Acknowledgments

This paper was written by Taylor Lincoln, Research Director of the Congress Watch division of Public Citizen, and edited by Susan Harley, Deputy Director of Congress Watch.

About Public Citizen

Public Citizen is a national non-profit organization with more than 500,000 members and supporters. We represent consumer interests through lobbying, litigation, administrative advocacy, research, and public education on a broad range of issues including consumer rights in the marketplace, product safety, financial regulation, worker safety, safe and affordable health care, campaign finance reform and government ethics, fair trade, climate change, and corporate and government accountability.
In recent years, several proposals have been put forth to implement a tax of a fraction of a percentage point on the purchase of stocks, bonds and derivatives to fund public investments and to curtail the practice of high-frequency trading.¹

Public Citizen recently issued a report concluding that a 0.1% financial transaction tax (FTT) would cost an average middle-income family about $13 a year if the family has a retirement account.² For the roughly 50% of families that lack retirement accounts, the cost would likely be zero. The report separately applied cost estimates on a 0.1% FTT issued by the Investment Company Institute (ICI), which represents mutual funds. Applying the industry group’s estimates yielded a conclusion that the average costs to middle-income families would be about $13 to $35 a year, depending on the family’s mix of investments.³

These are hardly alarming costs. But interests representing the financial industry have put forth a much different narrative.

Financial industry interests in September issued at least four papers claiming that proposed taxes on financial transactions would seriously harm ordinary Americans. These papers have portrayed proposed FTTs as an attack on “Main Street” and poison for Americans’ retirement accounts. Three of the four organizations issuing papers have lobbied against the FTT.⁴ (Public Citizen has lobbied in favor of the proposal.⁵)

Industry groups have only occasionally issued studies on the FTT in the past. The spate of industry papers arriving at similar findings and employing similar rhetoric, along with overlaps in the membership and principals associated with the various groups, suggests that these papers were part of an orchestrated industry campaign.

The conclusions put forth in these industry papers are not credible. A close look shows that each relied on assumptions that conflict with real world data or omitted key details of its methodology, altogether. To the extent that these papers include descriptions of their methodologies, each suffers from two chief flaws:

- First, the papers use models that assume that the average churn, or turnover, of mutual fund holdings is much greater than it currently is. This is important because much of the cost to investors from an FTT would result from mutual funds’ turnover of their portfolios.

³ Id.
⁴ See lobbying disclosure records maintained by the secretary of the Senate. These reports rarely disclose whether lobbying entities advocate for or against proposals. Based on their public statements, we assume in this report that the entities mentioned have lobbied against the FTT.
⁵ Id.
Choosing an unrealistically high turnover rate to forecast FTT costs would be like assuming that everybody drives a gas guzzling SUV when predicting an average person’s fuel costs.

- Second, these papers ignore the likelihood that incentives from an FTT would reduce trading and, therefore, result in lower FTT costs down the road than recent turnover data suggest. Interestingly, two of the industry papers do say that an FTT would reduce trading volume. But they only discuss reduced trading in the context of their claims that the tax would not generate the anticipated levels of revenue. These papers’ forecasts on costs to consumers are based on assumptions that trading will continue at the current pace. This is a clear inconsistency that almost certainly reflects motivations by the reports’ authors to cast the FTT in an unfavorable light, rather than to educate the public.

### Industry Papers Criticizing Financial Transaction Tax Released in September 2019

<table>
<thead>
<tr>
<th>Organization Issuing report on FTT</th>
<th>Mutual fund turnover rate in model to project costs</th>
<th>Group’s funding source</th>
<th>Group has lobbied on the FTT?</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Chamber of Commerce</td>
<td>63%</td>
<td>Does not disclose. Despite its claims to represent millions of businesses, the Chamber’s tax forms in recent years have revealed that the majority of its funding comes from fewer than 100 donors.⁶</td>
<td>Yes</td>
</tr>
<tr>
<td>Modern Markets Initiative</td>
<td>67%</td>
<td>Modern Markets was founded, and is funded, by four firms engaged in high-frequency trading.⁷</td>
<td>Yes</td>
</tr>
<tr>
<td>Vanguard</td>
<td>Does not disclose. But a Vanguard fund matching the description of the unnamed fund the firm reported that it used in its model has turnover of 88%.</td>
<td>Corporation is funded by revenue from its business.</td>
<td>Yes</td>
</tr>
<tr>
<td>Committee on Capital Markets Regulation</td>
<td>N/A. Report did not contain original findings.</td>
<td>Reports that it is funded by “contributions from individuals, foundations, and corporations.” Public Citizen asked the Committee if it would provide more specific information. We did not receive a response.</td>
<td>No</td>
</tr>
</tbody>
</table>

⁷ E-mail from Modern Markets Initiative CEO Kirsten Wegner to author, Sept. 30, 2019, and study of the four firms that are listed as MMI founders on MMI’s web site.
U.S. Chamber of Commerce

On Sept. 16, 2019, the U.S. Chamber of Commerce issued a report on the FTT that it commissioned Georgetown University finance professor James J. Angel to write. The report said that a 0.5% financial transaction tax, as proposed by U.S. Sen. Bernie Sanders (I-Vt.), would result in an average retirement investor accruing about $20,000 less over 46 years.8

The Chamber report’s calculation assumes FTT costs would result from mutual funds’ turnover of their assets. But its model assumes a turnover rate that does not hold up to scrutiny.

The Chamber report assumes that the hypothetical retirement saver would be invested in funds with an annual turnover rate of 63%, which the report says is the “average turnover of a domestic stock fund,” according to the mutual fund analysis firm Morningstar.9 This is an inaccurate statement. The article from which the Chamber report author obtained the 63% figure clearly stated that the number applied only to “managed domestic stock funds.”10 The Morningstar number did not take into account index funds.

The Chamber’s omission of the word “managed” in its description of the 63% figure is significant because managed funds often have much higher turnover than index funds. Index funds now have about as much money invested in them, if not more, than actively managed funds.11

The problems with the Chamber’s use of the 63% figure do not end there. The figure reflects a simple average turnover of all actively managed U.S. mutual funds, according to Morningstar Research Manager Michael Laske, who issued the figure. That means the figure does not take into account the value of assets invested in each fund. The asset-weighted average turnover of managed funds, which does factor in the value of assets each holds, is 38%, Laske told Public Citizen.12

An asset-weighted average turnover provides much better insight into the costs that an average investor could expect. To draw a hypothetical example, if there were two mutual funds in the world and 99% of mutual fund assets were invested in one fund and 1% in the other, the average investor’s experience would correlate much more closely with the fund containing 99% of the assets, not the average of the two. [The response of the author of the U.S. Chamber report is in the footnote below. In some respects, the response appears to validate, rather than allay, concerns we raise about using a turnover figure that ignores index funds.13]
The Investment Company Institute, which represents mutual funds, reported that the asset-weighted average turnover for all mutual funds (i.e., including index funds) in 2018 was just 32%, barely half of the 63% number the Chamber used. This means that if the Chamber report’s model were updated to include more accurate turnover data, the FTT costs that it would forecast would be only about half as high as its report concludes.

In reality, turnover levels will likely be even lower in the future, especially if an FTT is implemented. Mutual fund turnover rates are steadily declining. The average asset-weighted annual mutual fund turnover rate from 1984 to 2018 was 56%, which is 75% higher than it was in 2018.

Implementation of any FTT would almost certainly hasten the decline in mutual fund turnover rates simply because it would create a disincentive to trade. This would especially be true for the 0.5% FTT on stocks that the Chamber report analyzed because that rate is at the high end of legislative proposals. Therefore, even plugging in the most recent mutual fund turnover rate of 32% would probably yield an exaggerated estimate of FTT costs.

One portion of the Chamber report trumpets that an FTT would result in reduced trading. Such reduced trading, the report says, means that “the amount of revenue raised will be far less than estimated.” But if trading activity is depressed, that would also mean that mutual fund turnover would be reduced and, hence, FTT costs to investors would be lower. The Chamber report ignores this factor in its forecast of costs from an FTT. Instead, it assumes that fund turnover will continue at the current rate, which, as discussed above, the Chamber report also mischaracterizes.

Modern Markets Initiative

Modern Markets Initiative (MMI) issued a report in September that forecast that a 0.5% FTT rate on stocks would impose onerous costs on retirement accounts, university endowments, families’ college savings plans, pension plans and retirees.

MMI was founded by high-frequency trading firms and represents the high-frequency trading industry. It advisory board includes James J. Angel, author of the U.S. Chamber of Commerce report discussed above.

obtained from Morningstar, a respected statistical source. You assert that the turnover figure should be weighted based on fund assets, which skews the number based on a small number of extremely large index funds. The majority of funds offered in 401(k) plans are actively managed, not indexed, so using the simple rather than weighted average is appropriate for illustrating the potential lifetime impact on a worker. The other primary assumptions used in the analysis are quite conservative and tend to reduce the estimated tax hit (i.e. $1,500/year investment, 5% compounding return).

15 Id.
The MMI report suffers from the same flaws as the U.S. Chamber of Commerce report: it assumes a mutual fund turnover rate that is out of line with actual data and its projections on the FTT’s cost to families fail to take into account the likelihood that the FTT would reduce trading activity.

Most of the report’s calculations on the costs to families were based on an unsourced assumption of a 67% annual turnover rate for mutual funds, which the report characterizes as the average. MMI later explained in response to a question from Public Citizen that this turnover assumption was derived by averaging three figures on mutual fund turnover. Examination shows that each of these three figures was flawed as a measure of turnover rates that average investors should expect.

- One of the figures (86%) was the simple average turnover rate reported by the Investment Company Institute for 2015. This statistic is flawed because it is several years old, which matters because mutual fund turnover has declined since then. More importantly, it’s not weighted for the value of assets invested in each fund. The ICI report from which this number was drawn explains why a simple average is not the best lens. In the sentence after reporting the 86% simple average, the ICI wrote “however, mutual fund shareholders tend to invest in equity funds with much lower turnover rates, as reflected in the lower industrywide asset-weighted average turnover rate of 44%.” As noted above, the ICI reported that the asset-weighted average fell to 32% in 2018.

- A second figure was the 63% turnover rate reported by Morningstar’s research manager for actively managed domestic funds. As described above, use of this figure is flawed as a predictor of expected costs for average investors because it does not include index funds and because it is a simple average, not a weighted average.

- The third figure cited was a reference in a blog by a financial investor on the web site ETF Trends. The blog said that median turnover for mutual funds is “about 50 percent.” The blog author does not describe the source of this statistic, so it is impossible to assess its credibility. More importantly, median turnover rates embody many of the same problems as simple averages when it comes to projecting the costs of an FTT on an average investor. While a median offers the benefit of diminishing the effects of outliers, it does not take into account the amount of money invested in given funds the way that an asset-weighted average does.

Similar to the claims in the U.S. Chamber of Commerce report cited above, MMI’s report expresses a prediction that an FTT would result in reduced trading volume. But, as with the Chamber report, the MMI report only invokes reduced trading in the context of a prediction that an FTT would not yield as much revenue as expected. It does not take the anticipated reduction in trading volume into

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20 E-mail from Modern Markets Initiative CEO Kirsten Wegner to author, Sept. 19, 2019.
22 Id.
26 The MMI report says that the FTT has “a proven track record of failure in the jurisdictions in which it has been tested,” in part due to its effect of “reducing trading volume by 50 to 80%.”
account in its forecast of FTT costs to investors. Reduced trading would, of course, reduce FTT costs, as well as other transaction-related costs. [MMI’s response is in the footnote below.]

Vanguard

The mutual fund company Vanguard issued a paper in September claiming that a 0.1% FTT would reduce investors’ returns by a staggering 1.09% a year. (Note: the 0.1% proposed tax on stock trades that Vanguard’s paper assessed is only one-fifth as large as the 0.5% proposed tax assessed in the U.S. Chamber of Commerce and MMI reports, above.) Costs to investors from a 0.1% FTT, Vanguard claimed, would require the “everyday investor to work roughly two-and-a-half years longer before retiring.”

The Vanguard paper appears to be riddled with even greater methodological flaws than the U.S. Chamber of Commerce and Modern Markets Initiative reports discussed above. This is in part because the Vanguard paper appears to rely on an assumed mutual fund turnover rate that is even further removed from reality than those used in the Chamber and MMI papers. Worse, even if one accepts its assumption of an abnormally high mutual fund turnover rate, the Vanguard paper still fails to account for the vast majority of costs that it forecasts for an FTT.

The Vanguard paper provides scant information about the methodology underlying its conclusions. But it does divulge that its calculations are based on an investment in “a small capitalization active equity fund.” Vanguard’s decision to use an actively managed fund in its model should strike any reader with a casual familiarity of mutual funds as highly suspicious. Vanguard, of course, is famous for its pioneering role in developing low-cost, low-turnover index funds, which are the opposite of the type it chose for this paper.

Vanguard’s paper does not disclose the exact fund or turnover rate it used in its model. But Vanguard’s “Strategic Small-cap Equity Fund,” which is the kind of fund the company says it modeled its FTT calculations on, has annual turnover of 88%. Vanguard’s Total Stock Market Index Fund (its flagship index fund and often reported as the biggest mutual fund in the world) has

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27 Public Citizen submitted a summary of these criticisms to Kirsten Wegner, the CEO of Modern Markets Initiative, and offered to print her response verbatim in this report. Wegner did respond, though she did not address the substance of the issues we raised on the method by which MMI arrived at a turnover figure to plug into its model. Here is Wegner’s response: “Modern Markets Initiative (MMI) is pleased to provide open and transparent information on MMI’s Financial Transaction Tax (FTT) calculations and why it is a retirement tax on hard working Americans at all levels of income trying to save for the future. MMI’s turnover calculation of 0.67 for a mutual fund in a 401k plan was arrived at utilizing three publicly available data points: 0.86 from ICI, 0.63 from Morningstar, and 0.5 from ETF Trends. Further, as noted in MMI’s report in footnote 13, MMI provides a calculation were a turnover to be calculated at 0.5 turnover rate, to highlight that impact of an FTT even utilizing the most modest data point would still arrive at over $40,000 lifetime impact out of a portfolio of $80,000 invested in the stock market (subject to the 50 basis point tax). MMI’s footnote includes a hypothetical calculation for an investor with $100,000 saved over 40 years, of which 20% is invested in bonds and 80% (or $80,000) in equities subject to the 50 basis point tax; this calculation notes a 0.5 turnover rate (e.g. conservative, less than the 0.67 average mutual fund rate), such that $40,000 of the stocks are subject to the FTT a year; that had that $200+ been invested rather than tax, the participant would retire with an extra $45,717 after 40 years.”

28 Main Street investors at risk, VANGUARD (September 2019), http://bit.ly/2nbYFLW.
29 Id.
30 Id.
32 Vanguard Strategic Small-Cap Equity Fund Investor Shares, Yahoo Finance! (profile), https://yhoo.it/2n9ALAB.
turnover of just 3%. In other words, Vanguard apparently chose to base its estimates on a fund with about 30 times higher turnover than the type of fund the company is best known for.

Vanguard’s Total Stock Market Index has about $827 billion invested in it. That’s more than 500 times greater than its Strategic Small-cap Equity Fund, which has just $1.4 billion in assets (both figures as of Oct. 8, 2019). This discrepancy casts further doubts on the legitimacy of Vanguard’s decision to use a fund like its Strategic Small-cap Equity Fund to predict FTT costs for ordinary investors.

Vanguard’s paper explains that its cost estimate for a 0.1% FTT takes into account two costs: 1. “transaction costs that would be incurred due to fund turnover” and 2. “the estimated impact the FTT would have on market spreads and liquidity.”

Even plugging in a fund turnover rate as high as 88% would only account for an annual reduction in returns of about 0.09% under a 0.1% FTT. That is less than a tenth of the costs that Vanguard’s paper forecasts for the FTT.

That leaves “market spreads and liquidity,” the second factor Vanguard cites in its explanation of FTT costs, to explain the vast majority of costs that Vanguard claims would result from a 0.1% FTT. This factor presumably refers to a theory that reduced trading from an FTT could increase the discrepancy (or spreads) in the prices that buyers and sellers offer in stock transactions.

Bigger market spreads do result in higher transaction costs, but the gradations can be so small that increases are not likely to have a meaningful effect on ordinary investors. Vanguard’s paper provides no details on how much its authors expect market spreads would expand under an FTT. It is almost inconceivable, however, that spreads could expand anywhere near enough to account for the staggering costs that the Vanguard paper forecasts for a 0.1% FTT.

Market spreads have generally fallen over time and have shrunk to microscopic levels (on the order of 0.002%) in the past decade. Some attribute this tightening to the rise of high-frequency trading, which creates a glut of buyers and sellers. But if spreads reverted to their level in the early-2000s, which was before high-frequency trading took off, the extra costs to investors would still be tiny. Spread began to shrink markedly earlier than that, when the advent of Internet trading greatly increased the efficiency of matching buyers and sellers. But even if spreads reverted all the way back to pre-Internet, early-1990s levels, the increased costs to investors would still only account for a fraction of the costs that Vanguard projects for the FTT.

33 Vanguard Total Stock Market Index Fund Investor Shares, Yahoo Finance! (profile), https://yhoo.it/2njuceH.
34 Id.
35 Vanguard Strategic Small-Cap Equity Fund Investor Shares, Yahoo Finance! (profile), https://yhoo.it/2n9ALAB.
36 Main Street investors at risk, VANGUARD (September 2019), http://bit.ly/2nJYFLW.
37 See, for example, Andrew G. Haldane, The Race to Zero, Address to the International Economic Association Sixteenth World Congress, in Beijing (July 8, 2011), http://bit.ly/2TtwiHQ.
39 Id.
Public Citizen asked Vanguard’s communications staff several times for details on the assumptions and methodology underlying the findings of the company’s paper, such as the turnover rate and the extent of change in market spreads that the paper assumed. We did not receive a substantive response.

We did learn in the course of this research that Vanguard produced at least one previous study on the FTT, in 2015. That study, according to a *New York Times* article that referenced it, arrived at a conclusion that a 0.1% FTT could reduce returns by up to 1.62% annually, an even more mind-boggling conclusion than the recent Vanguard paper claimed.40

The *New York Times* article included details about the 2015 study that provide insight into the strategically misleading nature of Vanguard’s methodology. The article said that Vanguard’s projected 1.62% cost would occur in the case of “an actively managed mutual fund that buys small stocks.”41 This is the type of fund Vanguard plugged into its model in its recent paper. Vanguard’s 2015 paper concluded that costs for an actively managed fund that buys large stocks would be just 0.58%, according to the *Times*.42

The significantly lower costs for large-stock funds likely explains why Vanguard did not include calculations for such funds in its recent paper. Meanwhile, the *Times* article reported that Vanguard’s “index funds would probably suffer less” under the FTT. But, tellingly, the *Times* reported that “the company did not run those numbers.”43

Observers should look upon Vanguard’s FTT conclusions regarding all types of funds with great skepticism, especially if the company continues to keep secret the details on how it reached its conclusions. But the company’s mere choice to focus on actively traded funds and ignore index funds should suffice to reveal its true purposes in issuing these papers.

**The Committee on Capital Markets Regulation**

The Committee on Capital Markets Regulation published an 18-page report in September forecasting all manner of harms from an FTT. The Committee is a 501(c)(3) nonprofit group that consists of 35 individuals, most of whom are high ranking officials at financial institutions and a few of whom are associated with esteemed universities, including Harvard and Columbia.44

Hal Scott, the president and CEO of the Committee and an emeritus professor at Harvard Law School,45 was paid $500,000 by the Committee in 2018 for 30 hours of work per week, according to the Committee’s tax form for that year.46 Co-chair Glenn Hubbard is a former chairman of the

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41 Id.
42 Id.
43 Id.
White House Council of Economic Advisers under President George W. Bush and former dean of the Columbia University Business School, where he still serves as a professor and dean emeritus.47

The Committee’s report on the FTT did not include original findings or claims but, instead, summarized those that others have put forth. The Committee’s report relayed three findings on prospective FTT costs that it attributes to other organizations. The report characterized those findings as much more substantive and official than they actually were.

The three claims outlined in the Committee’s report were:

- The Committee reported that a 0.1% FTT could, according to the American Retirement Association, “reduce an American’s retirement savings by as much as 3% over their working life.”48 The footnote cites to an opinion piece and indicates “(quoting the CEO of the American Retirement Association, Brian Graff).”49 In reality, there are no quotation marks around the words in question in the opinion piece, nor does the opinion piece indicate that the author is paraphrasing Graff. A literal reading would indicate that the analysis belonged to the author of the opinion piece, not Graff, although the proximity of the words to those that did quote Graff could lead a reader to infer that the author was putting forth Graff’s thinking. The unquoted words, in turn, impute costs to an FTT based on an Obama-administration report on an entirely different topic.50 No additional elaboration or detail is provided. The American Retirement Association has reported lobbying on the financial transaction tax (presumably against it) in 2019.51

- The Committee reported that the Securities Industry and Financial Markets Association (SIFMA) “estimates that ‘[a] typical mutual fund investor will have to save an additional $600 per year…or work an additional two years to achieve his/her retirement goals.’”52 What work, if any, SIFMA did as an organization to arrive at that estimation is unclear from the Committee’s report. The quotation in the Committee’s report cites to a June 13, 2019, opinion piece that was written by SIFMA CEO Kenneth E. Bentsen Jr.53

It appears that the claims in Bentsen’s op-ed did not originate with anybody at SIFMA. We pasted the relevant portion of Bentsen’s op-ed into an e-mail to a SIFMA spokeswoman and asked the source of Bentsen’s claim, particularly the culminating sentence of the opinion piece that said costs from an FTT could reduce returns by up 1.62% annually. A SIFMA spokeswoman told Public Citizen by e-mail that the source of Bentsen’s conclusion

49 Id.
51 Lobbying disclosure records maintained by the secretary of the Senate. See, for example, http://bit.ly/2nQ90NK.
was the 2015 Vanguard study that is referenced earlier in this paper.\textsuperscript{54} We asked SIFMA’s spokeswoman if she could send us a copy of the Vanguard study. We did not receive a response.

In fact checking for this report, we attempted to confirm that the words in Bentsen’s June 13, 2019, opinion piece matched those in the Committee’s report. We located the opinion piece, which was still dated June, 13, 2019. But, mysteriously, the language that is cited in the Committee of Capital Markets report was not there. We then discovered that all of the language in the paragraph from Bentsen’s June 13, 2019, opinion piece that the Committee’s report cited has been updated to reflect the claims in the paper that Vanguard released in September 2019 (discussed above).\textsuperscript{55}

- The third cost forecast in the Committee’s report is that “BlackRock estimates that a 10 basis-point FTT would cause investors to lose $2,300 in expected returns on a $10,000 investment in its global equity fund over ten years.”\textsuperscript{56} The Committee’s report does not cite BlackRock as the source of this claim but, rather, a 2013 article in \textit{The New York Times} by Steven Solomon, a professor at the University of California, Berkeley.\textsuperscript{57} Public Citizen was unable to obtain any document or statement by BlackRock that referred to such a finding. Public Citizen inquired to the Committee and to BlackRock in search of BlackRock’s work, but to no avail. Because we were unable to locate any documentation for the claim that the Committee report attributes to BlackRock, we are unable to assess its credibility. [The president of the Committee indicated to Public Citizen that the Committee relied on Solomon’s article, not BlackRock, for the findings it attributed to BlackRock. The Committee president’s full response is in the footnote.\textsuperscript{58}]

\textsuperscript{54} E-mail from SIFMA’s Lindsay Gilbride to author (Sept. 30, 2019).
\textsuperscript{56} \textit{Financial Transaction Taxes}, COMMITTEE ON CAPITAL MARKETS REGULATION (September 2019), \texttt{http://bit.ly/2ne6GA1}.
\textsuperscript{57} Steven Davidoff Solomon, \textit{In Wall St. Tax, a Simple Idea but Unintended Consequences}, \textit{THE NEW YORK TIMES} (Feb. 26, 2013), \url{https://nyt.ms/358D2h3}.
\textsuperscript{58} Public Citizen submitted questions by e-mail regarding the Committee’s report to Harvard University emeritus law professor Hal Scott (who is the president and CEO of the Committee), to Columbia University professor and Columbia Business School Dean Emeritus Glenn Hubbard (who is a co-chair of the Committee) and to Committee on Capital Markets Regulation Executive Director John Gulliver. Among other questions, we asked these leaders if they were comfortable that the Committee did sufficient due diligence to confirm that the figures its report imputed to SIFMA, the American Retirement Association and BlackRock are credible. We also asked them if the Committee would correct its claim in its report that “SIFMA” arrived at various conclusions on an FTT, given that those conclusions did not originate with SIFMA. We did receive a response from Hal Scott, but his response did not address the substantive issues we raised. In his e-mail, Scott appears to indicate that finding that the paper attributes to BlackRock was actually the finding of a professor articulated in the \textit{New York Times}. Contradictorily, however, Scott maintained that the Committee report’s description is accurate. Here is his response: “Throughout the Committee’s 14 page report we explain the key factors that form the methodological basis for econometric studies of FTTs. These factors include the direct cost of the tax on retirees and investors, negative impact on market liquidity and increase in the cost of raising capital for U.S. companies and the U.S. government. Additionally, the paragraph that you reference in your October 2 email correctly attributes estimates of the impact of an FTT on retirees and investors to the CEO of SIFMA, the CEO of the American Retirement Association and Berkeley Professor Steven Solomon. However, as to the statement by the CEO of SIFMA, we cite to a June 13, 2019 statement that has since been updated. In fact, we should reference a related July 29, 2019 statement.” [Scott’s e-mail did provide that July 29, 2019 statement.]
SIFMA’s CEO and a BlackRock representative are members of the Committee on Capital Markets Regulation.59 Glenn Hubbard, a co-chair of the Committee, is on the board of BlackRock.60 Also on the Committee is the managing director of high-frequency trading firm Hudson River Trading. Hudson River Trading was one of the founders of the Modern Markets Initiative, which wrote one of the other reports attacking financial transaction taxes, as discussed above.61

Conclusion

The industry groups that have put forth reports attacking financial transaction taxes clearly are self-interested. Their suggestions that they are motivated by concerns for retirees or “Main Street” should be ignored.

The financial industry, if nothing else, has professionals at its disposal who are expert at modelling and making precise calculations. They are capable of getting their facts right. These groups’ reliance on inaccurate data and mystery methodologies to arrive at their conclusions on the potential costs of FTT proposals should prompt evaluators to look upon every assertion made in these reports with great skepticism.

59 Members, COMMITTEE ON CAPITAL MARKETS REGULATION (viewed on Sept. 27, 2019), http://bit.ly/2mMomYUDB.