



U.S. Government and Business Leaders on Financial Transactions Taxes

Financial transactions taxes, small levies on trades of stock, derivatives, and other financial instruments, have gained increased attention as leaders around the world seek ways to address financial volatility and pay for pressing needs, from domestic economic recovery to the global fights against poverty and climate change. Below are quotes reflecting a range of views on the issue from U.S. officials and business leaders.

OBAMA ADMINISTRATION

1. President Barack Obama

a. Campaign speech, October 1, 2008

"I've proposed a Financial Stability Fee on the financial services industry so Wall Street foots the bill — not the American taxpayer. And as I modernize the financial system to create new rules of the road to prevent another crisis, we will continue this fee to build up a reserve so that if this happens again, it will be the money contributed by banks that's put at risk."¹

b. White House press briefing, July 22, 2009

Reporter: Would you consider going a step further than your regulatory reform proposals and supporting a fee on risky activities that go beyond traditional lending? President: In terms of the possibility of fees for transactions that we want to discourage, that is one of the ideas that is going to be working its way through the process. I think at minimum what we want to do is to make sure that to the extent the federal government is going to have to be a backstop, just like the Federal Deposit Insurance Corporation, what everybody is familiar with, FDIC, the reason that when you put your deposits in your bank you can have confidence that they're insured — that's paid for through bank fees. We may need to make sure that there is a similar mechanism in place for some of these other far-out transactions. So if you guys want to do them, then you got to put something into the kitty to make sure that if you screw up it's not taxpayer dollars that have to pay for it, but it's dollars coming out of your profits.²

c. G20 Leader's Statement, September 25, 2009

"We task the IMF to prepare a report for our next meeting with regard to the range of options countries have adopted or are considering as to how the financial sector could make a fair and substantial contribution toward paying for any burdens associated with government interventions to repair the banking system."³

2. Treasury Secretary Timothy Geithner, November 7, 2009

Treasury Secretary's response to British Prime Minister Gordon Brown's support for a global financial transactions tax at the G20 Finance Ministers meeting: "A day-by-day financial transaction tax is not something we are prepared to support." In his concluding press conference, Geithner added, "This idea (of a bank transaction tax) has been around for a long time...I think frankly the experiences are mixed."⁴

CONGRESS

1. Pending bills

Rep. John B. Larson (D-CT), Chairman of the House Democratic Caucus, introduced the Transparent Markets Act (HR 3153) in July 2009 to impose an excise tax on over-the-counter derivative transactions, at a rate of 0.25 percent of the fair market value of the underlying asset.⁵ In February 2009, Rep. Peter DeFazio (D-OR) introduced the "Let Wall Street Pay for Wall Street's Bailout Act of 2009," (HR 1068) which would enact a securities transfer tax of up to 0.25 percent on the purchase and sale of financial instruments. On Dec. 3, DeFazio and Senator Tom Harkin (D-IA) introduced an updated version of this bill (HR 4191). In addition, Rep. DeFazio has introduced a more narrowly focused bill on taxing crude oil futures and swaps to raise revenues for transportation infrastructure.⁶

2. House Speaker Nancy Pelosi

After a phone conversation with Treasury Secretary Geithner during the first week of December 2009, Pelosi (D-CA) reportedly told colleagues that she had brought up the issue and Geithner indicated he was more open to some type of

transactions fee than had been reported. Pelosi has argued that any transactions fees would need to be imposed globally to protect the competitiveness of major exchanges.⁷

3. House Majority Whip Jim Clyburn

House Majority Whip Jim Clyburn (D-SC) told *POLITICO*: “There are some painless ways to fund the highway bill. Transaction taxes, that’s a painless way ... Where are the shared contributions to all this? If you’re sitting there on Wall Street, if you’re Goldman Sachs, if you’re making all this money, if you got all this federal money [in a] bailout, and you are paying all these big bonuses to your folks, where is your contribution to this recovery? That’s why it’s painless.”⁸

4. House Financial Services Committee Chairman Barney Frank

Responding to Clyburn, House Financial Services Committee Chairman Barney Frank (D-MA) said: “It would be a good thing if we could do it internationally, but those transactions are so internationally mobile you can’t do it in one country.... Stocks trade on multiple exchanges. That’s one of the few where the business community has a legitimate anti-competitive argument.”⁹

5. Bailout legislation

Section 134 of the Troubled Asset Relief Program (TARP) requires the President to submit a proposal to Congress to “recoup” from the financial services industry any shortfall related to the \$700 billion bailout program five years after its enactment.¹⁰

6. Existing U.S. tax on trades

Stocks and commodities are already subject to very small taxes, which are used to finance the Securities and Exchange Commission and the Commodity Futures Trading Commission.

BUSINESS

1. Aspen Institute statement

The Aspen Institute released a statement on Sept. 9, 2009 signed by a number of significant business leaders, including Warren Buffett, Louis V. Gerstner, Jr. (former CEO of IBM) and the current CEO of Lucent Technologies on “Overcoming Short-termism.” Their first recommendation includes: “implement an excise tax in ways that are designed to discourage excessive share trading and encourage longer-term share ownership.”¹¹

2. George Soros

In response to Gordon Brown’s statement calling for a global financial transaction tax, financier George Soros said the prime minister’s proposals “fit in with everything I’m saying needs to be done ... the banks should, when they can, be a source of taxation, having been a drain on taxpayers.” Some form of transaction tax was “in principle a very good idea,” he said¹²

3. Paul Volcker

Former Federal Reserve Chairman Paul Volcker said in a September 24, 2009 hearing before the House Financial Services Committee that it “might be interesting” if Congress ordered a study of the idea of a transactions tax. But he pointed to the problem of driving transactions to other countries: “That’s the No. 1 problem.”¹³

— Sarah Anderson, Institute for Policy Studies, December 7, 2009. Contact: saraha@igc.org.

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¹ <http://speeches.demconwatchblog.com/2008/10/barack-obamas-speech-in-la-crosse-wi.html>

² http://www.whitehouse.gov/the_press_office/News-Conference-by-the-President-July-22-2009/

³ <http://www.pittsburghsummit.gov/mediacenter/129639.htm>

⁴ <http://www.cnbc.com/id/33751614>

⁵ <http://www.govtrack.us/congress/billtext.xpd?bill=h111-3153>

⁶ http://www.defazio.house.gov/index.php?option=com_content&task=view&id=490&Itemid=28

⁷ <http://dyn.politico.com/printstory.cfm?uid=579214A8-18FE-70B2-A824AA42171BB189>

⁸ <http://dyn.politico.com/members/forums/thread.cfm?catid=18&subcatid=59&threadid=3261313>

⁹ <http://dyn.politico.com/members/forums/thread.cfm?catid=18&subcatid=59&threadid=3261313>

¹⁰ http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_bills&docid=f:h1424enr.txt.pdf

¹¹ http://www.aspeninstitute.org/sites/default/files/content/docs/business%20and%20society%20program/overcome_short_state0909.pdf

¹² <http://edition.cnn.com/2009/BUSINESS/11/09/uk.banktax.ft/>

¹³ http://www.house.gov/apps/list/hearing/financialsvcs_dem/fchr_092409.shtml