

Letter from 63 U.S. organizations to Secretary of State Clinton on misleading claims about financial transaction taxes made at the First Workshop on Long-term Finance

September 27, 2012

The Honorable Hillary Clinton
U.S. Secretary of State
U.S. Department of State
Washington, DC

Dear Secretary Clinton:

We are strong, vocal advocates for the establishment of a financial transaction tax (FTT), which we and many others around the world call a Robin Hood Tax. We firmly believe it is past time for the financial sector to pay its fair share of taxes, and for the government of the United States to support this modest imposition on financiers and multinational corporations in order to meet the needs of ordinary people. At a time when public funds are deemed scarce, a Robin Hood Tax would create a new source of revenue to pay for desperately needed public goods -- like funds to provide healthcare and education for all and to help developing countries deal with climate change, for which the U.S. has committed to help mobilize \$100 billion each year by 2020.

We were thus very disheartened to hear misstatements about the Robin Hood Tax made at a recent international forum -- the UN Climate Convention's First Workshop on Long-term Finance in July -- by a member of the U.S. climate negotiating team. While we work very hard to move our own country in a fairer, more just and more ecologically-sound direction, we would ask that you not discourage other countries from supporting this tax as one equitable solution to address the climate crisis, cuts to public services, and widespread job loss faced by their populations. Indeed, we urge you to support efforts to enact a financial transaction tax to pay for international public goods at climate change negotiations, the G20 and other important international venues.

To that end, ahead of the UN Climate Convention's Second Workshop on Long-term Finance on October 1-3, we would like to address three misleading claims made by your representative.

- An FTT would be almost impossible to impose globally. FTTs do not have to be global to work. They have been implemented -- both temporarily and permanently -- in over 40 countries. In fact, at least 9 countries are currently working toward the establishment of an FTT through Enhanced Cooperation in the European Union. As you know, both the French and the South Korean governments have recently imposed new financial transaction taxes, and the United States had a financial transaction tax from 1914 to 1966.
- It would be difficult to raise a lot of revenue from an FTT once private actors figure out how to work around such a tax. It could actually erode a country's tax base more generally by encouraging movement of financial activity offshore. According to the IMF, financial transaction taxes "do not automatically drive out financial activity to an unacceptable extent."^[1] Tax avoidance could be easily minimized by a well-designed tax. More than 70 percent of financial transactions go through electronic central clearinghouses, making them easy to monitor and difficult to evade. Financial traders have little incentive to avoid these clearinghouses, since the mechanism ensures firms' sales and purchases have been completed. London has an FTT on share transactions, yet it remains one of the biggest stock markets in the world.
- The source of climate finance should be linked to emissions. It is the exception, rather than the norm, for revenue from a tax to be directly linked to the source of taxation. No one, for example, demands a direct link between state sales taxes and the use of that revenue.

^[1] See IMF Working Paper, Thornton Matheson, "Taxing Financial Transactions: Issues and Evidence," March 2011.

To provide you with further background, we are attaching Stamp Out Poverty's "Financial Transaction Tax: Myth-Busting." We also encourage you to visit www.robinhoodtax.org.

As your Special Envoy for Climate Change Todd Stern is fond of saying, politics is the art of the possible. The barriers to the implementation of a Robin Hood Tax are political, not technical, and they are certainly surmountable -- if government has the political will. We urge you to ensure that U.S. government representatives stop trying to make what is very possible seem impossible. We are working hard to make a Robin Hood Tax a reality in the United States, and we encourage you to consider doing the same at home and abroad.

We would be pleased to meet with you and your representatives to discuss these matters at your earliest convenience.

Thank you for your consideration.

Sincerely,

ActionAid USA	Jubilee Oregon
African Services Committee	Jubilee USA Network
AIDS Foundation of Chicago	Labor Campaign for Single Payer
AIDS Taskforce of Greater Cleveland	Labor Network for Sustainability
Alliance for a Just Society	Lifelong AIDS Alliance
BAART Programs	Main Street Alliance
California NOW	Marin Interfaith Task Force on the Americas, USA
Center for Biological Diversity	Maryknoll Office for Global Concerns
Center for Economic and Social Rights	National Nurses United
Center of Concern	National Organization for Women (NOW)
Chicago Political Economy Group	NETWORK
Conference of Major Superiors of Men	New Rules for Global Finance
Corporate Accountability International	Nicaragua Center for Community Action
DYNS Services	Oxfam America
EcoEquity	PeterCares House
EG Justice	PR CoNCRA
Food & Water Watch	Progressive Democrats of America (PDA)
Foundation Earth	Raging Grannies
Franciscan Action Network	Rainforest Action Network
Friends of the Earth US	RESULTS
Gender Action	Right to the City Alliance
Global Alliance for Incinerator Alternatives	Sustainable Energy and Economy Network/Institute
Grassroots Global Justice Alliance	for Policy Studies
Grassroots International	Sisters of the Holy Cross - Congregation Justice
Greenpeace USA	Committee
Health Global Access Project (GAP)	START at Westminster
HIV Prevention Justice Alliance (HIV PJA)	SustainUS
HIV/AIDS Law Project	Tax Justice Network USA
Holy Cross International Justice Office	Voices Of Community Activists & Leaders
Institute for Agriculture and Trade Policy	Wealth for the Common Good
International HIV/AIDS Alliance USA	Women Together for Change, Inc.
International Rivers	350.org
Jobs with Justice	

Cc: The Honorable Tim Geithner, Secretary of Treasury