The Inclusive Prosperity Act of 2019

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 raise substantial revenue from wealthy investors that can be used to make public colleges and universities tuition free and substantially reduce student debt. It will also 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 is Wall Street's turn to rebuild the disappearing middle class.

This bill targets 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 fully offset the speculation fee.

Why Do We Need a Tax on Wall Street Speculation?

Just over ten years ago, the greed, recklessness, and illegal behavior on Wall Street caused the worst financial crisis since the Great Depression. Millions of Americans lost their homes, life savings, and ability to pay for college because Wall Street speculators 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.

While Wall Street has fully recovered from the recession and is making record-breaking profits, half of Americans have virtually no wealth and are living paycheck to paycheck. While the top 1 percent owns more wealth than the bottom 92 percent, the typical middle class family in America has seen their net worth go down by 30 percent from 2007 to 2016. It is time for Wall Street to pay society back for the incredible damage it did – and continues to do – to the middle class of this country.

A Tax with a Very Low Rate

Under this legislation, 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 the economy: high-frequency trading. Computer-generated algorithms allow some traders to obtain information a fraction of a second faster than other traders, who 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 system. This technology is not a tool that benefits the average American family.

Raising Revenue to Invest in America's Future

It has been estimated that this legislation would raise up to $220 billion in the first year or more than $2.4 trillion over 10 years.

This Is Not a Radical Idea

There is considerable precedent for a tax on Wall Street speculation. 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. The U.S had a Wall Street speculation tax from 1914 to 1966. In 1914, the tax was 0.02 percent on sales or transfers of stock. In 1932, Congress more than doubled that tax to help finance the government during the Great Depression.

Who Supports the Idea of a Wall Street Speculation Fee?

A financial transaction tax has support from business leaders like Bill Gates and Warren Buffett, and a number of officials from the Reagan and Bush administrations, including Paul Volcker, Sheila Blair, and David Stockman.

More than 1,000 economists, including Jeffrey Sachs and Dean Baker, have endorsed a tax on financial speculation and 10 European countries have committed to enacting one. The idea is supported by more than 165 organizations in the U.S., including the National Nurses United, the National Organization for Women, NETWORK, Oxfam America, Public Citizen, and the Sierra Club. The Democratic Party platform also endorsed the establishment of a financial transactions tax.

A Tax for Those Who Can Afford to Pay

Because the increased trading on Wall Street over the past several decades has not benefited working Americans, the reduced trading that results from a financial transaction tax would not harm the savings of the middle-class 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 entire financial transaction tax for individuals with incomes less than $50,000 and married couples with incomes less than $75,000.