Today was a brutal day on Wall Street. Through no fault of investors.

Today was brutal because of traders and financial engineers who trade on every piece of data . Those that work from quantitative formulas that drive trades based on data input. Not a single one of them acts like a shareholder. And that is the reality of the stock market.

The market is no longer driven by shareholders. The market is driven by formulas that drive trades.

So what should the government do ?

Tax every single share of stock that is bought and sold 25 cents per transaction. One quarter. If you buy a share of stock, your brokerage pays a 25c tax. If you sell a share, your brokerage pays a 25c tax. 1 share, 100 million shares. Its 25 cents per share.

Of course the tax will be paid for by those of us who are buying and selling stocks. So what? Here is the reality. If you are a true investor. Someone who wants to own a share of stock in a company you believe in, then its an amount that is not going to impact your investment decision making process. You bought those shares to be a shareholder.

If you dont think the company you are buying is worth at least a quarter more than what you are paying , why are you buying shares ?

If you are a professional trader or an institutional trader that trades continuously, the same type of traders that created the mess in the market today, then it may impact your decision making process, but only to the point of reducing your returns by a minimal amount. Its not going to change your inclination to trade. As everyone on Wall Street will tell you "Traders Trade".   You may trade less and make less in aggregate, but no one but you cares about that. You will find your way to make money. There is always the loop hole and inefficiency. Thats what you live for. But you won't stop trading.

If you are a day trader, you are going to have to be right more often or actually hold on to stocks for a longer period of time. That's ok. I know it will be rough on some of you that make a living this way. But in reality, you don't add anything to the markets.

Whats the bigger economic impact of having the tax ?

If the NYSE, Nasdaq, Amex and OTC are trading 2 Billion shares a day or more , like today, thats $ 500 Million Dollars PER DAY. If there are 260 trading days a year. Thats about 130 Billion dollars a year. If volumes drop because of the tax. It is still 10s of Billions of dollars per year.

Thats real money for the US Treasury. Thats also an annual payment towards the next time Wall Street screws up and we have a black swan event that no one planned on.

Of course there has to be some fine print. You could reduce the tax per share for stocks under $5 dollars to 5cents. But i would leave it at 5cents even for stocks priced at pennies per share or less. This tax would act as a protection for investors and traders who get pitched unregulated penny stocks and who are more often than not the victims of rip off artists. It would minimize the pink sheet companies that trade billions of shares of stocks priced for pennies. Those companies that are legit, could do a reverse split to protect their investors. The others can go away. They probably shouldn't be public anyway.

The stock market today is dominated by financial engineers and traders. Institutions who look for the loopholes and exploit them. Thats not a bad thing. There will always be loopholes, and they will always find them. But at least with the tax, when they do, we are protecting ourselves a little bit. Heck, the Treasury could join in the show and buy long and short 20pct out of the money derivatives on the market to protect us even more. This way if things go haywire like they did a couple years ago and have the past few days, the Treasury will be playing with Wall Streets' money. I'm sure Main Street won't mind terribly if the Treasury plays with the house's money.

Particularly since the only given for Wall Street is that every 5 years or so there will be an extreme event. Why ? Remember the rule of Wall Street …

First there are the innovators. Then there are the imitators. Then there are the idiots. And there are tons and tons of idiots. Just look at the billions upon billions squandered in closed Hedge Funds. The idiots always find there way back into the market and the market always wipes them out taking investors down with them.

It's time to make all those playing this game pay a tax per transaction.

And one more thing. When Wall Street talks about how a tax will hurt liquidity, ask them why, if liquidity is so essential to a market, they don't want any transparency and aren't trying to increase liquidity for the derivatives they sell on a custom basis ? Or why they are not trying to increase the liquidity for the corporate bond markets where bonds trade with a huge spread ?

They want minimal transparencies where the spreads are high and they can keep them that way and price their products anyway they like. Where the spreads are already low, they cry wolf about the liquidity they need to do business. Let me explain the reality of liquidity in today's world. It won't increase the amount of capital available to businesses. The companies that plant servers next to stock exchanges to make a few cents per trade aren't buying IPOs, secondary offerings, or holding shares in support of valuations in a company they believe in. Every time markets crater, there is never a lack of liquidity. THere are still a billion or more shares traded. There is plenty of liquidity.

So tax the hell out of Wall Street , give it to main street. Make it tougher for the financial engineers and you will make it easier for investors to evaluate companies and hold on to shares and maybe even act like owners of those companies.

Taxing the Hell Out of Wall Street could actually increase the trust investors have in Wall Street. And it might just protect us when the next meltdown happens. And it will happen

The idiots will see to it.