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An Open Letter from Economists in Support of Financial Transaction Taxes

To Whom It May Concern:

A modest set of financial transaction taxes could raise a substantial amount of needed revenue while having little impact on trades that have a positive economic impact.

The cost of trading financial assets has plummeted over the last three decades as a result of computerization. This has led to an enormous explosion in trading volume, with most trades having little economic or social value and redistributing disproportionate resources to the financial sector. A set of modest financial transactions taxes, which would just raise trading costs back to the level of two or three decades ago, would have very limited impact on trades that have real economic value.

Such taxes could both reduce the volume of speculation in financial markets and provide substantial revenue for either important public purposes and/or deficit reduction. Financial transactions taxes could be an important part of a reform package that seeks to remake the financial sector so that it better serves the larger economy.

Sincerely,

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