

43 ORGANIZATIONS SUPPORT THE TAX ON WALL STREET SPECULATION ACT

April 21, 2021

Honorable Members
United States Senate
United States House of Representatives
Washington, DC 20510

Dear Representative or Senator,

We are writing on behalf of 43 undersigned organizations to urge you to co-sponsor the Tax on Wall Street Speculation Act of 2021 being introduced by Sen. Bernie Sanders (I-Vt) and Rep. Barbara Lee (D-Calif.). In this time of great suffering in our nation as communities are fighting yet another surge of the COVID-19 pandemic, businesses are shuttered, and high levels of unemployment are being experienced, billionaires and Wall Street have continued to rake in outrageous levels of profit. By levying a small sales tax on Wall Street trades, the U.S. could begin to address income inequality and ensure Wall Street and the wealthy pay their fair share.

The Tax on Wall Street Speculation Act would raise massive revenue for critical services, such as free public college, infrastructure, expanded healthcare, affordable housing, and climate change mitigation. One economic analysis estimated revenue of nearly \$220 billion per year.¹ Even using much more conservative assumptions, the tax would raise nearly \$628 billion over ten years.²

By disincentivizing algorithm-based high-speed trading—which has no real economic or social value—a Wall Street sales tax (also called a financial transaction tax) would help reorient Wall Street's focus to long-term investments that support Main Street businesses and communities.

Ordinary people pay sales taxes on all manner of goods and services, yet no such taxes apply to Wall Street actors when they buy and sell financial securities. The Sanders/Lee bill imposes a very small tax of 0.5% on each trade of stocks, 0.1% on bonds, and 0.005% on the underlying value of derivatives. In the case of individuals of modest means who trade directly or through brokers, the legislation would provide an income tax credit to offset the tax.

A financial transaction tax would also play an important role in addressing the nation's deep wealth inequality, which has been exacerbated by the pandemic. Now, more than 80% of stock market wealth is owned by the top-earning 10% of families.³ Recent large tax cuts for banks and others in the financial sector have tilted the playing field even further in favor of wealthy Wall Street interests.

Around half of the population owns no stock market wealth at all, even indirectly. And among households of color, the share is even smaller. As a result of public policies that systematically excluded Black, Latinx, and other families of color from wealth-building opportunities that benefit White families, only around one third of Black and one quarter of Latinx families owned any stock at all in 2019.⁴ Yet people of color are often the hardest hit when Wall Street speculation undermines good jobs and drives productive

investment out of communities. By redirecting resources from short-term speculation to investments in the real economy, a financial transaction tax would be a force for greater equity for Americans of all backgrounds.

Curbing high-frequency trading would help retirees and middle-class investors by capturing returns lost to short-termism,⁵ and reducing portfolio churn and volatility.⁶ In fact, a financial transaction tax would raise revenue that could strengthen or even expand critical retirement programs like Social Security and Medicare.

Financial transaction taxes are not new or radical. The United States has had multiple FTTs,⁷ and today has a tiny SEC fee on securities transactions and futures that behaves similarly.⁸ Around forty countries have used FTTs, including large economies and advanced capital markets, including the UK, Hong Kong, Switzerland, Brazil, India, and South Korea.⁹ In fact, Hong Kong recently announced plans to increase its tax.

The idea has also been supported by a broad range of thought leaders¹⁰ including prominent economists like Nobel-Prize winners Joseph Stiglitz, Paul Krugman, and James Tobin; former heads of Treasury, Federal Reserve, CEA, FDIC, CFTC, and OMB from both parties including Sheila Bair, Larry Summers, and Paul Volcker; and financial professionals like Christine Lagarde, IMF Managing Director; George Soros; and John Bogle, the founder of Vanguard. Even some billionaire business magnates like Bill Gates, Mark Cuban, and Warren Buffett support the proposal.

Establishing a financial transaction tax would decrease volatile high-frequency trading, refocus investment on Main Street, and grow revenue via a progressive tax. It's time for Congress to take action and pass this sensible legislation.

We urge you to show your support for this win-win proposal by cosponsoring the Tax on Wall Street Speculation Act.

Sincerely,

Affordable Homeownership Foundation, Inc.
AFL-CIO
Alliance for Retired Americans
American Family Voices
American Federation of State, County and Municipal Employees (AFSCME)
American Sustainable Business Council
Americans for Democratic Action (ADA)
Americans for Financial Reform
Americans for Tax Fairness
Blue Future
California Reinvestment Coalition
Child Labor Coalition
Coalition on Human Needs
Communications Workers of America (CWA)
Congregation of Our Lady of Charity of the Good Shepherd, U.S. Provinces
Congregation of Sisters of St. Agnes
Consumer Action
Courage California
Food & Water Watch
Friends of the Earth

Grassroots Collaborative
Greenpeace
ICNA Council for Social Justice
Indivisible
Institute on Taxation and Economic Policy
International Brotherhood of Teamsters
International Federation of Professional and Technical Engineers (IFPTE)
Main Street Alliance
Media Voices for Children
National Advocacy Center of the Sisters of the Good Shepherd
NETWORK Lobby for Catholic Social Justice
Our Revolution
Oxfam America
Public Citizen
Public Justice Center
Responsible Wealth
RootsAction.org
Take on Wall Street
Tax Justice Network
Tax March
United for a Fair Economy
United for Respect
WV Citizen Action Group

¹ James Heintz, Thomas Herndon and Robert Pollin, “The Revenue Potential of a Financial Transaction Tax for US Markets”, July 30, 2018, <https://bit.ly/3uMonUC>.

² TPC staff, “An Analysis of Senator Sander’s Tax Proposals” March 19, 2020, <https://tpc.io/3dqjvi0>.

³ Robert Gebeloff, “Who Owns Stocks? Explaining the Rise in Inequality During the Pandemic”, New York Times, Jan. 26, 2021, <https://nyti.ms/3tohdph>.

⁴ Neil Bhutta et al, “Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances”, Board of Governors of the Federal Reserve, FEDS Notes, Sept. 28, 2020, <https://bit.ly/32hwAnD>.

⁵ Jamie Dimon and Warren E. Buffett, “Short-Termism Is Harming the Economy,” Wall Street Journal, June 7, 2018, sec. Opinion, <https://on.wsj.com/32f4zx7>.

⁶ Dominic Barton et al., “Measuring the Economic Impact of Short-Termism” (McKinsey Global Institute, February 2017), <https://mck.co/3wYbhpj>.

⁷ Cyrus Sanati, “Transaction Tax Is Floated on Capitol Hill,” New York Times, October 16, 2009, <https://nyti.ms/3wZDs75>; Joseph J. Thorndike, “Speculation and Taxation: Time for a Transaction Tax?” Tax Analysts, September 26, 2008, <https://bit.ly/3ac34nu>. Robert Pollin and James Heintz, “Confronting the New York Fiscal Crisis: Raising Revenue Through Taxing Stock Market Transactions” (Political Economy Research Institute, University of Massachusetts, June 2003), n. In 1981, the FTT was \$0.0125 per share on stocks with a share price under \$5, which is 0.25%; and \$0.05 per share for stocks with a share price over \$20, which is 0.25%, <https://bit.ly/3dnjImp>.

⁸ Securities and Exchange Commission, “Fast Facts” <https://bit.ly/3uQNrKe>; George H. K. Wang, Aaron Klein, and Mark A. Calabria, “Would a Financial Transaction Tax Affect Financial Market Activity?,” (March 13, 2013), <https://bit.ly/3geRMTh>.

⁹ Stephany Griffith-Jones and Avinash Persaud, “Why Critics Are Wrong about a Financial-Transaction Tax,” Politico, May 19, 2014, <https://politi.co/2Q9abGu>; Daiana Beitler, “Raising Revenue: A Review of Financial Transaction Taxes throughout the World” (Health Poverty Action and Stamp Out Poverty, September 2010), <https://bit.ly/2OProEk>.

¹⁰ Center for Economic and Policy Research, “Statements of Support for a Financial Transaction Tax”, July 2013, <https://bit.ly/3x0HwE8>.