

March 5, 2019

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

Dear Senator or Representative,

On behalf of the 61 undersigned organizations, we are writing to urge you to co-sponsor the Wall Street Tax Act of 2019 being introduced by Sen. Brian Schatz (D-Hawaii) and Rep. Peter DeFazio (D-Ore.). This legislation would help reorient Wall Street's focus to long-term investments that support Main Street businesses, be one step toward having Wall Street pay more of its fair share of taxes, and raise nearly \$777 billion in revenue over the next decade that could be used to protect and enhance retirement programs and invest in working family priorities like education, health care, child care, housing, environmental protection and rebuilding infrastructure. Taxing Wall Street trades would help address rising economic inequality and reduce financial sector risk and volatility while raising revenue that could be used for critical public services and investments.

A Wall Street tax, also called a financial transaction tax (FTT), is about creating a fairer tax code. 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. Almost two-thirds of stock market wealth is owned by the wealthiest 1%, and three-quarters is owned by the top 10%.¹ Half of the population owns no stock market wealth at all, even indirectly. Recent large tax cuts for banks and others in the financial sector have tilted the playing field even further in favor of Wall Street.

The Schatz bill imposes a very small tax of 0.1% -- or ten cents per \$100 -- on transactions in stocks, bonds, or derivatives. This cost would fall overwhelmingly on Wall Street firms and high-frequency traders who hold financial instruments for mere minutes, seconds or even milliseconds, as opposed to investing long term. An FTT's impact on retirement savings would be negligible.² Pension funds and most individual investors currently pay far more than ten cents per \$100 of their transactions in exchange fees, clearing fees, fund management fees, and other private costs built into the financial system.³ In fact, an FTT would *help* retirees and middle-class investors by capturing returns lost to short-termism⁴ and reducing portfolio churn and volatility⁵. It would also raise revenues that could strengthen or even expand critical retirement programs like Social Security and Medicare.

An FTT would also 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. The past decade has seen an explosion in automated high-frequency trading that floods markets with enormous volumes of extremely short-term trades, often with holding periods of less than a second, in order to exploit momentary discrepancies in market

value. 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 2010 continues to pose a danger to financial stability and reliable market liquidity.⁶ Even a very small financial transaction tax such as the ten basis points tax in the Schatz bill would effectively eliminate high-frequency trading, since such trading relies on being able to do massive volumes of trades at no cost. As we recently marked 10 years since the 2008 financial crisis, it is especially pertinent to work to reduce market fragility and put Wall Street to work rebuilding Main Street.

A financial transactions tax can also play a role in addressing the nation’s deep racial wealth inequality. As a result of public policies that systematically excluded Black, Latino, and other families of color from wealth-building opportunities that benefit White families, less than one-third of Black and Latino families owned any stock at all in 2016, and the median household of color that did have investments owned far less than the median White household with investments. 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 transactions tax would be a force for greater equity for Americans of all backgrounds.

FTTs are not new. The United States has had multiple FTTs⁷, and today has a tiny SEC fee on securities transactions and futures that behaves similarly.⁸ Forty countries have an FTT, including large economies and advanced capital markets, including the UK, Hong Kong, Switzerland, Brazil, India, and South Korea.⁹ And the idea is supported by a broad range¹⁰ of 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 Buffet support the proposal.

Establishing an FTT 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 Wall Street Tax Act.

Sincerely,

Action Center on Race and the Economy
act.tv
Affordable Homeownership Foundation, Inc.
AFL-CIO
American Family Voices

American Federation of State, County and Municipal Employees
American Federation of Teachers
Americans for Democratic Action (ADA)
Americans for Financial Reform
Americans for Tax Fairness
Asset Building Strategies
Campaign for America's Future
Center for Popular Democracy Action
Coalition on Human Needs
Communications Workers of America
Congregation of Our Lady of Charity of the Good Shepherd, US Provinces
Consumer Action
CREDO Action
Demos
Economic Policy Institute Policy Center
Franciscan Action Network
Friends Committee on National Legislation
Friends of the Earth U.S.
Grassroots Collaborative
Hedge Clippers
HOPE Fair Housing Center
Housing Action Illinois
Indivisible
Institute for Policy Studies, Global Economy Project
International Brotherhood of Teamsters
International Federation of Professional & Technical Engineers (IFPTE, AFL-CIO)
International Union, United Automobile, Aerospace, and Agricultural Implement
Workers of America (UAW)
Main Street Alliance
Media Voices for Children
Miami Valley Fair Housing Center, Inc. in Dayton, Ohio
Missionary Oblates
National Advocacy Center of the Sisters of the Good Shepherd
National Coalition for the Homeless
National Education Association
NETWORK Lobby for Catholic Social Justice
Other98
Our Revolution
Oxfam America
Presbyterian Church (U.S.A.)
Public Citizen
Public Justice Center
Responsible Wealth
RootsAction.org
SAFER

Service Employees International Union
Sierra Club
Strong Economy for All Coalition
Take on Wall Street
Tax March
The Child Labor Coalition
UNITE HERE
United for a Fair Economy
West Virginia Center on Budget & Policy
Working America
WV Citizen Action Group
Xaverian Brothers

¹ B. Ravikumar, “How Has Stock Ownership Trended in the Past Few Decades? | St. Louis Fed,” *St. Louis Fed On the Economy* (blog), April 9, 2018, <https://www.stlouisfed.org/on-the-economy/2018/april/stock-ownership-trended-past-few-decades>; Burman et al.

² Jack Gray, Stephany Griffith-Jones, and Joakim Sandberg, “No Exemption: The Financial Transaction Tax and Pension Funds” (Network for Sustainable Financial Markets, December 2012), http://www.stephanygj.net/papers/No_Exemption_FTT_Pension_Funds.pdf.

³ Public Citizen, “A Matter of Perspective: Added Costs from an FTT would be Miniscule Compared to Fees Investors Already Pay,” March 12, 2014, https://www.citizen.org/system/files/case_documents/matter-of-perspective-financial-transactions-tax-investor-fees-report.pdf

⁴ Jamie Dimon and Warren E. Buffett, “Short-Termism Is Harming the Economy,” *Wall Street Journal*, June 7, 2018, sec. Opinion, <https://www.wsj.com/articles/short-termism-is-harming-the-economy-1528336801>.

⁵ Dominic Barton et al., “Measuring the Economic Impact of Short-Termism” (McKinsey Global Institute, February 2017),

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⁶ “Findings Regarding the Market Events of May 6, 2010: Report of the Staffs of the CFTC and SEC to the Joint Advisory Committee on Emerging Regulatory Issues”.

⁷ Cyrus Sanati, “Transaction Tax Is Floated on Capitol Hill,” *New York Times*, October 16, 2009,

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⁸ Securities and Exchange Commission, “Fee Rate Advisory #2 for Fiscal Year 2018 (2017-183),” SEC.gov, September 29, 2017, n. fees paid under Sec. 31 of the Securities and Exchange Act,

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⁹ Stephany Griffith-Jones and Avinash Persaud, “Why Critics Are Wrong about a Financial-Transaction Tax,”

Politico, May 19, 2014, <https://www.politico.eu/article/why-critics-are-wrong-about-a-financial-transaction-tax/>;

Daiana Beitler, “Raising Revenue: A Review of Financial Transaction Taxes throughout the World” (Health Poverty Action and Stamp Out Poverty, September 2010), <https://www.healthpovertyaction.org/wp-content/uploads/downloads/2012/07/FTTreport-Raising-revenue.pdf>.

¹⁰ Center for Economic and Policy Research, “Statements of Support for a Financial Transaction Tax”, July 2013, <http://cepr.net/documents/fit-support.pdf>