

52 Groups Endorse the Wall Street Tax Act

July 26, 2023

Dear Senators and Representatives,

On behalf of the 52 undersigned organizations, we are writing to urge you to cosponsor the Wall Street Tax Act of 2023, introduced by Sen. Brian Schatz (D-Hawaii) and Rep. Val Hoyle (D-Ore.). It is unconscionable that the recent debt limit deal to avoid a catastrophic default included inflation-adjusted cuts in crucial programs from nutrition assistance to health care to environmental enforcement to Head Start and much more at a time when we should be increasing spending to address income inequality and America's other pressing problems. Instead of cutting spending to help the vulnerable, our nation ought to have sought additional revenue by raising taxes on corporations and the super-rich—including Wall Street high rollers.

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. By imposing a very small tax of 0.1%-- or ten cents per \$100-- on purchases of stocks, bonds, or derivatives, the Wall Street Tax Act would raise an estimated \$752 billion in revenue over ten years¹ that could be used to invest in working family priorities like education, health care, childcare, housing, and addressing the climate crisis.

Because of the distribution of stock ownership in America, this bill would be an important step toward addressing the rampant economic inequality in America. A large portion of the American population owns no stock market wealth at all, even indirectly through a retirement account,² and thus would pay nothing for an FTT but would receive the benefits from greater revenues available to fund investments in critical government services. The richest members of society would pay the vast majority of the tax with three-quarters of the revenues from a Wall Street tax coming from the top 20% of earners and 40% 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.³

Because of systemic inequities, the economic divide is unfortunately even starker for communities of color.⁴ Relatedly, rates of ownership for financial assets are much lower for Black and Latinx families, even when adjusting for income.⁵ This means a greater share of the incidence of the tax would be paid by White households, which could serve a redistributive role.

This bill would also correct another obvious imbalance: ordinary people pay sales taxes on all manner of goods and services, but no such taxes currently apply to Wall Street actors when they make trades.⁶ 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,⁷ which cost more than \$1.9 trillion—helping to exacerbate the debt limit fracas.

Although Wall Street has engaged in a wildly inaccurate messaging campaign,⁸ retirement savers would not be harmed by the tax and are likely to benefit since reduced churn from having an FTT in place may totally offset the cost of the tax because the higher cost of commissions and other fees investors already pay would concurrently be reduced.⁹ Even without relying on that assumption, 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.¹⁰ Nor would pension funds be negatively affected by this tax, since these funds are already significantly invested in foreign markets that levy financial transaction taxes.¹¹ 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.

Another benefit of this proposal is that 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. Research shows that "latency arbitrage" by high-frequency trading amounts to a \$5 billion "tax" on traders across markets worldwide.¹² Even a very small financial transaction tax such as the 10 basis-point tax proposed by this legislation would effectively eliminate high-frequency trading while having a negligible impact on the average American.

FTTs are not new. The United States had a financial transaction tax on the books from 1914-1965, and increased it in response to economic crisis posed by the Great Depression.¹³ More than 30 countries currently have an FTT, including large economies and advanced capital markets, including France, Hong Kong, India, South Korea, Switzerland, and the UK.¹⁴ Prominent American investors including Berkshire Hathaway CEO Warren Buffett; CalSTRS CEO Jack Ehnes, former Head of Corporate Governance for TIAA-CREF; John Wilcox, and Goldman Sachs former Chairman John Whitehead endorsed an excise tax on trading.¹⁵ Former Secretary of Labor, Robert Reich¹⁶; former U.S. Treasury Secretary Robert Rubin;¹⁷ and former counselor to the U.S. Treasury Secretary, Antonio Weiss,¹⁸ also support a financial transaction tax.

The Wall Street Tax Act is a highly progressive way to garner significant revenue for our nation's pressing needs, while taking vital steps toward lessening economic inequality and refocusing investment toward long term investments. We urge you to please cosponsor this commonsense legislation.

Sincerely,

Affordable Homeownership Foundation Inc.
AFL-CIO

American-Arab Anti-Discrimination Committee (ADC)
American Family Voices
American Federation of State, County and Municipal Employees (AFSCME)
American Federation of Teachers
Americans for Democratic Action (ADA)
Americans for Financial Reform
Americans for Tax Fairness
Blue Future
Center for Popular Democracy
Chicago Political Economy Group
Child Labor Coalition
Citizens for Tax Justice
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
Demand Progress
Food & Water Watch
Greenpeace USA
Institute on Taxation and Economic Policy
International Federation of Professional and Technical Engineers (IFPTE)
Latino Farmers & Ranchers International, Inc.
Main Street Alliance
Media Voices for Children
Medical Mission Sisters, Justice Office
MomsRising
National Advocacy Center of the Sisters of the Good Shepherd
National Association of Consumer Advocates
National Consumers League
National Education Association (NEA)
NETWORK Lobby for Catholic Social Justice
Our Revolution
Oxfam America
Poverty Project at the Institute for Policy Studies
Progressive Democrats of America
Public Citizen
Public Justice Center
Revolving Door Project
RootsAction.org

Take on Wall Street
UAW
Unitarian Universalists for Social Justice
UNITE HERE
United Church of Christ, Justice and Local Church Ministries
United for Respect
United Steelworkers International Union (USW)
Unrig Our Economy

¹ CONGRESSIONAL BUDGET OFFICE, OPTIONS FOR REDUCING THE DEFICIT: 2021 TO 2030, at 86 (Dec. 2020), <https://bit.ly/2MJu4Cp>.

² Jeffrey M. Jones, *What Percentage of Americans Own Stock?*, GALLUP (MAY 24, 2023) <HTTPS://TINYURL.COM/MRYKWBAM>

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

⁴ Kreg Steven Brown, *Examining the history of the U.S. racial wealth divide shows stagnating progress on closing these disparities*, WASHINGTON CENTER FOR EQUITABLE GROWTH (Feb. 24, 2023) <https://tinyurl.com/yckx27pf>.

⁵ U.S. DEPARTMENT OF TREASURY, RACIAL DIFFERENCES IN ECONOMIC SECURITY: NON-HOUSING ASSETS (Jan. 10, 2023) <https://tinyurl.com/29vucb6a>.

⁶ A miniscule fee is charged by the Securities and Exchange Commission, currently set at a rate of .002% <https://www.sec.gov/news/press-release/2023-15>

⁷ JUST CAPITAL, *The JUST Capital Rankings on Corporate Tax Reform*, <https://bit.ly/3sHusSh>

⁸ TAYLOR LINCOLN, PUBLIC CITIZEN, WARNING: HOW INDUSTRY RIGGED THE DATA TO ATTACK FINANCIAL TRANSACTION TAXES (Oct 10, 2019) <https://bit.ly/394v5xe>.

⁹ TAYLOR LINCOLN, PUBLIC CITIZEN, A PROGRESSIVE TAX WITH BENEFICIAL EFFECTS (Sept. 16, 2019) <https://bit.ly/2Y5yohk>.

¹⁰ *Id.*

¹¹ 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>.

¹² MATTEO AQUILINA ET AL., FINANCIAL CONDUCT AUTHORITY, QUANTIFYING THE HIGH-FREQUENCY TRADING “ARMS RACE”: A SIMPLE NEW METHODOLOGY AND ESTIMATES (Jan. 2020) <https://tinyurl.com/b95cavk5>.

¹³ ANTONIO F. WEISS AND LAURA KAWANO, BROOKINGS INSTITUTION, A PROPOSAL TO TAX FINANCIAL TRANSACTIONS (Jan. 28, 2020) <https://brook.gs/2KC9CCp>.

¹⁴ GUNTHER CAPELLE-BLANCARD, THE SORBONNE ECONOMICS CENTRE, THE TAXATION OF FINANCIAL TRANSACTIONS: AN ESTIMATE OF GLOBAL TAX REVENUE (May 10, 2023) <https://tinyurl.com/yshwhhtu2>

¹⁵ OVERCOMING SHORT-TERMISM: A CALL FOR A MORE RESPONSIBLE APPROACH TO INVESTMENT AND BUSINESS MANAGEMENT, ASPEN INSTITUTE (Sept. 9, 2009) <https://bit.ly/3sLKnlD>.

¹⁶ *Why a Tax on Wall Street Trades is an Even Better Idea Than You Know*, ROBERTREICH.ORG (Aug. 10, 2016) <https://bit.ly/2O6TJp4>.

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

¹⁸ ANTONIO F. WEISS AND LAURA KAWANO, BROOKINGS INSTITUTION, A PROPOSAL TO TAX FINANCIAL TRANSACTIONS (Jan. 28, 2020) <https://brook.gs/2KC9CCp>.