## About Steve Suppan

Steve Suppan has been a policy analyst at IATP since 1994. Much of Steve's work is to explain U.S. agriculture, trade and food safety policy to foreign governments and nongovernmental organizations, especially farmer organizations. Steve has also represented IATP at meetings of the Codex Alimentarius Commission, the UN Commission on Sustainable Development, and the UN Food and Agriculture Organization.

## About IATP

Institute for Agriculture and Trade Policy works locally and globally at the intersection of policy and practice to ensure fair and sustainable food, farm and trade systems. IATP is headquartered in Minneapolis, Minnesota with an office in Washington D.C..

# Back to the future: taxing finance

**MINNEAPOLIS, APRIL 24, 2013** — In this era of budgetary obsession, we need to make sure everyone pays their fair share, even the well-protected financial services industry. Reinstating a small tax on financial trades would not only generate significant revenue, it would help stabilize markets that have caused so much turmoil in recent years. Such a tax, commonly known as a Financial Transaction Tax (FTT), was levied on stock buys and sells in the United States as recently as 1966.

On April 17, Representative Keith Ellison will introduce the "Inclusive Prosperity Act," which includes an FTT—an important step forward for three reasons: 1.) it is unfair to tax goods used by all Americans while leaving untaxed the financial transactions used overwhelmingly by our economic elites to further their own wealth; 2.) FTT revenues are urgently needed to fund basic social, health and educational services, and to reduce the $3.6 trillion U.S. infrastructure investment deficit (as estimated by the American Society of Civil Engineers); 3.) the FTT would slow down the computer-driven high-frequency trading (HFT) programs and their millisecond-long transactions that destabilize our financial and commodity markets and contribute to higher prices for the consumer.

In January, 11 of the 27 European Union member states agreed to begin levying an FTT in 2014. Even taking into account anticipated tax evasion, the European FTT is expected to raise $35 billion annually to replace some of the basic social services and infrastructural investments that have been sacrificed to an ideology of "austerity" following the European government bailouts of their banks.

Representative Ellison's bill would levy a tax of between 0.5 and 0.005 percent, depending on the instrument taxed, of "fair market value" per transaction. By targeting the approximately $300 trillion in financial transactions based on the underlying value of mortgages, interest rates, commodities, credit card debt, etc., economists estimate that the FTT "could generate hundreds of billions of dollars in revenue." Another FTT bill, introduced on February 28 by Senators Tom Harkin and Sheldon Whitehouse together with Representative Peter Defazio, would levy at a rate of 0.3 percent, and would raise an estimated $352 billion annually.

The introduction of these two bills should, at the very least, stimulate a broad public debate: Why should banks and other big investors—made gigantic by Acts of Congress and at least $19 trillion of ultra-low interest rate Federal Reserve Bank loans from 2007 to 2010—be exempt from taxes on their transactions?

Main Street investors (the median 401K retirement account has $60,000 that could be traded) will hardly feel the effect of this tax. Instead, the floods of millisecond-long "trades" triggered by computer algorithms, which have caused "flash crashes" of value in stocks and commodity contracts unrelated to market fundamentals, will bear the brunt. As long as Congress refuses to regulate such high-frequency trading, and other trading tactics that pose great risk to public markets, an FTT will serve to expose the false liquidity they create in the market.

Given Wall Street's ferocious opposition to effective regulation, it is near certain that the financial services lobby and their Congressional allies will oppose the FTT as an attack on U.S. banks that will undermine "competitiveness" against foreign banks. However, the Too Big to Fail and Too Big to Jail banks and bankers already run perhaps half of their trades through foreign affiliates, so the issue of competitiveness is a red herring. Foreign affiliate trades by JP Morgan, AIG, MF Global, etc., have already eluded U.S. regulators and already inflicted huge damage to the U.S. economy. The "Inclusive Prosperity Act" stipulates that the tax shall apply to the foreign affiliates of U.S. financial institutions to prevent regulatory and, now, tax evasion.

It's time to restore an enhanced version of this fair and progressive tax, both to raise much needed revenue and to reduce volatile capital flows that devastate, rather than serve, the economy. All Minnesotans should write to Senators Franken and Klobuchar and to their respective representatives in support of Representative Ellison's bill.