



Americans for Financial Reform
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September x, 2011

Representative Jeb Hensarling
129 Cannon House Office Building
Washington DC 20515

Senator Patty Murray
448 Russell Senate Office Building
Washington DC 20515

Re: Financial Speculation Tax

Dear Senator Murray and Representative Hensarling:

We are writing to you today to urge the Joint Select Committee on Deficit Reduction to examine a small levy on financial speculation as a revenue-raising measure.

The deficit problem that the Select Committee must address was to a significant degree created by the world financial crisis, a crisis caused by Wall Street speculation. It is therefore appropriate that we call on Wall Street to help address it. A small tax on financial market transactions has the potential to raise significant revenue and simultaneously limit reckless short-term speculation that can threaten financial stability.

The idea of a small fee on the sale of financial instruments like securities and derivatives 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. Asian countries such as Hong Kong, Taiwan, South Korea, and India also currently levy securities transaction taxes. The European Union is currently proposing a tax of one-tenth of one percent on the trading of shares and bonds, as well as a smaller tax on derivatives transactions. The French and German governments have already endorsed this idea.

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 notional value of derivatives transactions is several times that. The IMF cites estimates that a miniscule tax of one cent per \$100 of financial transactions globally would raise over \$200 billion each year. The European Union's proposed financial transaction tax is forecast to raise almost \$70 billion annually. In the United States, economists at the University of Massachusetts and the Center for Economic and Policy Research have estimated that one U.S. financial transaction tax proposal would raise \$176 billion a year. Even a smaller

tax could easily raise tens of billions per year.

Beyond the revenues to be raised, even a small financial transactions tax 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 sometimes 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 could create economic benefits by channeling resources away from such unproductive short-term speculation and toward more useful purposes.

Numerous bills have been introduced in Congress utilizing a financial transaction tax mechanism. In the 111th Congress these included S. 2927 (Harkin) and HR 4191 (DeFazio), while in the current Congress they include HR 870 (Conyers), HR 755 (Stark), and HR 2003 (DeFazio).

Over 1,000 economists recently signed an open letter advocating a financial speculation tax "technically feasible" and "morally right." They join a long list of historically 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.

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. Respected institutions like the International Monetary Fund and the Gates Foundation have concluded that it is administratively feasible to levy a small financial transaction tax in a single jurisdiction.

Today, three years after the financial meltdown and a taxpayer bailout, Wall Street is booming with record profits and bonuses being reported. At the same time folks on Main Street are still suffering with zero new job growth and rising poverty. It is both fair and practical to call on Wall Street to do more to aid the recovery.

Sincerely,

AFL-CIO

SEIU

Public Citizen

Demos

Jobs with Justice
Center for Media and Democracy

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

Partial 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

