Nancy Pelosi Supports Global Tax on Stock Transactions to Fund Next Stimulus Bill

Speaker of the House Nancy Pelosi (D-Calif.) is the Will Rogers of big government: She never met a tax she didn't like. Her latest pet project is the neither nimbly nor accurately named "Let Wall Street Pay for the Restoration of Main Street Act of 2009." The bill, introduced by Peter DeFazio (D-Ore.), was referred to various House committees Friday and benefits from the cosponsorship of over 25 Congressmen.

According to the text of the bill (H.R. 4191), Congress would be authorized to impose a global tax on "the sale and purchase of financial instruments such as stocks, options, and futures." The tax, 0.25 percent on every applicable transaction, is described in the black letter of the bill as a "small securities transaction tax" that would generate nearly $150 billion a year. Those funds, according to the Speaker, would be co-mingled with funds diverted from the Troubled Asset Relief Program (TARP) and deposited in a new account that would pay for a second stimulus package similar to the $789 billion project signed into law early this year by President Obama.

Another proposal, the one specifically called for in the measure itself, mandates that half of the money generated through the tax be spent on creating the "Job Creation Reserve," a fund designed to promote the creation of jobs in order to reduce the rate of unemployment. Although not explicitly promulgated in the text of the legislation, undoubtedly the money would also be used to establish a new government agency tasked with overseeing the collection and dispensing of funds deposited into the reserve's coffers. The other $75 billion would be used to pay down the $1.4 trillion Federal budget deficit.

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Determined to not let international borders (or the Constitution) inhibit her thrill of imposing new taxes, and worried that someone might actually invest somewhere other than the United States and thus avoid paying the tax, Speaker Pelosi has declared that transactions worldwide should be monitored and taxed, not just those conducted in the United States. "I believe that the transaction tax still has a great deal of merit. The concern that many of us or others have had is that it will send, it will send transactions overseas. The fact is, what we are talking about is a global transaction tax, something that we would do in conjunction with other … nations," explained Pelosi during her weekly press conference.

Pelosi has like-minded partners overseas already willing to march in the global-tax parade. UK Prime Minister Gordon Brown actually introduced a similar proposal at a meeting of G-20 finance ministers in St. Andrews, Scotland, earlier this year. The iteration of the tax as espoused by Brown would require all major financial centers to enact a version of the legislation and empower a revenue collection agency specifically designed to monitor applicable investments and to collect and deposit the funds into the appropriate government's treasury. According to Brown's idea, all countries would eventually come under the bailiwick of the tax scheme's global revenue service so that eventually every transaction would be taxed, no matter where it originated.

Undoubtedly Prime Minister Brown will find fast friends in the American legislature. Congress never seems to tire of finding new and insidious ways of taxing the American people. Their favorite gambit is to proclaim that any increase is designed to force the rich to pay their fair share. Trouble is, the definition of rich is changed according to how much money Congress needs to wring from their constituents in order to fund their latest obsession. In the present case, anyone with any investment in a mutual fund, a 401 (k), a pension plan, or other diverse savings vehicle is rich and is the target of Pelosi's voracious revenue appetite.

Wary of reprisals from those who recognize a plan to "soak the rich" is usually nothing more than a way to put another straw on the back of the middle-class camel, the bill announces that the tax is aimed at Wall Street and will have "a negligible impact" on average Americans. To anyone familiar with congressional double-speak, that sort of exemption should send up a bright red flare.

First, one must remember that weasel words like "negligible" have a different definition to Congressmen accustomed to bandying around billions of dollars before breakfast (as Senator Dirksen is quoted as saying, "A billion here, a billion there and pretty soon you're talking about real money"). While the measure does contain a brief list of common transactions that ostensibly will not be taxed, the roster of taxable transactions is impressive and will have an impact on hard-working Americans and those now retired and living off pension investments that is anything but negligible.

While the bill's author purports to only be targeting the large Wall Street brokerage firms, the truth of the matter is that all Americans with any sort of investment will feel the impact of this tax. Every stock transaction, worldwide, will be subject to the tax, even if that transaction is made as a small part of a mutual fund or pension plan. And, as these plans are most often managed by Wall Street heavy hitters or their affiliated firms, then the cost of the tax designed to punish them surely will be passed on by those firms down to every investor, from small business owners to senior citizens living off income derived from retirement funds.

No matter who is identified as the intended target of this new global tax being so proudly promoted by American and foreign lawmakers, the simple and unforgiveable fact is that it will significantly reduce the value of the savings accounts of every American, no matter how large or small, at precisely the zenith of a worldwide financial crisis that has hobbled and humbled their money-saving efforts at every turn.

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