

Time to Tax Financial Speculation

<http://www.yesmagazine.org/new-economy/time-to-tax-financial-speculation>

by Sarah Anderson
posted Feb 09, 2010

For those of us who want the financial industry to serve people and the planet rather than dominate them, this is the most exciting reform under serious consideration on the world stage.

In London, activists projected a 10-meter-high image on the side of the Bank of England, inviting commuters to call on the government to support a tax on financial speculation.

For decades, international activists have been pushing the idea of a tax on financial transactions. Such a tax would give us a twofer: a drop in short-term speculation that serves no productive purpose and leads to dangerous bubbles, and 2) loads of money that could be used for good things, like health, climate, and jobs programs.

Today, we're closer to achieving this two-for-one deal than we'll probably ever be in our lifetimes. Reeling from the worst financial crisis in 80 years, policymakers are not only desperate for new sources of revenue, they're more open to [rethinking the role of Wall Street](#) and making sure it [serves real economic needs](#).

To take advantage of these new opportunities, a wide range of activists, including trade unionists, international health advocates, and climate justice groups, have come together to move this decades-old proposition into practice. Their efforts are gaining traction—and even some celebrity support.

The specific proposal is to tax trades of all types of financial assets, including stock, derivatives, and currencies. The tax rate would be so low that ordinary investors wouldn't even notice it. Some U.S. legislative proposals would even exempt retirement funds and mutual funds, the primary middle class investment vehicles. The real target would be the hedge fund investors and other high fliers in the global casino, who make most of their money through high-frequency betting on short-term market movements that often have nothing to do with [what's going on in the real economy](#). Since the tax would apply to each of these transactions, it would make this type of speculative gambling much less profitable and encourage more long-term, patient investment.

The Center for Economic and Policy Research has [analyzed](#) the likely impact of a set of taxes, ranging from 0.01 percent on currency transactions to 0.25 percent on stock trades. Assuming that trading volumes dropped by 50 percent, these taxes could raise more than \$175 billion per year in the United States alone.

The call for such taxes has been particularly loud in Europe, where activists have managed to win promises of support from leaders of the three largest economies—the

United Kingdom, Germany, and France. But more pressure is needed to make speculation taxes a reality.

In the UK, activists have teamed up with filmmaker Richard Curtis (*Four Weddings and a Funeral*, *Notting Hill*, *Bridget Jones' Diary*) to put some star power behind the cause. Through a [creative media campaign](#) being launched today, they aim to secure commitments from candidates vying for votes in the upcoming general election.

One of the campaign tools Curtis has produced is [this video](#), starring British actor Bill Nighy (who you'll recognize from his roles as Davy Jones in one of the *Pirates of the Caribbean* movies or as the ribald aging pop singer in *Love Actually*) as a haughty banking executive whose arguments against the tax completely unravel in the course of three minutes. The UK groups kicked off their campaign by projecting a giant image of ordinary people wearing Robin Hood masks and the slogan “Be Part of the World’s Greatest Bank Job” on the side of the Bank of England.

In the United States, we may not yet have Hollywood spokespeople, but we do have prominent business leaders on our side, including [John Bogle](#), founder of the Vanguard Mutual Fund. We also have bills to create financial speculation taxes in both the House and the Senate, introduced by Rep. Peter DeFazio (D-OR) and Sen. Tom Harkin (D-IA).

President Obama is not yet on board. Recently, he did call for a new fee on the top 50 banks. This is a positive, but far more modest, approach—it wouldn’t directly affect speculation, would leave hedge funds off the hook, and would generate far less revenue.

[Small Banks, Radical Vision](#) :: Local banks can change the world, one investment at a time.

[Age-Old Wisdom for the New Economy](#) :: Indigenous peoples have learned a few things about making it through hard times.

U.S. activists are hoping to see a shift in the administration’s position by the time Obama travels to Toronto in June for a summit with the leaders of the other G20 big economies. Americans for Financial Reform (AFR), a coalition of more than 200 labor unions, consumer groups, and other activist organizations, has been working to raise the profile of the issue in the media and on Capitol Hill and recently sent this [letter](#) to the president, urging his support. AFR is also working with other U.S. and international activists to coordinate pressure on key governments and the International Monetary Fund, which is carrying out a feasibility study of the issue at the G20’s request.

Taxing financial speculation won’t single-handedly prevent another crisis or solve the world’s climate and jobs crises. But for those of us who want the financial industry to serve people and the planet rather than dominate them, this is the most exciting reform under serious consideration on the world stage. And it is an idea whose time has come.

Sarah Anderson wrote this article for [YES! Magazine](#), a national, nonprofit media organization that fuses powerful ideas with practical actions. Sarah directs the Global Economy Project at the [Institute for Policy Studies](#) in Washington, DC.