

68 Groups Endorse the Wall Street Tax Act

March 5, 2021

United State Senate
United States House of Representatives
Washington, DC 20510

Dear Senators and Representatives,

On behalf of the 68 undersigned organizations, we are writing to urge you to cosponsor the Wall Street Tax Act of 2021, introduced by Sen. Brian Schatz (D-Hawaii) and Rep. Peter DeFazio (D-Ore.). In the face of the current COVID-19 pandemic and the economic suffering it has caused across the country, it is deeply disturbing that Wall Street's profits are soaring. Reinstating a Wall Street tax, also called a financial transaction tax (FTT), in the U.S. is an important step toward having Wall Street pay its fair share of taxes. While creating significant revenues, it would help reduce financial sector risk and volatility, reorienting Wall Street's focus away from speculation toward long-term investments that support Main Street businesses, employees, and working families. Additionally, it is one way to begin to take on the rampant economic inequality in America.

While ordinary people pay sales taxes on all manner of goods and services, no such taxes currently apply to Wall Street actors when they make trades.¹ Moreover, financial firms have had their taxes slashed in recent years—banks received some of the largest giveaways from the 2017 Trump-Republican tax breaks bill,² which cost more than \$1.9 trillion. The Wall Street Tax Act would begin to chip away at this imbalance by imposing a very small 0.1%—or ten cents per \$100—tax on purchases of stocks, bonds, or derivatives. Even at that small rate, the tax would raise \$752 billion in revenue over the next decade³ that could be used to invest in working family priorities like education, health care, childcare, housing, environmental protection and rebuilding infrastructure.

The cost of the tax would fall overwhelmingly on Wall Street high rollers and high-frequency traders who use computer programs to game the market, increasing costs and reducing profits for average investors⁴. The past decade has seen an explosion in automated high-frequency trading

¹ A miniscule fee is charged by the Securities and Exchange Commission, currently set at a rate of .002% <https://bit.ly/3sMWY4Y>.

² JUST CAPITAL, *The JUST Capital Rankings on Corporate Tax Reform*, <https://bit.ly/3sHusSh>

³ CONGRESSIONAL BUDGET OFFICE, *OPTIONS FOR REDUCING THE DEFICIT: 2021 TO 2030*, at 86 (Dec. 2020), <https://bit.ly/2MJu4Cp>.

⁴ ELAINE WAH AND MICHAEL P. WELLMAN, UNIVERSITY OF MICHIGAN, *LATENCY ARBITRAGE, MARKET FRAGMENTATION, AND EFFICIENCY: A TWO-MARKET MODEL* (June 17, 2013) <https://bit.ly/3oNS9VF>.

and these trades are estimated to now make up around half of market trading volumes.⁵ High-frequency traders flood markets with enormous volumes of extremely short-term trades executed in less than a millisecond, in order to exploit momentary discrepancies in market value. Recent research shows that “latency arbitrage” by high-frequency trading amounts to a \$5 billion “tax” on traders across markets worldwide.⁶ And, unconscionably, high-frequency traders have been profiting off market volatility episodes throughout the pandemic.⁷ The investment of capital and labor in this kind of trading does not provide substantive value to society or the economy more broadly. Such short-term speculation also increases risk and volatility in our financial markets. The kind of high-frequency trading that sparked the “Flash Crash” in 2010⁸ continues to pose a danger to financial stability and reliable market liquidity.⁹

Even a very small financial transaction tax such as the 10 basis-point tax proposed by the DeFazio bill would effectively eliminate high-frequency trading but it would have negligible impact on the average American. Since nearly half of the population owns no stock market wealth at all, even indirectly through a retirement account,¹⁰ they would pay nothing. Instead, the richest members of society would pay the vast majority of the tax. Three-quarters of the revenues from a 0.1 % Wall Street tax would come from the top 20% of earners and 40% would be paid by the top earning 1%. Nearly a quarter of the proceeds of the tax (23.5%) would come from just the wealthiest among us—the top 0.1% of earners.¹¹

Despite outlandish claims spread by Wall Street’s disinformation campaign,¹² retirement savers would not be harmed by the tax and are likely to benefit. Most investors currently pay far more than ten cents per \$100 of their transactions in overhead fees, commissions, fund management fees, and other private costs built into the financial system,¹³ Which largely profit large institutional trading platforms and big banks. Therefore, reduced churn from having a tax in place may totally offset the cost of the tax because the higher cost commissions and other existing fees investors already pay would concurrently be reduced.¹⁴ Even ignoring that likelihood, middle-income Americans with the typical retirement account would pay little more than \$1 per month (\$13 per year) on average for a 0.1% FTT.¹⁵ Nor would pension funds be

⁵ Scott Patterson and Alexander Osipovich, *High-Frequency Traders Feast on Volatile Market*, WALL STREET JOURNAL (March 27, 2020) <https://on.wsj.com/39XQac9>.

⁶ MATTEO AQUILINA, ERIC BUDISH AND PETER O’NEILL, FINANCIAL CONDUCT AUTHORITY, QUANTIFYING THE HIGH-FREQUENCY TRADING “ARMS RACE”: A SIMPLE NEW METHODOLOGY AND ESTIMATES (Jan. 2020) <https://bit.ly/3bXO7Y9>.

⁷ John Detrixhe, *High Frequency Traders Are Winning Big Thanks to Coronavirus Disruption*, QUARTZ (April 4, 2020) <https://bit.ly/2Me0uo9>.

⁸ ANDREI A. KIRILENKO, ET. AL., THE FLASH CRASH: THE IMPACT OF HIGH FREQUENCY TRADING ON AN ELECTRONIC MARKET, JOURNAL OF FINANCE (Jan. 6, 2017) <https://bit.ly/2XZAxLE>.

⁹ Beth Kindig, *New Age of Stock Market Volatility Driven by Machines*, FORBES (April 10, 2020) <https://bit.ly/3p5RC2g>.

¹⁰ KIM PARKER AND RICHARD FRY, MORE THAN HALF OF U.S. HOUSEHOLDS HAVE SOME INVESTMENT IN THE STOCK MARKET, PEW RESEARCH CENTER (March 25, 2020) <https://pewrsr.ch/3o4dcTv>.

¹¹ Aaron Klein, *What Is a Financial Transaction Tax?*, BROOKINGS INSTITUTION, (March 27, 2020) <https://brook.gs/3o7ygbC>.

¹² TAYLOR LINCOLN, PUBLIC CITIZEN, WARNING: HOW INDUSTRY RIGGED THE DATA TO ATTACK FINANCIAL TRANSACTION TAXES (Oct 10, 2019) <https://bit.ly/394v5xe>.

¹³ TAYLOR LINCOLN, PUBLIC CITIZEN, A MATTER OF PERSPECTIVE, ADDED COSTS FROM A FINANCIAL TRANSACTION TAX WOULD BE MINUSCULE COMPARED TO FEES INVESTORS ALREADY PAY (March 12, 2014) <https://bit.ly/362ms4s>.

¹⁴ TAYLOR LINCOLN, PUBLIC CITIZEN, A PROGRESSIVE TAX WITH BENEFICIAL EFFECTS (Sept. 16, 2019) <https://bit.ly/2Y5yohk>.

¹⁵ *Id.*

damaged by this tax, evidenced by the fact that these funds are already significantly invested in foreign markets that levy financial transaction taxes.¹⁶ Retirees are likely beneficiaries from the revenues of the tax, since the government would have additional resources to strengthen or even expand critical retirement programs like Social Security, Medicare, and nutrition assistance for seniors.

Many families are still struggling to regain their footing even more than a decade after the 2008 financial crisis, and the current COVID-19 economic crisis has further entrenched financial insecurity for some. This is especially true for communities of color.¹⁷ A financial transaction tax could play a role in addressing the nation's deep racial wealth inequality. As a result of public policies that for generations systematically excluded Black, Latino, and other families of color from wealth-building opportunities that benefit White families, stock ownership is extremely racially skewed. In 2019, 92.1% of corporate equity and mutual fund value was owned by White households, while Black and Hispanic households each owned less than 2% of the total value.¹⁸ 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.

FTTs are not new. The United States had a financial transaction tax on the books from 1914-1965 and the tax rate was doubled during the Great Depression as a way to address the economic crisis.¹⁹ Around forty countries currently have an FTT, including large economies and advanced capital markets, including France, Hong Kong, India, South Korea, Switzerland, and the UK. Prominent American investors including Berkshire Hathaway CEO Warren Buffett, the Vanguard Group founder and former CEO John Bogle, CalSTRS CEO Jack Ehnes, former Head of Corporate Governance for TIAA-CREF John Wilcox, and Goldman Sachs former Chairman John Whitehead all signed on to the Aspen Institute's principles on overcoming short-termism, which endorsed an excise tax on trading.²⁰ Former Secretary of Labor, Robert Reich²¹; U.S. Treasury Secretary Robert Rubin;²² and former counselor to the U.S. Treasury Secretary, Antonio Weiss,²³ also support a financial transaction tax.

¹⁶ DEAN BAKER, CENTER FOR ECONOMIC AND POLICY RESEARCH, FINANCIAL TRANSACTIONS TAXES: A WALL STREET LEVY THAT WON'T AFFECT PENSION FUNDS (Oct. 30, 2020) <https://bit.ly/3a8PMYr>.

¹⁷ Rihit Chatterjee, *How the Pandemic Is Widening The Racial Wealth Gap*, NPR (Sept. 18, 2020) <https://n.pr/2LT6Fqj>.

¹⁸ LENORE PALLADINO, ROOSEVELT INSTITUTE, THE CONTRIBUTION OF SHAREHOLDER PRIMACY TO THE RACIAL WEALTH GAP (Feb. 5, 2020) <https://bit.ly/3p8IhqD>.

¹⁹ ANTONIO F. WEISS AND LAURA KAWANO, BROOKINGS INSTITUTION, A PROPOSAL TO TAX FINANCIAL TRANSACTIONS (Jan. 28, 2020) <https://brook.gs/2KC9CCp>.

²⁰ OVERCOMING SHORT-TERMISM: A CALL FOR A MORE RESPONSIBLE APPROACH TO INVESTMENT AND BUSINESS MANAGEMENT, ASPEN INSTITUTE (Sept. 9, 2009) <https://bit.ly/3sLKn1D>.

²¹ *Why a Tax on Wall Street Trades is an Even Better Idea Than You Know*, ROBERTREICH.ORG (Aug. 10, 2016) <https://bit.ly/2O6TJp4>.

²² Robert E. Rubin, *Bringing the Economy Back to Life*, NEW YORK TIMES (April 17, 2020) <https://nyti.ms/361RedO>.

²³ ANTONIO F. WEISS AND LAURA KAWANO, BROOKINGS INSTITUTION, A PROPOSAL TO TAX FINANCIAL TRANSACTIONS (Jan. 28, 2020) <https://brook.gs/2KC9CCp>.

The Wall Street Tax Act is a commonsense solution to promote sustainable economic growth by helping return Wall Street to its proper role of financing long-term investments that create good jobs, instead of engaging in short-term speculation. 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 Wall Street Tax Act.

Sincerely,

Affordable Homeownership Foundation, Inc.

AFL-CIO

American Family Voices

American Federation of State, County and Municipal Employees (AFSCME)

American Federation of Teachers (AFT)

American Sustainable Business Council

Americans for Democratic Action (ADA)

Americans for Financial Reform

Americans for Tax Fairness

BND Meetings LLC

California Reinvestment Coalition

Campaign for America's Future

Center for Economic and Policy Research

Center for Popular Democracy

Child Labor Coalition

Coalition on Human Needs

Communications Workers of America

Congregation of Our Lady of Charity of the Good Shepherd, U.S. Provinces

Congregation of Sisters of St. Agnes

Consumer Action

CorpGov.net

Courage California

CtW Investment Group

Daily Kos

DC Dorothy Day Catholic Worker

Demand Progress

Demos

Economic Policy Institute

Friends Committee on National Legislation

Friends of the Earth U.S.

Greenpeace

Hedge Clippers
ICNA CSJ
Indivisible
Institute for Policy Studies -Program on Inequality
Institute on Taxation and Economic Policy
International Brotherhood of Electrical Workers
International Brotherhood of Teamsters
International Federation of Professional and Technical Engineers (IFPTE)
Main Street Alliance
Maine State Treasurer
Media Voices for Children
Miami Valley Fair Housing Center, Inc.
Missionary Oblates
MomsRising
National Advocacy Center of the Sisters of the Good Shepherd
National Association of Consumer Advocates
National Consumers League
National Education Association (NEA)
National Latino Farmers & Ranchers Trade Association
NETWORK Lobby for Catholic Social Justice
New Economy Project
NY STT Coalition
Our Revolution
Oxfam America
Public Citizen
Public Justice Center
Responsible Wealth
Service Employees International Union
Strong Economy For All Coalition
Take On Wall Street
Tax Justice Network
Tax March
The International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW)
UNITE HERE
United for a Fair Economy
United for Respect
WV Citizen Action Group