

SUPPORT FOR A FINANCIAL TRANSACTIONS TAX (FTT)

Political Support For A Financial Transactions Tax

Barack Obama, United States President

*If we do have losses, I've proposed a Financial Stability Fee on the financial services industry so Wall Street foots the bill – not the American taxpayer.*¹

Lawrence Summers, Director of the National Economic Council

*Some form of securities transactions tax would have the desirable economic effects of curbing speculation and of raising a significant amount of revenue.*²

Gordon Brown, United Kingdom Prime Minister

*It cannot be acceptable that the benefits of success in this sector are reaped by the few but the costs of its failure are borne by all of us.*³

Adair Turner, Chairman of Britain's Financial Services Authority

*If you want to stop excessive pay in a swollen financial sector you have to reduce the size of that sector or apply special taxes to its pre-remuneration profit.*⁴

Nicolas Sarkozy, French President

*I will push for a European tax on 'speculative movements' by financial groups, such as hedge funds.*⁵

Christine Lagarde, French Economy Minister

*I persist in thinking we should explore this idea and examine how realistic and how feasible it is and do this on an international basis.*⁶

Angela Merkel, German Chancellor, supports a financial transactions tax, saying that “world-wide, the cards will be reshuffled.”⁷

¹ See *USA Today* article at http://www.usatoday.com/news/politics/election2008/2008-09-30-campaign_N.htm as well as full speech text at <http://speeches.demconwatchblog.com/2008/10/barack-obamas-speech-in-la-crosse-wi.html>.

² See paper in the *Journal of Financial Services Research* at http://stevereads.com/papers_to_read/when_financial_markets_work_too_well.pdf.

³ See Bloomberg article at <http://www.bloomberg.com/apps/news?pid=20601068&sid=aEbwLvzaLk04>, also Brown's op-ed in the *Financial Times* <http://www.ft.com/cms/s/0/a6ccb1d4-cc9a-11de-8e30-00144feabdc0.html>.

⁴ See *Financial Times* article at http://www.ft.com/cms/s/0/08943b5a-926a-11de-b63b-00144feabdc0.html?nclick_check=1.

⁵ See article in *The American* at <http://www.american.com/archive/2007/march-0307/sarkozy-le-capitaliste/>.

⁶ See *CNBC* article at <http://www.cnbc.com/id/33806741>.

⁷ See *Wall Street Journal* at <http://online.wsj.com/article/SB125785716192141031.html>.

Peer Steinbrueck, German Finance Minister

*There is a clear-cut case for a global FTT: it would be just, would do no harm, and would do a lot of good. If there is a better idea for fair burden-sharing between the world's Main Streets and its Wall Streets, let's hear it. If there isn't, let's have an FTT now.*⁸

Business Leaders, Columnists and Economists in Support of an FTT

Dean Baker, Center for Economic and Policy Research

*We have a historic opportunity to correct one of the major distortions to the U.S. economy if we move now. There is no way to reverse the growth in inequality over the last three decades without attacking the elite Wall Street crowd. Those folks who back away from this task simply are not serious about addressing inequality. They have our money. It's that simple.*⁹

John Bogle, Founder and retired CEO of the Vanguard Group

*I love it. The financial institutions that control 75 percent of all stocks are tax free. Pension funds are tax free. Mutual funds are about half tax-deferred, but the other half is run by managers who pay no attention to taxes. So we've got these two giant industries basically operating without any frictional costs when they trade stocks back and forth... and that helps explain why we've had this orgy of speculation. No question about that. So I like the idea of a transaction cost.*¹⁰

Warren Buffet and other business leaders*

In a position paper published by the Aspen Institute, the group put forth several recommendations to encourage long-term focus among investors, including the proposal to “revise capital gains tax provisions or implement an excise tax in ways that are designed to discourage excessive share trading and encourage longer-term share ownership.”¹¹

*Co-signers of this paper include **John Bogle** (Vanguard Group), **Warren Buffet** (Berkshire Hathaway), **James Crown** (Henry Crown & co.), **Lester Crown** (Henry Crown & co.), **Steven Denning** (General Atlantic), **Jack Ehnes** (CalSTRS), **J. Michael Farren** (Xerox), **Barbara Franklin** (former Secretary of Commerce), **Bill George** (Harvard Business School), **Louis Gerstner, Jr.** (IBM), **David Langstaff** (Veridian), **Martin Lipton** (Wachtell, Lipton, Rosen & Katz), **Jay Lorsch** (Harvard Business School), **Ira Millstein** (Yale School of Management), **John Olson** (Gibson, Dunn & Crutcher), **Peter Peterson** (Peter G. Peterson Foundation), **James Rogers** (Duke Energy), **Felix Rohatyn** (former US Ambassador to France), **Charles Rossotti** (former Commissioner of Internal Revenue), **Judith Samuelson** (The Aspen Institute), **Henry Schacht** (Cummins Inc. and Lucent Technologies), **Lynn Stout** (UCLA School of Law), **Richard Trumka** (AFL-CIO), **John Whitehead** (Goldman Sachs), **John Wilcox** (TIAA-CREF), **Ash Williams** (Florida State Board of Administration), **James Wolfensohn** (World Bank Group).

⁸ See *Project Syndicate* at <http://www.project-syndicate.org/commentary/steinbruck1>.

⁹ See *Talking Points Memo* post at http://tpmcafe.talkingpointsmemo.com/2008/09/16/medicine_for_wall_street_a_fin/.

¹⁰ See *Multinational Monitor* interview at <http://www.multinationalmonitor.org/nmm2009/052009/interview-bogle.html>.

¹¹ *Overcoming Short-termism: A Call for a More Responsible Approach to Investment and Business Management* at http://www.aspeninstitute.org/sites/default/files/content/docs/business%20and%20society%20program/overcome_short_state0909.pdf

Bob Herbert, *New York Times*

*While the fees would be a trivial expense for what the general public tends to think of as ordinary traders – people investing in stocks, bonds or other assets for some reasonable period of time – they would amount to a much heavier lift for speculators, the folks who bring a manic quality to the markets, who treat it like a casino.*¹²

Simon Johnson, Economist and former Chief Economist of the IMF

*Bigger banks pose more system risk, mega-banks pose the most risk, and all bubbles can quickly go bad in the presence of such gigantic institutions. They must face appropriately higher taxes – in fact, so high that the biggest voluntarily break-up in anticipation.*¹³

Thea Lee, AFL-CIO

*It would have two benefits, raise a lot of revenue and discourage speculative financial activity. The big disadvantage of most taxes is that they discourage some really productive activity. This would discourage numerous financial transactions. People flip their assets several times in an hour or a day. They make money but does it really add to the productive base of the United States?*¹⁴

George Soros, Soros Fund Management and Open Society Institute

*The globalization of financial markets has given financial capital an unfair advantage over other sources of taxation. A tax on financial transactions would redress the balance.*¹⁵

Joseph Stiglitz, Economist and Nobel Laureate

*The financial sector polluted the global economy with toxic assets and now they ought to clean it out.*¹⁶

A Financial Transactions Tax Throughout History

John Maynard Keynes wrote in his *General Theory of Employment, Interest and Money* (1936):

If I may be allowed to appropriate the term ‘speculation’ for the activity of forecasting the psychology of the market, and the term ‘enterprise’ for the activity of forecasting the prospective yield of assets over their whole life, it is by no means always the case that speculation predominates over enterprise... Speculators may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a whirlpool of

¹² See *New York Times* op-ed at http://www.nytimes.com/2009/01/13/opinion/13herbert.html?_r=1&scp=3&sq=stock%20transfer%20dean%20baker&st=cse.

¹³ See *Baseline Scenario* post at <http://baselinescenario.com/2009/11/10/global-bubbles-the-geithner-brown-split/>.

¹⁴ See article in *The Hill* at <http://thehill.com/homenews/house/56789-afl-cio-dems-push-new-wall-street-tax>.

¹⁵ See speech to the Asia Society at <http://www.asiasociety.org/business-economics/development/george-soros-open-societies-sovereignty-and-international-terrorism>.

¹⁶ See *Telegraph* article at <http://www.telegraph.co.uk/finance/financetopics/financialcrisis/6262242/Joseph-Stiglitz-calls-for-Tobin-tax-on-all-financial-trading-transactions.html>.

speculation. When the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill-done.

...

It is usually agreed that casinos should, in the public interest, be inaccessible and expensive. And perhaps the same is true of Stock Exchanges... The introduction of a substantial Government transfer tax on all transactions might prove the most serviceable reform available, with a view to mitigating the predominance of speculation over enterprise in the United States.

Between 1914 and 1966, a securities transfer tax did exist in the United States, with different effective rates for equities and debt, as well as for original issuance and subsequent trading. But the tax was repealed in 1965.¹⁷

In 1987, Jim Wright, the Speaker of the House and a Texas Democrat, proposed a fee of 0.25% to 1% on both the buyer and the seller of each securities transaction. He favored the transaction tax because the financial burden would fall on the wealthy who trade in stocks and was quoted in *The New York Times* as saying, “My philosophy is that taxes should be based on ability to pay.”¹⁸

Academic Work In Support Of A Financial Transactions Tax

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¹⁷ See <http://spanishtaxes.blogspot.com/2009/09/mas-debate-sobre-la-tobin-tax.html>.

¹⁸ “Wright Proposes a Tax on Sales of Securities,” *The New York Times*, March 4, 1987. Available at <http://www.nytimes.com/1987/03/04/business/wright-proposes-a-tax-on-sales-of-securities.html>.

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