

30 NATIONAL, STATE AND LOCAL ORGANIZATIONS SUPPORT THE INCLUSIVE PROSPERITY ACT

May 21, 2019

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

Dear Representative or Senator,

We are writing on behalf of 30 undersigned organizations to urge you to co-sponsor the Inclusive Prosperity Act of 2019 being introduced by Rep. Barbara Lee (D-California) and Sen. Bernie Sanders (I-Vermont). Through a small sales tax on Wall Street trades, this legislation would raise massive revenue for critical services, such as universal healthcare, free public college, infrastructure, affordable housing, and climate change mitigation.

One economic analysis estimated revenue of nearly \$220 billion per year.¹ Even making much more conservative assumptions, the tax would raise at least \$600 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. It would also be one step toward having Wall Street pay more of its fair share of taxes, helping to address the country's deep economic inequality.

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 Lee/Sanders bill imposes a very small tax of 0.5% on each trade of stocks, 0.1% on bonds, and 0.005% on derivatives--or 50 cents, 10 cents, and 1/2 a cent per \$100 in transactions respectively. 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 speculation fee.

A financial transaction tax would also play an important role in addressing the nation's deep wealth inequality. Today, almost two-thirds of stock market wealth is owned by the wealthiest 1%, and three-quarters is owned by the top 10%.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.

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, 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. 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.

Curbing high-frequency trading would help retirees and middle-class investors by capturing returns lost to short-termism,⁴ and reducing portfolio churn and volatility.⁵ 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. In 2016, the Democratic Party embraced a financial transaction tax in its platform.⁶ The United States has had multiple FTTs,⁷ and today has a tiny SEC fee on securities transactions and futures that behaves similarly.⁸ Forty countries have used FTTs, including large economies and advanced capital markets, including the UK, Hong Kong, Switzerland, Brazil, India, and South Korea.⁹ And the idea has been 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 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 Inclusive Prosperity Act.

Sincerely,

Action Center on Race and the Economy (ACRE)
AFL-CIO
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
Campaign for America's Future
Coalition on Human Needs
Communications Workers of America (CWA)
Consumer Action

Demand Progress
Economic Policy Institute
Food & Water Watch
Friends of the Earth US
Grassroots Collaborative
Institute for Policy Studies - Global Economy Project, and Program on Inequality
International Brotherhood of Teamsters
Main Street Alliance
NETWORK Lobby for Catholic Social Justice
Our Revolution
Oxfam America
People's Action
Public Citizen
RootsAction.org
Strong Economy for All Coalition
Take on Wall Street
Tax March
United for a Fair Economy

¹ James Heintz, Thomas Herndon and Robert Pollin, "The Revenue Potential of a Financial Transaction Tax for US Markets", July 30, 2018,

<https://www.tandfonline.com/doi/abs/10.1080/02692171.2018.1485634>

² Frank Sammartino et al. "An Analysis of Senator Sander's Tax Proposals" March 4, 2016,

<https://www.taxpolicycenter.org/publications/analysis-senator-bernie-sanderss-tax-proposals>

³ 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-trendedpast-few-decades>; Burman et al.

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),

<https://www.mckinsey.com/~media/mckinsey/featured%20insights/long%20term%20capitalism/where%20companies%20with%20a%20long%20term%20view%20outperform%20their%20peers/mgi-measuring-the-economic-impact-of-short-termism.ashx>

⁶ Laura Davison, "Wall Street levy gains steam among Democrats drafting tax hikes", March 5, 2019, <https://www.bloomberg.com/news/articles/2019-03-05/senate-democrats-add-wall-street-levy-to-arsenal-of-tax-hikes>.

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

<https://dealbook.nytimes.com/2009/10/16/transaction-tax-is-floated-on-capitol-hill/>; Joseph J. Thorndike,

"Speculation and Taxation: Time for a Transaction Tax?" Tax Analysts, September 26, 2008,

<http://www.taxhistory.org/thp/readings.nsf/ArtWeb/6062A8E3B6C9C7C585257480005BFEE6>; 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%,

http://www.peri.umass.edu/fileadmin/pdf/research_brief/RB2003-4.pdf.

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,

<https://www.sec.gov/news/press-release/2017-183>; George H. K. Wang, Aaron Klein, and Mark A.

Calabria, "Would a Financial Transaction Tax Affect Financial Market Activity?," (March 13, 2013), <https://www.cato.org/multimedia/events/would-financial-transaction-tax-affect-financial-market-activity>.

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/wpcontent/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/ftt-support.pdf>.