CALL FOR PAPERS

Financial transaction tax and High-Frequency Trading

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Most often, crises, particularly financial ones, display several common features. One of these features is the post-crisis debate on financial transaction tax (FTT). First, some economists and policy- and market- makers were involved in FTT debate. Recently, powerful people such as, Bill Gates, George Soros and Pope Benedict XVI (Greenhouse and Bowley, 2011) are calling for the urgent need to tax financial transactions to curb speculation.

Bachelier (1900) is a pioneering work on modeling speculation in financial markets. In his PhD dissertation 'Theory of Speculation', Bachelier tracked everyday trading to try to explain the "random" market reactions. He introduced probabilities to estimate stock price patterns. His work is still running and used by traders all over the word to predict market reaction and speculate. The development of high-frequency trading platforms and real-time trading has significantly exacerbated speculation.

In the United States, several TTF bills have been introduced by senators and deputies, such as the senator and presidential candidate Bemie Sanders who introduced *The Tax on Wall Street Speculation Act (2021)*[1].

They aim to curb speculation and hold *Wall Street* institutions accountable for aids and liquidities paid by the taxpayers, who significantly contribute to the refund of the whole system, particularly during the Subprime credit crisis and the COVID-19 pandemic. Senator Sanders, estimates the tax revenues for $2.4 trillion in the next ten years. FTT revenues will be raised in public investment, funding US public debt and reducing financial market volatility. [2]

In the same vein, the European Commission (2011) has introduced a common system FTT project. Very quickly, the project hit the wall of fiscal considerations. The 27 countries of the European Union display different fiscal policies which makes it impossible to vote a common FTT law. In 2013, another FTT bill was initiated by eleven countries[3] has produced better outcomes. However, the 2014 European Parliament report highlighted significant divergencies regarding the taxation of derivatives. Lately, calls for sustainable finance are increasing and achieving the European Parliament: a new FTT project is on the table.[4]

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[1] https://www.congress.gov/bill/117th-congress/house-bill/2735?q=%7B%22search%22%3A%5B%22To+Impose+a+Tax+on+Certain+Trading+Transactions+to+Invest+in+our+Families+and+Communities%2C+Improve+our+Infrastructure+and+Environment%2C+Strengthen+our+Financial+Security%2C+Expand+Opportunity%2C+and+Reduce+Market+Volatility%22%5D%7D&s=1&r=1

[2] https://www.sanders.senate.gov/wp-content/uploads/The-Tax-on-Wall-Street-Speculation-2021-Summary-v12.pdf

[3] https://www.europarl.europa.eu/news/fr/press-room/20120523IPR45627/taxe-sur-les-transactions-financieres-le-pe-adopte-une-approche-ambitieuse

[4] https://www.sanders.senate.gov/wp-content/uploads/The-Tax-on-Wall-Street-Speculation-2021-Summary-v12.pdf

In France, the National Assembly voted in 2012, a 0.1% FTT on stock exchanges[5] (applicable to both transaction parties)[6].

According to Bruman et al. (2016), FTT is a tax rate on securities transactions. It could apply to the buyer and/or seller, depending on the market value of the traded security or its underlying asset.

Taxing financial markets was introduced in Keynes' theory (1936). It was extended to currency markets (Tobin, 1978) and several other markets (Stiglitz, 1989; Summers and Summers (1989). Keynes concluded that speculation had significantly exacerbated the Great Recession. Taxing Wall Street would help to curb speculation and better allocate incomes.

It would diminish economic distortions and overcome market failures.

Today, FTT proponents call for a better allocation of revenues between low- and high-income people (Buckley, 2013; Stilglitz, 1989). Taxing financial transactions would reconnect financial markets to the real economy and increase economic growth.[7]

FTT Opponents (Habermeier and Kirilenko, 2003; Schwert and Seguin, 1993) argue that FTT could be ineffective and hardly applicable. For instance, it could favour tax evasion as fiscal regimes vary significantly among developed and emerging countries (Colliard, 2018). In addition, underlying assets have different features and sectorial effects. It impacts unequally economic activities.

Slowing down speculation could increase economic downturn risk, specifically the cost of capital. Also, liquidity is diminished which decreases investments and encourages relocation. Moreover, FTT could undermine market efficiency, specifically price adjustment (Zingales, 2015) and price volatility (Wessel, 2010), especially asset volatility. In the long term, it could penalize retirement savings.[8]

FTT opponents highlight that this tax is "an answer in search of a question" (Cochrane, 2013) and not "an answer to a question": it is less likely to overcome speculation origins and market failures. Finally, they point out that speculative and high-frequency trading could drive more liquidity to financial markets and investments. However, more attention, particularly from regulators, should be paid to their algorithms, specifically their architecture (Declerk, 2017[9] ; Biais, 2016[10]).

Colliard (2018) and Capelle-Blancard (2017) state that FTT effects depend closely on the study's context. They find that the French FTT has decreased traded volumes without driving higher volatility. Also they did not report significant effect on market liquidity (Capelle-Blancard, 2017, Becchetti et al. 2014).

The main aim of this special issue is to understand the social, economic and financial consequences of FTT and why it is still a challenging tax. Also, we welcome studies on the

[5] https://www.assemblee-nationale.fr/13/projets/pl4332.asp

[6] The scope of the French FTT is businesses displaying a capitalization of at least 1 billion euros. FTT rate is 0.01% on derivatives transactions such as Credit Default Swaps (CDS), speculative transactions and real-time trading transactions.

[7] https://www.pierre-larrouturou.eu/taxons-la-speculation/

[8] https://www.asppa.org/news/study-financial-transaction-tax-tax-retirement-savers

[9] https://www.tse-fr.eu/fr/quest-ce-que-le-trading-haute-frequence

[10] https://www.lesechos.fr/2016/03/bruno-biais-il-faudrait-une-taxe-sur-les-investissements-technologiques-realises-par-ces-traders-221579

role of public policies and comparative studies in the United States, Europe and emerging countries.
We are eeking articles on any topic related to the following issues:

- FTT implementation, effects and financial markets
- FTT revenues,
- FTT and sustainable and green finance
- Tax evasion and FTT regimes
- Regulation and fiscal policies

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Timeline :

- Abstract submission deadline: December 15th 2023
- First decision notification: February 15th 2024
- Full paper submission close: June 15th 2024
- Editor and Reviewers notification: October 15th 2024
- Final decision notification: June 15th 2025

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