The Inclusive Prosperity Act of 2017

The Inclusive Prosperity Act would impose a tax of a fraction of a percent on trades of stocks, bonds and derivatives. This Wall Street speculation fee, also known as a financial transaction tax, will be used to make public colleges and universities tuition free and to substantially reduce student debt. Moreover, it will reduce speculation and high-frequency trading that is destabilizing financial markets. During the financial crisis, Wall Street received the largest taxpayer bailout in the history of the world. Now, it’s Wall Street’s turn to rebuild the disappearing middle class.

This legislation would not tax investors, retirees, or parents saving to send their kids to college. Instead, this bill would impose a tax on Wall Street investment houses, hedge funds, and other speculators. For the rare household of modest means that trades directly or through a broker, this legislation would provide an income tax credit to offset the speculation fee.

A Tax with a Very Low Rate

Trades would be taxed at a rate of 0.5 percent for stocks, 0.1 percent for bonds, and 0.005 percent for derivatives. This means, for example, that a trade of $1,000 in stocks would be subject to a tax of $5. A trade of $1,000 in swaps or other derivatives would be subject to a tax of five cents.

Making Our Economy Safer

Even at such low rates, the tax can provide a huge benefit by reducing one particular type of trading that does not benefit our economy: high-frequency trading that rewards technological schemes rather than investing in productive businesses. For example, some traders have focused their energy on obtaining information about trades a fraction of a second before others, sometimes by locating their computers physically closer to where trades are happening. These computers then rush to buy or sell before others can respond, turning what would otherwise be a ripple in the market into a tidal wave that destabilizes the financial system.

Raising Revenue to Invest in America’s Future

While estimates vary, this proposed tax would raise at least $600 billion over ten years, and some estimates are much higher. This revenue will be used to make public colleges and universities tuition free for Americans with household income of less than $125,000 a year. It will also be used to make college more affordable and to substantially reduce student debt.

This Is Not a Radical Idea

There is considerable precedent for this. The U.S had a Wall Street speculation fee from 1914 to 1966. In 1914, the tax was 0.02% on sales or transfers of stock. In 1932, Congress more than doubled that tax to help finance the government during the Great Depression. Today some 40 countries have imposed a financial transactions tax including Britain, Germany, France, Switzerland, China, India, South Korea, Hong Kong, Singapore, Taiwan, and Brazil.

Who Supports the Idea of a Wall Street Speculation Fee?

The concept of a financial transaction tax has support from former financial regulators like Paul
Volcker and Sheila Blair, business leaders like Bill Gates and Warren Buffett, and even former Reagan official David Stockman.

More than 1,000 economists have endorsed a tax on financial speculation and 10 European countries have committed to enacting one. The idea is supported by more than 170 organizations in the U.S., including the AFL-CIO, National Nurses United, the National Organization for Women, NETWORK, Oxfam America, Public Citizen, the Sierra Club and others.

**Why Do We Need a Fee on Wall Street Speculation?**

One of the major reasons why the middle class is collapsing and the gap between the rich and everyone else is growing wider and wider is the greed, recklessness, and illegal behavior on Wall Street. Millions of Americans lost their homes, life savings, and ability to pay for college because Wall Street gamblers crashed the economy in 2008.  

During the financial crisis, the taxpayers of this country provided Wall Street with the largest bailout in the history of the world — $700 billion from the Treasury Department and $16 trillion in total financial assistance from the Federal Reserve.

Wall Street has fully recovered from the recession and has never had it so good. However, working families have seen real median income fall by nearly $1,400 since 1999. Families in the middle of the wealth distribution have seen their net worth fall by 43 percent from 2007 to 2013. It is time for Wall Street to pay society back for the damage it did to the middle class of this country.

**A Tax for Those Who Can Afford to Pay**

Because the increased trading on Wall Street over the past several decades has not benefited ordinary Americans, the reduced trading that results from a financial transaction tax would not harm middle-income savers who invest through pensions or mutual funds. In fact, these people would likely save money because they would be charged fewer fees for trades. In the case of individuals of modest means who actually trade directly or through brokers, the legislation would provide an income tax credit to offset the financial transaction tax for singles with incomes less than $50,000 and married couples with incomes less than $75,000.

**Making Wall Street Work for All of America**

Innovation normally makes something cheaper. For example, innovation in farming has allowed farmers to provide food at lower costs over the years so that agriculture takes a smaller share of the nation’s economy than it did in the past. But financial trading on Wall Street has not followed this pattern. The costs of financing investments to build our economy has actually risen over the past 40 years as Wall Street has produced new technological advances and financial engineering that has brought down the costs of trading.

These innovations allowed banks and financial managers to conduct a massive amount of trades that generate fees for them but provide little or no benefit to investors. The volume of stock trades is 20 times greater than it was two decade ago, but the average fees paid by mutual funds are actually higher than they were in 1980. In other words, Wall Street’s financial innovation has increased trading only to benefit Wall Street.