



LEGISLATIVE ALERT

June 23, 2015

Dear Representative:

On behalf of the AFL-CIO, I urge you to co-sponsor and support legislation to implement a financial transaction tax (FTT), a fee on financial transactions that would only be paid in any significant amount by Wall Street traders engaging in high-volume trading.

In the last several decades, there has been an enormous reduction in the cost of financial transactions due to the use of sophisticated technological tools and computer algorithms to rapidly conduct financial trades. This high-frequency trading poses several new financial-system challenges, including increased market volatility. High-frequency trading has resulted in a “flash crash”: high-speed traders rapidly withdrew from the market, which resulted in the loss of trillions of dollars of stock market value in a matter of minutes.

A financial transaction tax would reduce incentives for Wall Street’s most reckless and least valuable speculative activity, such as high-frequency trading. By reducing the volume and profitability of short-term trading that serves no productive purpose, an FTT would encourage Wall Street to find new ways to make money from longer-term, productive investments— investments in companies that grow, create jobs, and develop products and services that make the U.S. competitive in a global economy. Former Federal Deposit Insurance Corporation head Sheila Bair has said that an FTT “would penalize those who destabilize our markets with rapid-fire trading, while rewarding those who invest for the long term.” Similarly, in 1936, John Maynard Keynes argued that financial transaction taxes would “mitigate the predominance of speculation over enterprise in the United States.”

An FTT could be imposed at different rates. Eleven countries in the European Union (EU) are working to implement a set of FTTs that would tax stock trades at a rate of 0.1 percent and trades of most derivative instruments at the rate of 0.01 percent. As EU countries implement their own FTTs, there will be more opportunities for the U.S. to coordinate and collaborate with them.

To date, two FTT bills have been introduced in the 114th Congress: the “Inclusive Prosperity Act of 2015” (H.R. 1464), introduced by Representative Ellison, and its Senate companion bill (S. 1371), introduced by Senator Sanders. In addition, the Congressional Progressive Caucus’ FY 2016 budget (“The People’s Budget”) includes a financial transaction tax.

All of the various FTT proposals would raise a significant amount of desperately needed revenue. Center for Economic and Policy Research estimates that a tax comparable to various EU proposals would raise more than \$130 billion a year—or more than \$1.5 trillion over the next decade.

The FTT is an idea whose time has come. We urge you to co-sponsor and support H.R. 1464.

Sincerely,

William Samuel, Director
Government Affairs Department