



Americans for Financial Reform
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November 2, 2011

Senator Tom Harkin
U.S. Senate
731 Hart Senate Office Building
Washington, DC 20510

Dear Senator Harkin:

On behalf of Americans for Financial Reform, we are writing to urge you to support S. 1787 the “Wall Street Trading and Speculators Tax Act”, introduced by Senator Harkin. Americans for Financial Reform is an unprecedented coalition of over 250 national, state and local groups who have come together to reform the financial industry. Members of our coalition include consumer, civil rights, investor, retiree, community, labor, religious and business groups as well as prominent experts.

This legislation would introduce a small fee of 3 basis points – just 3 cents per \$100 -- on the trading of stocks, bonds, futures, options, swaps, and credit default swaps. The scale of speculative Wall Street trading means that this tiny fee would raise hundreds of billions of dollars over the next decade while simultaneously limiting the reckless short-term speculation which was responsible for the “flash crash” of 2010 and contributed to the 2008 financial crisis. Many of the economic problems we face today, from deficits to unemployment, were in large part created by the world financial crisis. This crisis was created by Wall Street speculation. It is therefore appropriate that we call on Wall Street for a fair contribution to help address it.

The idea of a tax on speculation is not a new one. Such taxes have a long track record both in the United States and globally. The United States had a transfer tax from 1914 to 1966 which levied a small fee on all sales or transfers of stock. The UK levies a transaction tax of one half percentage point on stock transfers and has done so for many decades. The European Union is currently proposing a tax of ten cents per \$100 on all trading of shares and bonds, as well as a smaller tax on derivatives transactions. The French and German governments have already endorsed this idea. Asian countries such as Hong Kong, Taiwan, South Korea, and India also currently levy securities transaction taxes.

There is no question that even an extremely low fee on the vast market in financial transactions would generate significant revenue. The value of the U.S. market in stocks and bonds alone exceeds \$40 trillion, and the nominal value of derivatives transactions is several times that. The official European Union revenue estimate for their transaction tax proposal has found that the EU tax of ten cents per \$100 will raise over \$70 billion annually from the European financial markets and close to a trillion dollars over the next decade. The smaller tax proposed in this

legislation will clearly raise hundreds of billions of dollars over the next decade when levied on U.S. financial markets, which are larger than those in Europe.

Beyond the revenues to be raised, the speculation tax in this legislation would have the salutary effect of discouraging the kind of high frequency trading that has increased harmful volatility in financial markets and was responsible for the “flash crash” last year. High frequency traders often hold stocks for only fractions of a second and do not generally contribute to the capital markets’ purpose of long-term price discovery. A financial transaction tax would create economic benefits by channeling resources away from such unproductive short-term speculation and toward more useful purposes.

Critics charge that if the United States reapplies this tax domestically it would push trading overseas. This claim is demonstrably false as countries like the United Kingdom and Hong Kong levy small transaction taxes while remaining world financial centers. This claim also ignores the international movement toward the use of transaction taxes, as shown by the European Union’s transaction tax proposal.

Other critics have pointed to the effect of the fee on mutual fund costs. However, the speculation fee proposed in this legislation is miniscule in comparison to existing costs for such funds. According to the Investment Company Institute, the typical equity fund already charges its customers at least 140 basis points annually in management fees, and the typical bond-only fund charges 92 basis points. These expense ratios are many times the speculation fee of 3 basis points proposed in this legislation. In addition, the speculation fee could have the beneficial effect of preventing excessive “churning” in pension portfolios, which inflates fund expenses and has been shown to reduce returns. It should also be noted that the mutual fund industry has strongly supported additional marketing fees (so-called ‘12b-1 fees’) that would increase fund expense ratios by 36 basis points, or twelve times the speculation charge proposed in this legislation.

Over 1,000 economists recently signed an open letter advocating a financial speculation tax as “technically feasible” and “morally right.” They join a long list of prominent economists -- including Nobel Prize winners like James Tobin and Joseph Stiglitz -- who have endorsed the idea of a transaction tax as a valuable tool to discourage high-volume speculative trading that serves no useful social purpose.

Today, three years after the financial meltdown and a taxpayer bailout, much of Wall Street is booming, and bonuses are once again sky high. At the same time Main Street is still suffering and government faces difficult choices as some call for significant cuts in basic health and retirement programs. This legislation would make a significant contribution to government’s revenue needs while discouraging wasteful speculation. We urge you to support the Wall Street Trading and Speculators Tax Act.

Sincerely,

Americans for Financial Reform

Following are the partners of Americans for Financial Reform.

All the organizations support the overall principles of AFR and are working for an accountable, fair and secure financial system. Not all of these organizations work on all of the issues covered by the coalition or have signed on to every statement.

- A New Way Forward
- AARP
- AFL-CIO
- AFSCME
- Alliance For Justice
- Americans for Democratic Action, Inc
- American Income Life Insurance
- Americans United for Change
- Campaign for America's Future
- Campaign Money
- Center for Digital Democracy
- Center for Economic and Policy Research
- Center for Economic Progress
- Center for Media and Democracy
- Center for Responsible Lending
- Center for Justice and Democracy
- Center of Concern
- Change to Win
- Clean Yield Asset Management
- Coastal Enterprises Inc.
- Color of Change
- Common Cause
- Communications Workers of America
- Community Development Transportation Lending Services
- Consumer Action
- Consumer Association Council
- Consumers for Auto Safety and Reliability
- Consumer Federation of America
- Consumer Watchdog
- Consumers Union
- Corporation for Enterprise Development
- CREDO Mobile
- CTW Investment Group
- Demos
- Economic Policy Institute
- Essential Action
- Greenlining Institute
- Good Business International
- HNMA Funding Company

- Home Actions
- Housing Counseling Services
- Information Press
- Institute for Global Communications
- Institute for Policy Studies: Global Economy Project
- International Brotherhood of Teamsters
- Institute of Women's Policy Research
- Krull & Company
- Laborers' International Union of North America
- Lake Research Partners
- Lawyers' Committee for Civil Rights Under Law
- Move On
- NASCAT
- National Association of Consumer Advocates
- National Association of Neighborhoods
- National Community Reinvestment Coalition
- National Consumer Law Center (on behalf of its low-income clients)
- National Consumers League
- National Council of La Raza
- National Fair Housing Alliance
- National Federation of Community Development Credit Unions
- National Housing Trust
- National Housing Trust Community Development Fund
- National NeighborWorks Association
- National People's Action
- National Council of Women's Organizations
- Next Step
- OMB Watch
- OpenTheGovernment.org
- Opportunity Finance Network
- Partners for the Common Good
- PICO
- Progress Now Action
- Progressive States Network
- Poverty and Race Research Action Council
- Public Citizen
- Sargent Shriver Center on Poverty Law
- SEIU
- State Voices
- Taxpayer's for Common Sense
- The Association for Housing and Neighborhood Development
- The Fuel Savers Club
- The Leadership Conference on Civil and Human Rights
- The Seminal
- TICAS
- U.S. Public Interest Research Group
- UNITE HERE
- United Food and Commercial Workers

- United States Student Association
- USAction
- Veris Wealth Partners
- Western States Center
- We the People Now
- Woodstock Institute
- World Privacy Forum
- UNET
- Union Plus
- Unitarian Universalist for a Just Economic Community

List of State and Local Signers

- Alaska PIRG
- Arizona PIRG
- Arizona Advocacy Network
- Arizonans For Responsible Lending
- Association for Neighborhood and Housing Development NY
- Audubon Partnership for Economic Development LDC, New York NY
- BAC Funding Consortium Inc., Miami FL
- Beech Capital Venture Corporation, Philadelphia PA
- California PIRG
- California Reinvestment Coalition
- Century Housing Corporation, Culver City CA
- CHANGER NY
- Chautauqua Home Rehabilitation and Improvement Corporation (NY)
- Chicago Community Loan Fund, Chicago IL
- Chicago Community Ventures, Chicago IL
- Chicago Consumer Coalition
- Citizen Potawatomi CDC, Shawnee OK
- Colorado PIRG
- Coalition on Homeless Housing in Ohio
- Community Capital Fund, Bridgeport CT
- Community Capital of Maryland, Baltimore MD
- Community Development Financial Institution of the Tohono O'odham Nation, Sells AZ
- Community Redevelopment Loan and Investment Fund, Atlanta GA
- Community Reinvestment Association of North Carolina
- Community Resource Group, Fayetteville A
- Connecticut PIRG
- Consumer Assistance Council
- Cooper Square Committee (NYC)
- Cooperative Fund of New England, Wilmington NC
- Corporacion de Desarrollo Economico de Ceiba, Ceiba PR

- Delta Foundation, Inc., Greenville MS
- Economic Opportunity Fund (EOF), Philadelphia PA
- Empire Justice Center NY
- Empowering and Strengthening Ohio's People (ESOP), Cleveland OH
- Enterprises, Inc., Berea KY
- Fair Housing Contact Service OH
- Federation of Appalachian Housing
- Fitness and Praise Youth Development, Inc., Baton Rouge LA
- Florida Consumer Action Network
- Florida PIRG
- Funding Partners for Housing Solutions, Ft. Collins CO
- Georgia PIRG
- Grow Iowa Foundation, Greenfield IA
- Homewise, Inc., Santa Fe NM
- Idaho Nevada CDFI, Pocatello ID
- Idaho Chapter, National Association of Social Workers
- Illinois PIRG
- Impact Capital, Seattle WA
- Indiana PIRG
- Iowa PIRG
- Iowa Citizens for Community Improvement
- JobStart Chautauqua, Inc., Mayville NY
- La Casa Federal Credit Union, Newark NJ
- Low Income Investment Fund, San Francisco CA
- Long Island Housing Services NY
- MaineStream Finance, Bangor ME
- Maryland PIRG
- Massachusetts Consumers' Coalition
- MASSPIRG
- Massachusetts Fair Housing Center
- Michigan PIRG
- Midland Community Development Corporation, Midland TX
- Midwest Minnesota Community Development Corporation, Detroit Lakes MN
- Mile High Community Loan Fund, Denver CO
- Missouri PIRG
- Mortgage Recovery Service Center of L.A.
- Montana Community Development Corporation, Missoula MT
- Montana PIRG
- Neighborhood Economic Development Advocacy Project
- New Hampshire PIRG
- New Jersey Community Capital, Trenton NJ
- New Jersey Citizen Action
- New Jersey PIRG
- New Mexico PIRG
- New York PIRG
- New York City Aids Housing Network
- NOAH Community Development Fund, Inc., Boston MA
- Nonprofit Finance Fund, New York NY

- Nonprofits Assistance Fund, Minneapolis M
- North Carolina PIRG
- Northside Community Development Fund, Pittsburgh PA
- Ohio Capital Corporation for Housing, Columbus OH
- Ohio PIRG
- OligarchyUSA
- Oregon State PIRG
- Our Oregon
- PennPIRG
- Piedmont Housing Alliance, Charlottesville VA
- Michigan PIRG
- Rocky Mountain Peace and Justice Center, CO
- Rhode Island PIRG
- Rural Community Assistance Corporation, West Sacramento CA
- Rural Organizing Project OR
- San Francisco Municipal Transportation Authority
- Seattle Economic Development Fund
- Community Capital Development
- TexPIRG
- The Fair Housing Council of Central New York
- The Loan Fund, Albuquerque NM
- Third Reconstruction Institute NC
- Vermont PIRG
- Village Capital Corporation, Cleveland OH
- Virginia Citizens Consumer Council
- Virginia Poverty Law Center
- War on Poverty - Florida
- WashPIRG
- Westchester Residential Opportunities Inc.
- Wigamig Owners Loan Fund, Inc., Lac du Flambeau WI
- WISPIRG

Small Businesses

- Blu
- Bowden-Gill Environmental
- Community MedPAC
- Diversified Environmental Planning
- Hayden & Craig, PLLC
- Mid City Animal Hospital, Pheonix AZ
- The Holographic Repatterning Institute at Austin
- UNET

