economists like Joseph Stiglitz and Nobel Prizewinning economist Paul Krugman.

Support for the Wall Street Speculation Tax is growing, for one clear reason: It's time we took action to support Main Street and working families and to stop Wall Street from gambling recklessly with our economy.

Learn More at **www.TakeOnWallSt.com**

THE WALL STREET SPECULATION TAX

The Wall Street Speculation Tax (also known as a financial transaction tax, Robin Hood tax, or Tobin tax) is a tiny fee – at rates of a fraction of a percent – on Wall Street trading of financial instruments such as stocks, bonds, derivatives, futures, options, and credit default swaps.

Big banks on Wall Street caused a financial crisis that drove our economy into a deep recession, exploded the deficit, and cost millions of Americans their homes, jobs, and retirement savings. Although we bailed out Wall Street firms when they crashed the economy, Wall Street firms are not paying their fair share in taxes. Bankers are still too focused on short-term investments. High-frequency trading is exacerbating volatility in the market and hiking up costs for average investors.

The Wall Street Speculation Tax would correct the market while growing much-needed revenue.

Why should we pass a Wall Street Speculation Tax?

Passing a Wall Street Speculation Tax of a fraction of a percent on the trading of stocks, bonds and other Wall Street financial products would have many benefits:

1) It would raise a large amount of money that could be used to improve education and job training, fund medical research, and create good jobs by repairing roads and bridges.

2) It would reduce high-speed computer trading by Wall Street firms that makes the economy vulnerable to the risk of financial crashes.

3) It would help level the playing field because it would overwhelmingly be paid for by Wall Street firms and the financial services industry.

4) This proposal would help return Wall Street to its proper role of financing long-term investments that create good jobs instead of engaging in short-term speculation that pressures companies to downsize and outsource jobs

\Wall Street traders will bear almost the entire cost of the proposal because they are the ones flipping stocks on a daily basis. Research indicates that most regular investors will largely offset the cost of the tax by trading less.

The Joint Committee on Taxation estimates that a Wall Street Speculation Tax of three cents for every $100 traded would raise more than $350 billion over nine years, and a higher tax rate would bring in even more than that.

The Wall Street Speculation Tax is not a new or untried policy.The U.S. had a tax on Wall Street trades in place from 1914 to until 1966.10 European nations are poised to implement a collaborative tax on financial transactions in 2017. More than 30 countries already place a tax on financial trades and it works. They have raised large amounts of money from the financial industry and have reduced financial speculation. It’s far past time for the U.S. to recapture this source of revenue and to create a market that prioritizes long-term, job-creating investments over volatile high speed computer trading.

We urge you to co-sponsor legislation to reinstate a Wall Street Speculation Tax. Legislative proposals in Congress have had rates that ranged from .03% to 0.5%.

THE WALL STREET SPECULATION TAX

The Wall Street Speculation Tax (also known as a financial transaction tax, Robin Hood tax, or Tobin tax) is a tiny fee – at rates of a few pennies per hundred dollars of trading– on Wall Street trading of financial instruments such as stocks, bonds, derivatives, futures, options, and credit default swaps.

Depending on the rate at which it is set,Wall Street Speculation Tax would raise at least tens of billions of dollars per year in badly needed revenue.In 2012, the Joint Committee on Taxation scored a Wall Street Speculation Tax of 3 cents per $100 of trading and found it would raise $352 billion over nine years. Proposals for a higher tax rate would generate even greater amounts.No matter what the rate, the tax will raise a substantial amount of revenue, skimming the fat off of a sector of the economy that can afford to pay it.

A Wall Street Speculation Tax would also reduce dangerous financial market speculation. Since it would hit high-volume, high-speed trading the hardest, the tax would serve to discourage short-term speculation in financial markets as well as the proliferation of ever more complex derivatives.By reducing the volume and profitability of short-term trading that serves no productive purpose, the tax would encourage Wall Street to find new ways to make money from longer-term productive investments.

The Wall Street Speculation Tax would also help hold the financial industry accountable for crashing the economy and put Wall Street to work rebuilding Main Street with revenue to create potentially hundreds of thousands of jobs and support critical public services and infrastructure. Wall Street and its lobbyists vigorously oppose reinstating a robust tax on U.S. trades, and they spread many false claims as a way to obfuscate the issue. But these claims can easily be refuted.

Wall Street's claim: ***This tax would make it more expensive to have a retirement account, like a 401 (k) plan or an IRA, or a pension fund. We should not be taxing retirees struggling to get by.***

To keep the idea off the table, Wall Street high flyers argue that ordinary families and retirees would suffer. But their claims don't add up. Pension funds and traditional stock-and-bond-holders would barely notice such a tax, since they already pay far more in exchange fees, clearing fees, fund management fees, and other private costs built into the financial system. Public Citizen showed that even without any downward adjustment in trading, a transaction tax of 3 pennies per $100 of trading would cost the typical holder of a retirement fund in the range of $25 a year. That's a miniscule amount compared to the $1100 or so in fees already levied on that same investor by the financial industry itself.

The Wall Street Speculation Tax is very progressive. The cost of the tax would fall overwhelmingly on speculators – individuals and institutions in the habit of holding financial instruments for hours, minutes, or even seconds as opposed to months or years. In fact, research shows that most traders will respond to a tax by reducing the frequency of their trades. This means that by trading less often, they will end up spending roughly the same – or even a lower – total amount on their trades. This will be a long term benefit to retirement savers who will see less churn in their portfolios.

By increasing government revenue, the tax would also help to ensure the survival of key government retirement programs like Social Security and Medicare – programs that are key to the economic security of ordinary Americans. It would also reduce the volume and profitability of short-term trading that serves no productive purpose, the tax would encourage Wall Street to find new ways to make money off of longer-term, productive investments – investments in companies that grow, create jobs, and develop products and services that make the U.S. competitive in a global economy.

In the face of Wall Street's loudpromotion of this false claim,some legislative proposals have included exemptions or tax credits to provide an additional visible mechanism to insulate middle class investors from paying the tax. .

***Wall Street's claim:* The financial industry will evade the tax by moving their trading to other countries, costing American jobs and reducing tax revenue.**

This argument ignores that fact that these taxes are already a reality. Such taxes have a long and successful track record—both in the United States and in other countries. From 1914 until 1966 the United States had a transfer tax—a small fee on all sales or transfers of stock. In fact, the U.S. still has a very small tax on trades, which is used to finance the Securities and Exchange Commission. The United Kingdom collects a transaction tax of one half percentage point on stock transfers and has done so for hundreds of years.

Dozens of countries with robust markets such as Hong Kong, Taiwan, South Korea, and India currently collect securities transaction taxes.The success of these taxes in other markets shows that countries can easily move unilaterally to implement the tax. However, as more countries implement the tax—for example 10 European countries are expected to soon implement a collaborative tax—this Wall Street claim grows even weaker.

***Wall Street's claim:* Our tax system is already too complicated and burdensome. We need a simpler tax system, not costly new taxes.**

A Wall Street Speculation Tax is about creating a fairer tax system. Ordinary people pay sales taxes on all manner of goods and services. Yet no such taxes apply to Wall

Streeters when they buy and sell financial securities. As the financial industry continues to grow, it unfortunately pays a smaller and smaller share of total tax revenues.

Revenue and fairness aside, such a tax would restrain the complex computer-driven high-frequency trading that caused the “Flash Crash” of May 2010 and continues to pose a danger to financial stability and reliable market liquidity. More broadly speaking, the tax would move the markets away from churning and short-termism, drawing money out of empty speculation and back toward job creation and useful private and public investment. That combination of benefits explains why a wide range of economists and other authorities believe a Wall Street speculation tax would make sense even if federal tax rates were not at a half-century low and the country badly in need of revenue.

Wall Street’s claim: ***The idea has little support.***

This claim couldn’t be farther from the truth. A Wall Street Speculation Taxis supported by major business and political leaders. Financiers George Soros and John Bogle (founder of the Vanguard Group) support the idea, as do business magnates Bill Gates, Mark Cuban, and Warren Buffett.

Former Republican administration officials, such as Sheila Bair, David Stockman and Paul Volcker, have endorsed the concept.After the 1987 Wall Street crash, an tax on Wall Street trades was proposed by then-Speaker of the House Jim Wright and endorsed by Bob Dole and the first President Bush Prominent economists have supported it, including John Keynes; Nobel prize winners James Tobin, Paul Krugman and Joseph Stiglitz; Jeffrey Sachs; Dean Baker; and Larry Summers.

Moreover, numerous surveys show that are that taxes on Wall Street trades are popular with the public. In a January 2013 poll conducted by Hart Research for Americans for Tax Fairness, over 6-in-10 (62%) of respondents approved – and one-third (34%) strongly approved – a “small tax on all stock/bond/market trades.”A December 2012 survey by the Mellman Group for Friends of the Earth found that among American voters, two-thirds favored a Wall Street Speculation Tax, saying yes to “taxes on Wall Street banks that helped create our economic problems.” A majority of poll respondents favored reining in “the casino culture of Wall Street” and “skimming the fat off a sector that can afford to pay.”

Help Take on Wall Street: Pass a Wall Street Speculation Tax

Reinstating a Wall Street Speculation Tax is a tried and true solution to grow revenue via a very progressive tax. It would reduce portfolio churning that racks up fees for average investors, decrease volatile high-frequency trading, and refocus investment on long-term job creation that supports Main Street businesses. Thought leaders and the American public are behind the tax. It’s time for Congress to take action and pass the Wall Street Speculation Tax.

Additional Resources:

- Statements of Support for a Financial Transaction Tax(CEPR, 2/16)
- *New York Times* editorial (1/28/16)
- The Incidence of Financial Transactions Taxes(CEPR, 10/15)
- The Financial Transaction Tax: An Old Solution to a New Problem(PC, 10/15)
- FAQs on Financial Transaction Tax (IPS, 1/15)
- Capitol Hill Briefing (9/26/14)
- Wall Street Speculation Tax Talking Points (AFR, 4/14)
- Matter of Perspective(PC, 3/12/14)
- *USA Today* editorial(9/26/12)
- "The Banker" Video(Robin Hood Tax campaign, 2/9/10)

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