

The Good Group |

Consultants from the Goodman School of Business

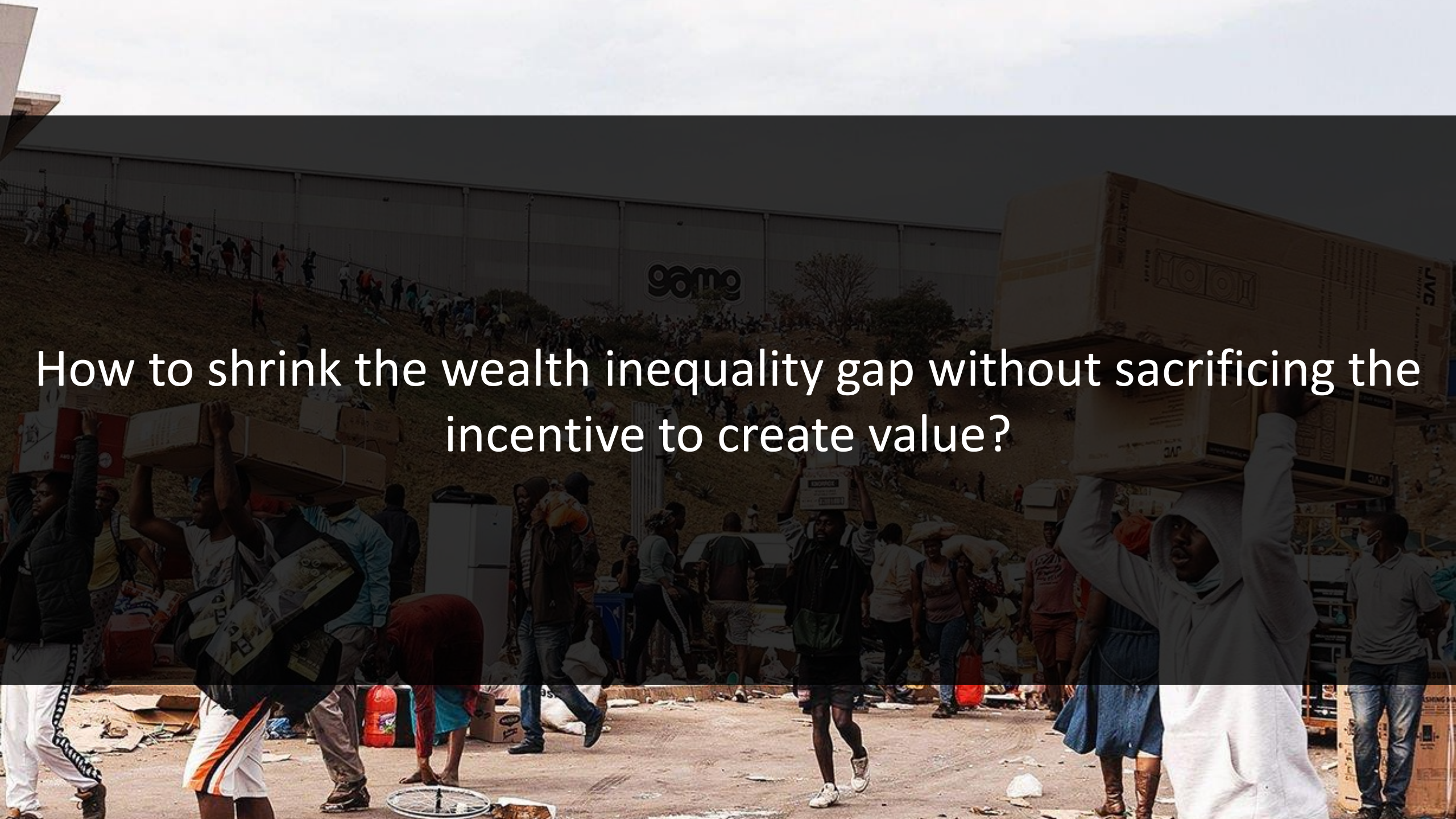
Preliminary Case Submission

<https://youtu.be/L4dXpzs8Gjl>



Photo: The Economist

Sources: Economist; Parliamentary Monitoring Group; OECD



How to shrink the wealth inequality gap without sacrificing the incentive to create value?

Welcome MBA e-ICC judges

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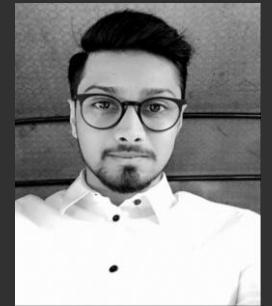
Owen Angus-Yamada



Daniela Gatti



Deeya Chhabra



Milind Soni

The United Tobin Tax

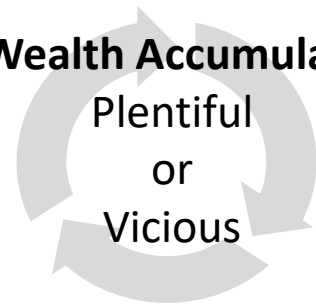
0.1% tax applied to all financial transaction.

Applied by developed countries - cooperatively.

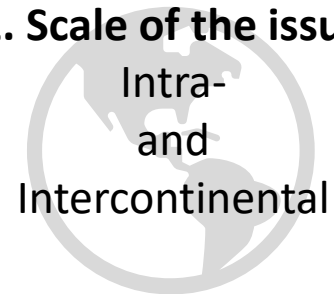
Giving billions to developing countries and to fight climate change.

The United Tobin Tax

1. Wealth Accumulation



2. Scale of the issue



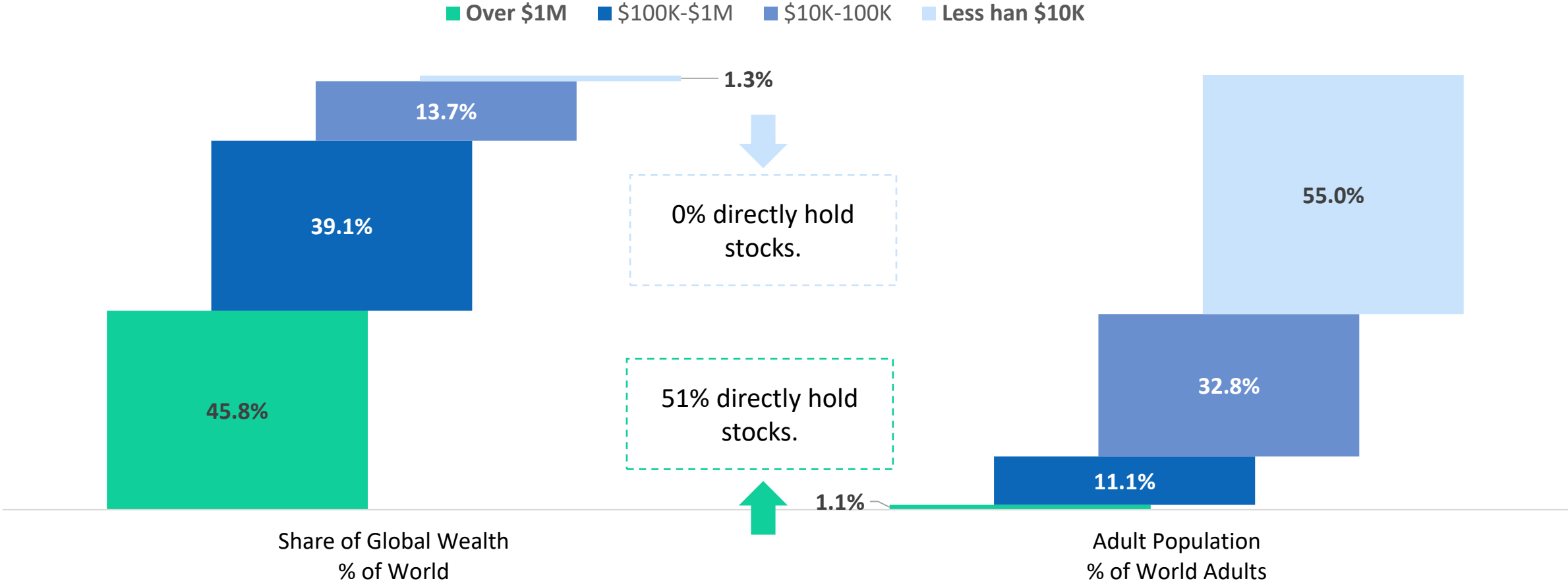
Analysis and Alternatives considered

The wealthy, corporations, or government

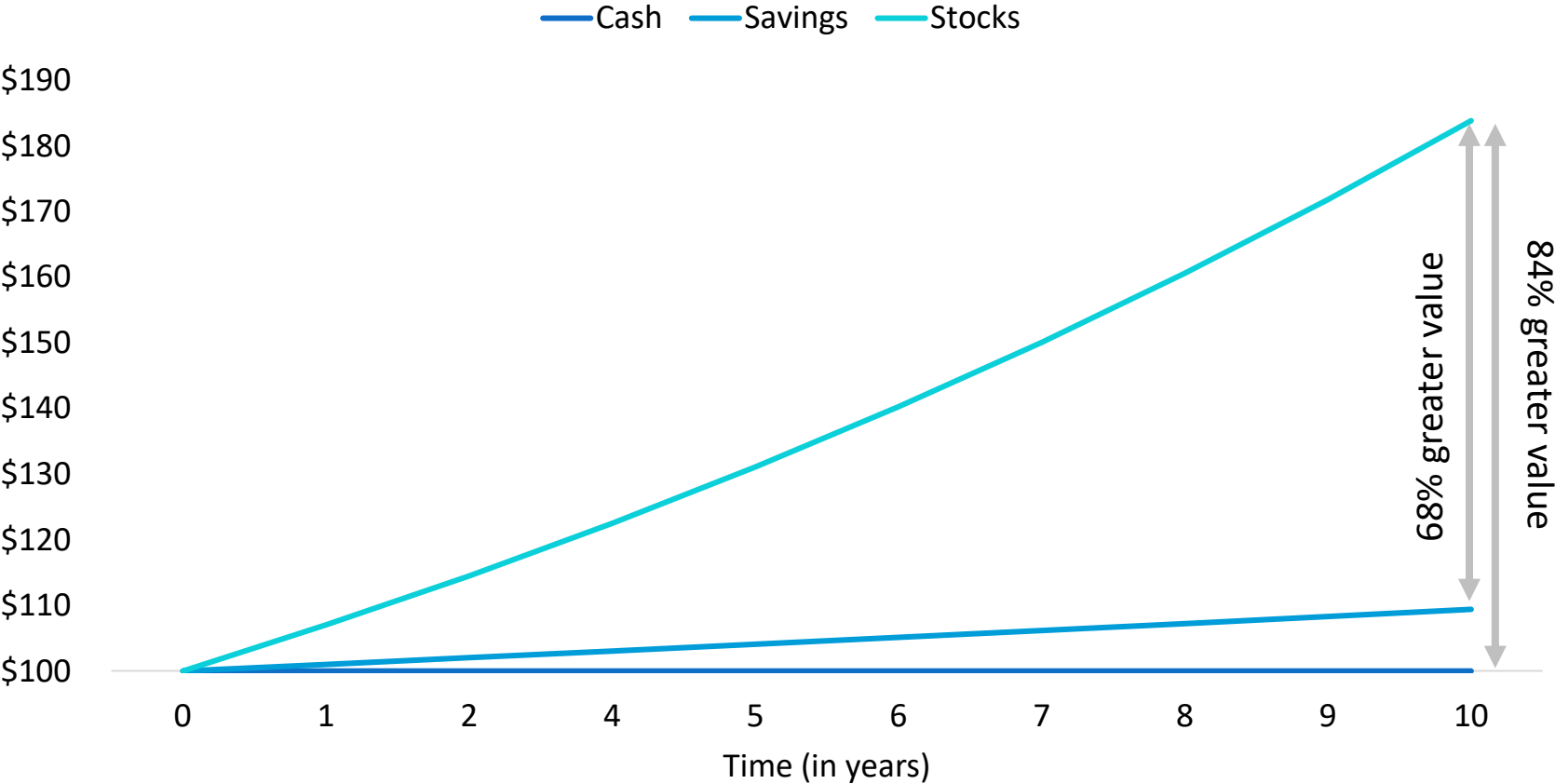


Analysis: Wealth accumulation

Global wealth distribution by wealth range



Analysis: Wealth accumulation



Assumes: avg. savings rate of 1%; and avg. market rate of 7%



\$100 can grow in value depending on its form.

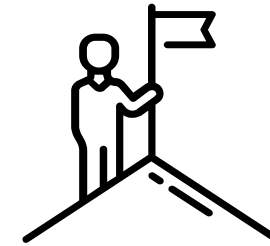
Those who have equity such as stocks enjoy unfair levels of wealth growth, creating the current gap we see today.

Alternatives: Wealthy Individuals

Pros & Cons of have them lead the change.

- ✓ Ability to act quickly
- ✓ Potential for a large impact
 - ✓ Deep pockets

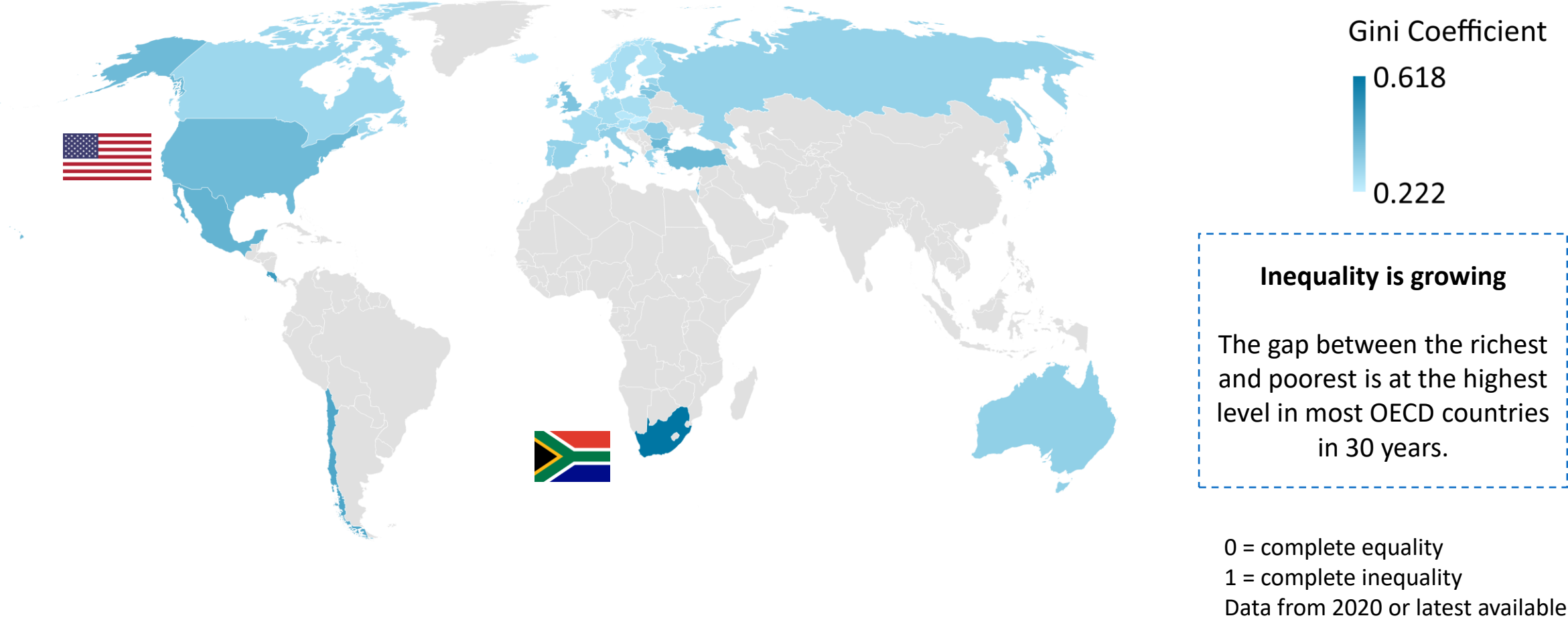
- **Does not fix the inherent system**
 - History of lacking action



Alternative discarded because it does not address a root cause of the disparity.

Analysis: Scale of the issue

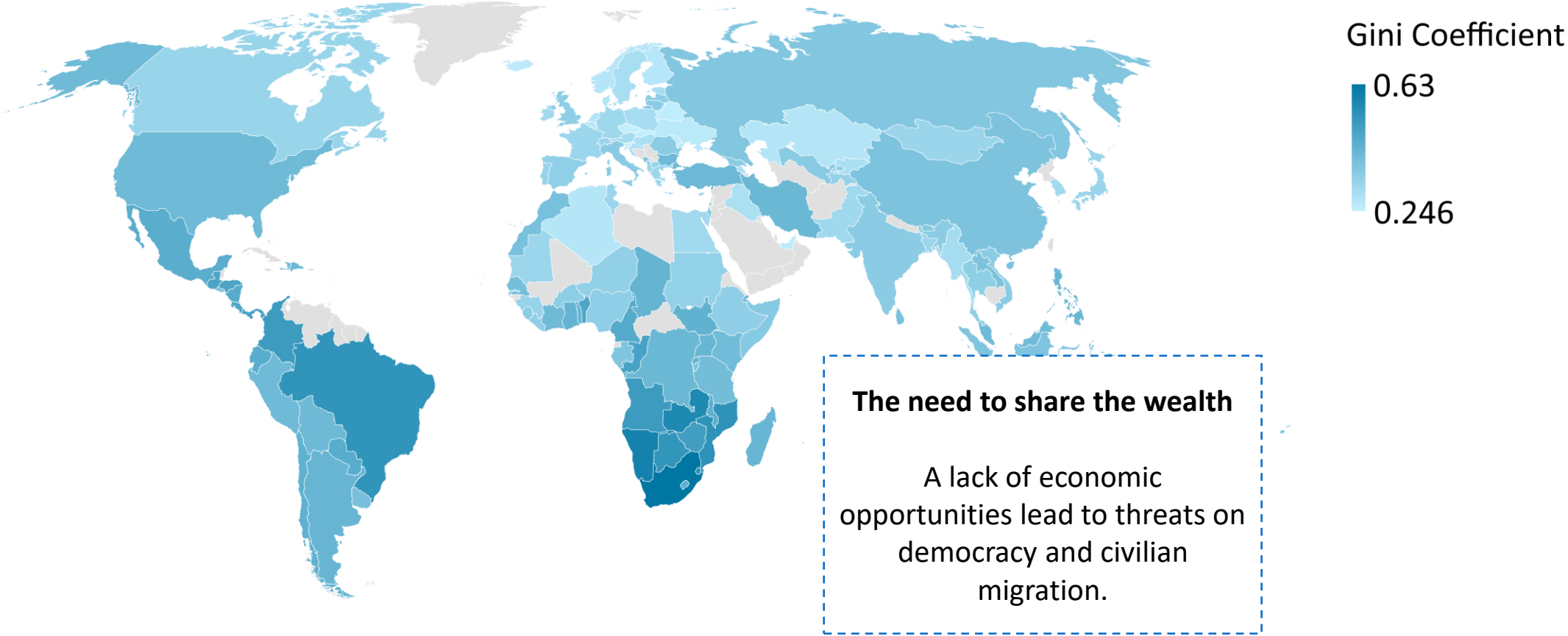
Wealth inequality across the globe.



Source: OECD Data; Zogby Poll; Forbes

Analysis: Scale of the issue

Inequality is highest in developing nations



Alternatives: Corporations

Pros & Cons of have them lead the change.

- ✓ Able to improve employees wellbeing
 - ✓ Cross country reach
- ✓ Potentially a strong piece in the system

- Don't act without incentive
- Not always viable to act



Does not fix global or national wealth distribution issues

Alternatives: Governments

Pros & Cons of have them lead the change.

- ✓ Have control
- ✓ Incentive to cooperate
- ✓ History of improving inequality in developing countries

- Slow to act
- Potential corruption



Can impact public policy to improve opportunities for growth

Our Recommendation

The United Tobin Tax

Recommendation: How it address wealth inequality

The tax tackles inequality two ways

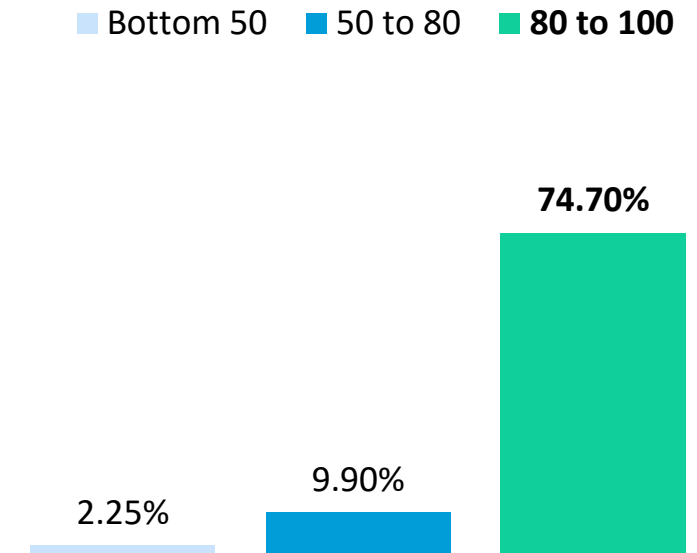
Creates revenues to be allocated towards social and humanitarian initiatives.

- Focused primarily on the wealthiest individuals and organizations.

Incentivizing value creation investments

- Deterring high frequency trading.
- Reinvesting in job creation.

Share of the Tax Burden, by Wealth Range



Recommendation: Arguments against it

Financial companies and think tanks say “It will hurt Main Street”

The Vanguard logo is displayed in a bold, red, sans-serif font.

The impact of an FTT on an active equity fund will be 1.09%

The logo for the Modern Markets Initiative features the letters 'MMI' in a large, blue, stylized font with a green triangle above the 'I'. To the right of a vertical line, the words 'MODERN MARKETS INITIATIVE' are written in a smaller, blue, sans-serif font.

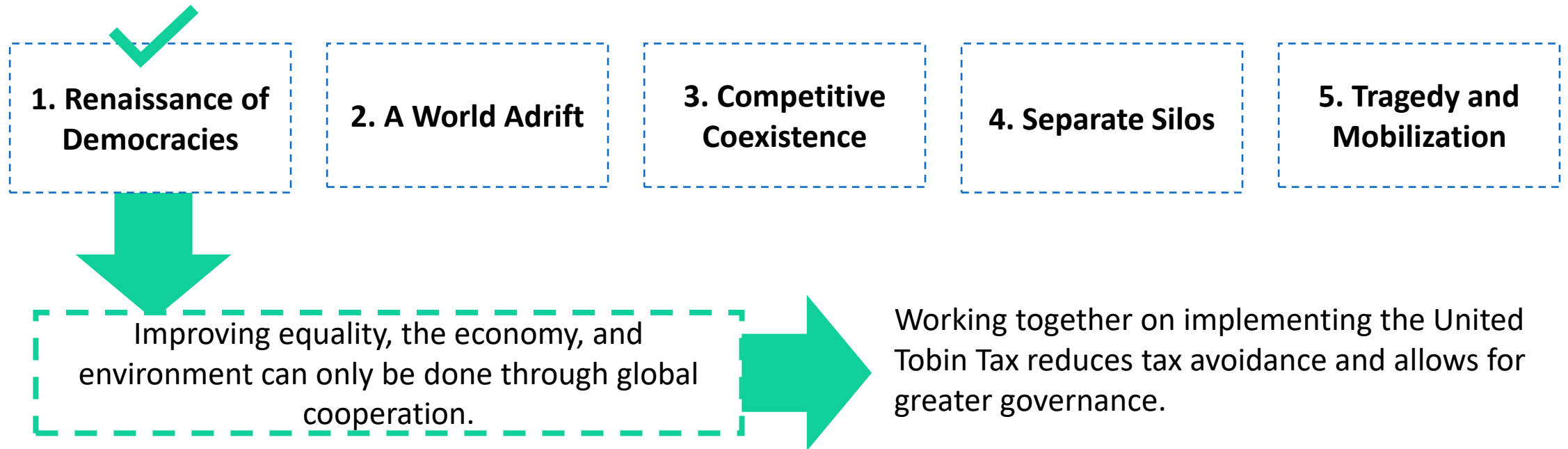
Would cost the average saver over \$64,000.

But the claims are extreme

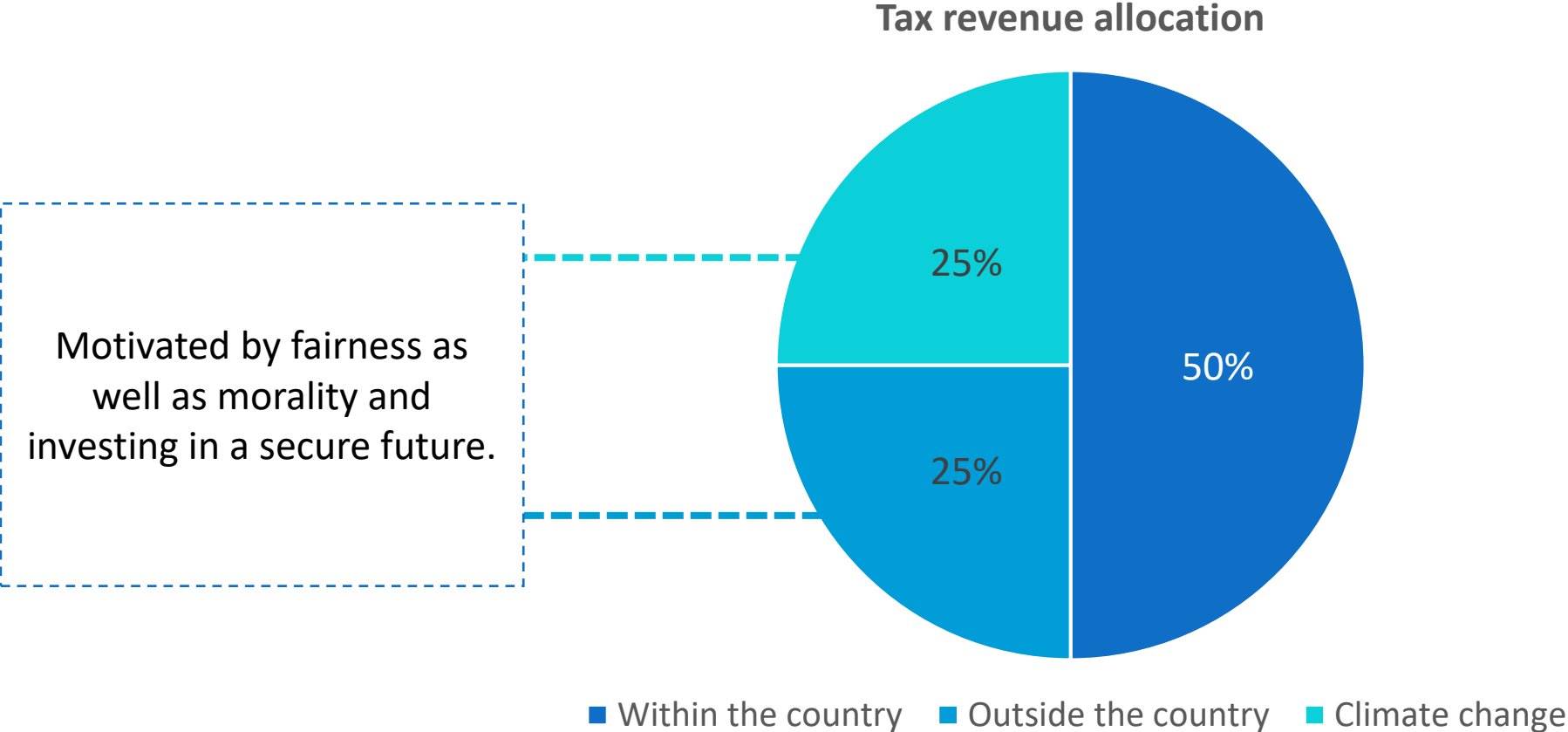
Inquiry led to an adjusted estimate of 0.075% — about 1/15th as much as the previous assumption.

The estimate assumes a deposit of \$100,000 per year (\$281 fee paid in taxes) over 40 years!

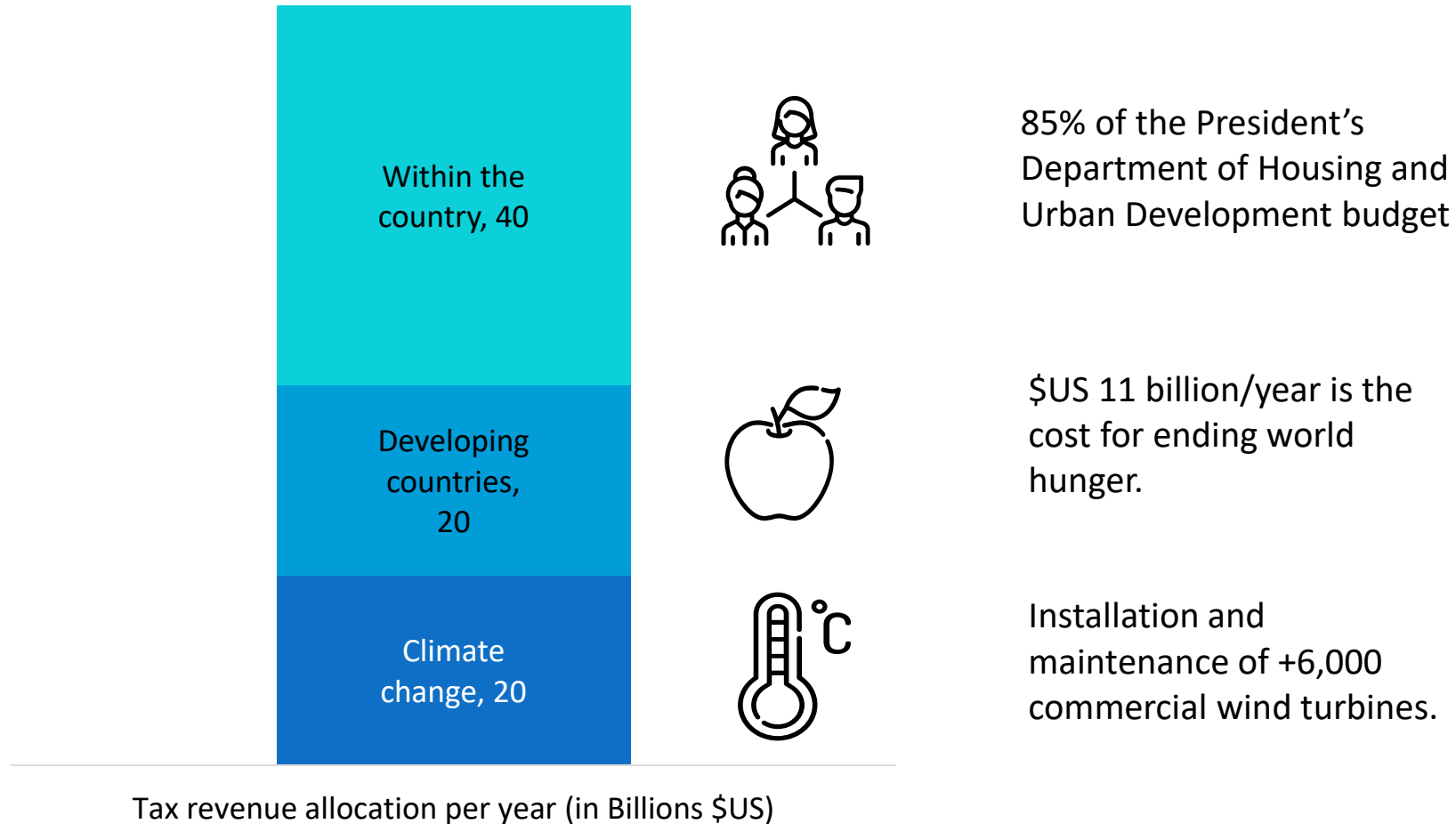
Recommendation: Incorporating cooperation



Recommendation: Revenue allocation



Recommendation: Revenue allocation



Tax revenue allocation per year (in Billions \$US)

*“The journey of a thousand miles starts
with a single step.”* - Chinese proverb

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Appendix

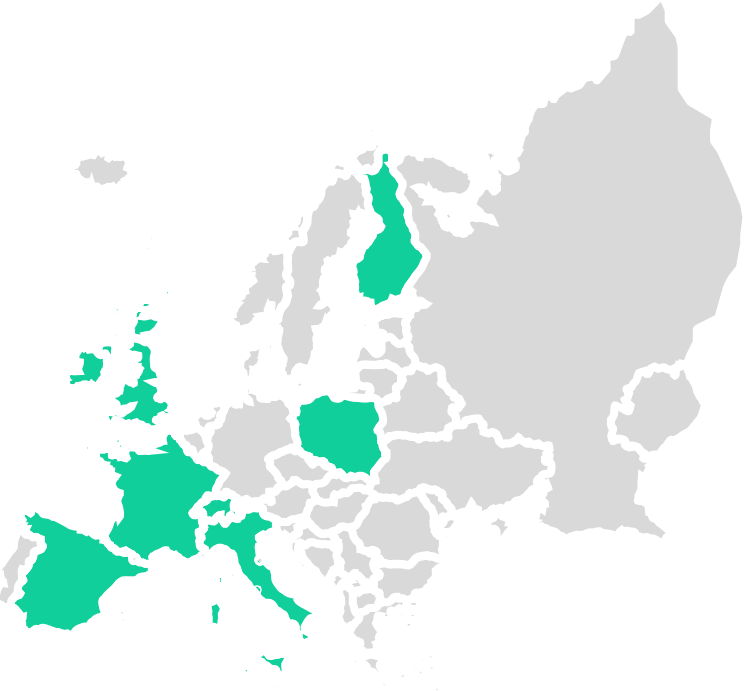
- Financial transaction tax in Europe
- The growth of trading
- Financial service salary ranges
- The need to increase wealth (to a point)
- Arguments for and against the tax
- 2040 scenarios in detail

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Appendix: Financial transaction tax in Europe

Countries in Europe that have some form of FTT

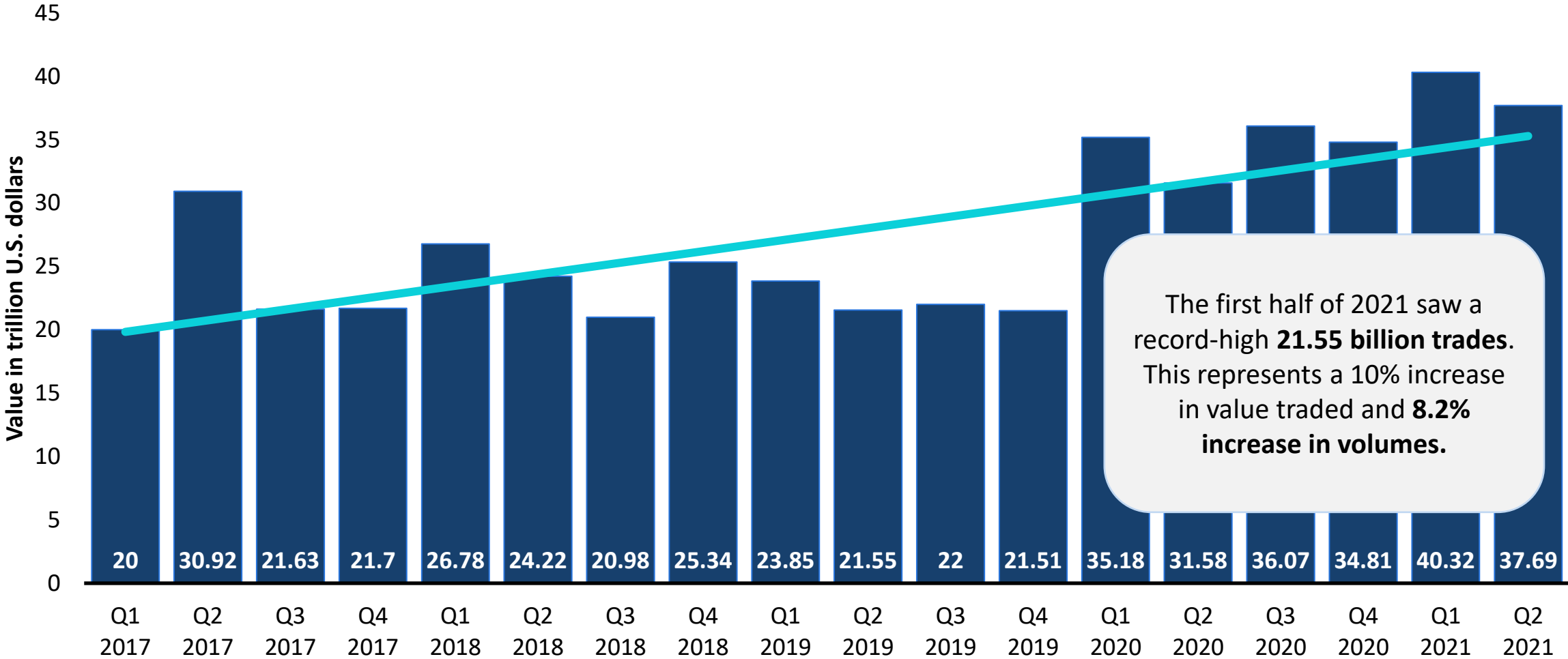


Country	Tax Rate
Belgium	0.12% – 1.32%
Finland	1.6% – 2.0%
France	0.01% – 0.30%
Ireland	1%
Italy	0.02% – 0.20%
Poland	1%
Spain	0.20%
Switzerland	0.15% – 0.30%
United Kingdom	0.5% – 1.5%

Despite the having a FTT tax, it varies greatly from country to country, with what is being taxed.

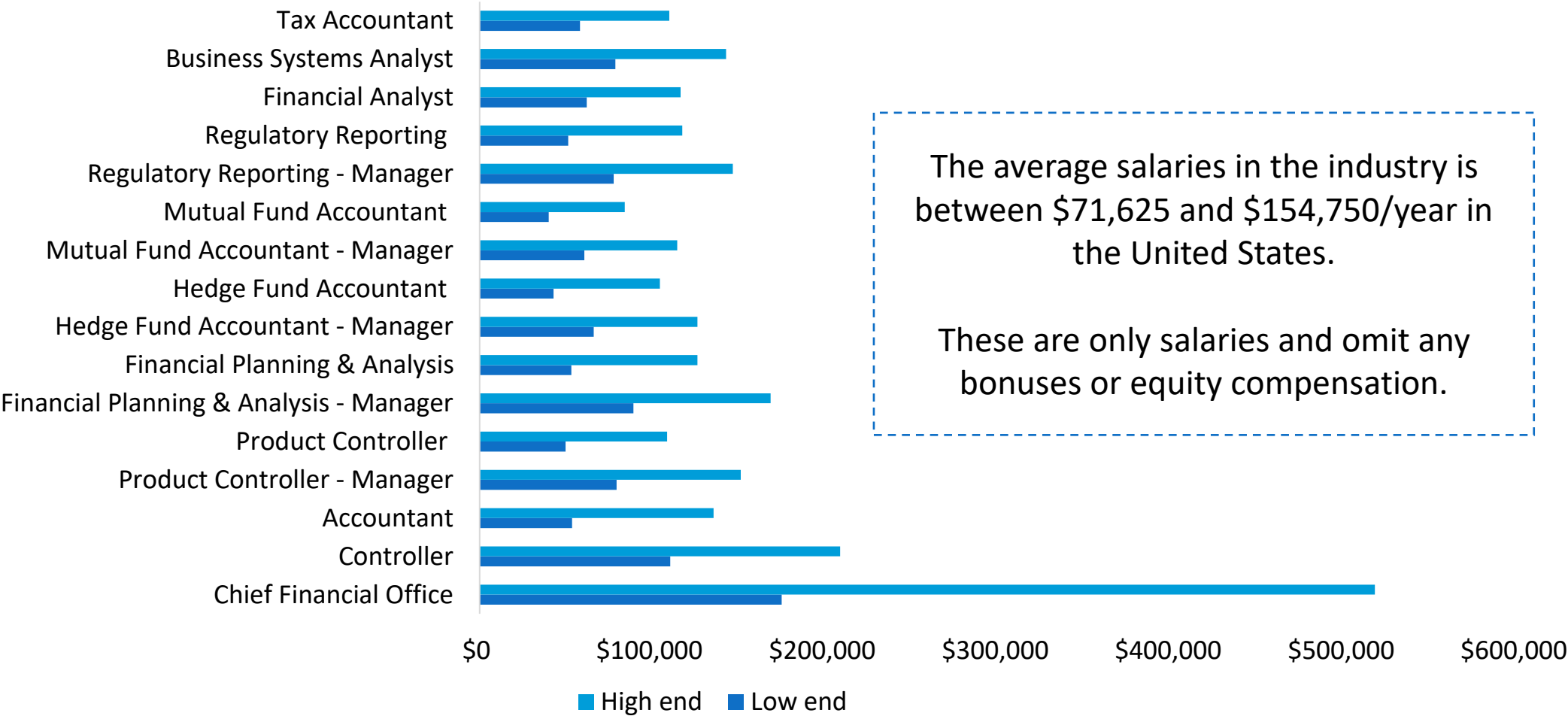
There is a weak correlation with the tax and income inequality which is due in part to a consistent effective use of the funds after collection.

Appendix: The growth of trading



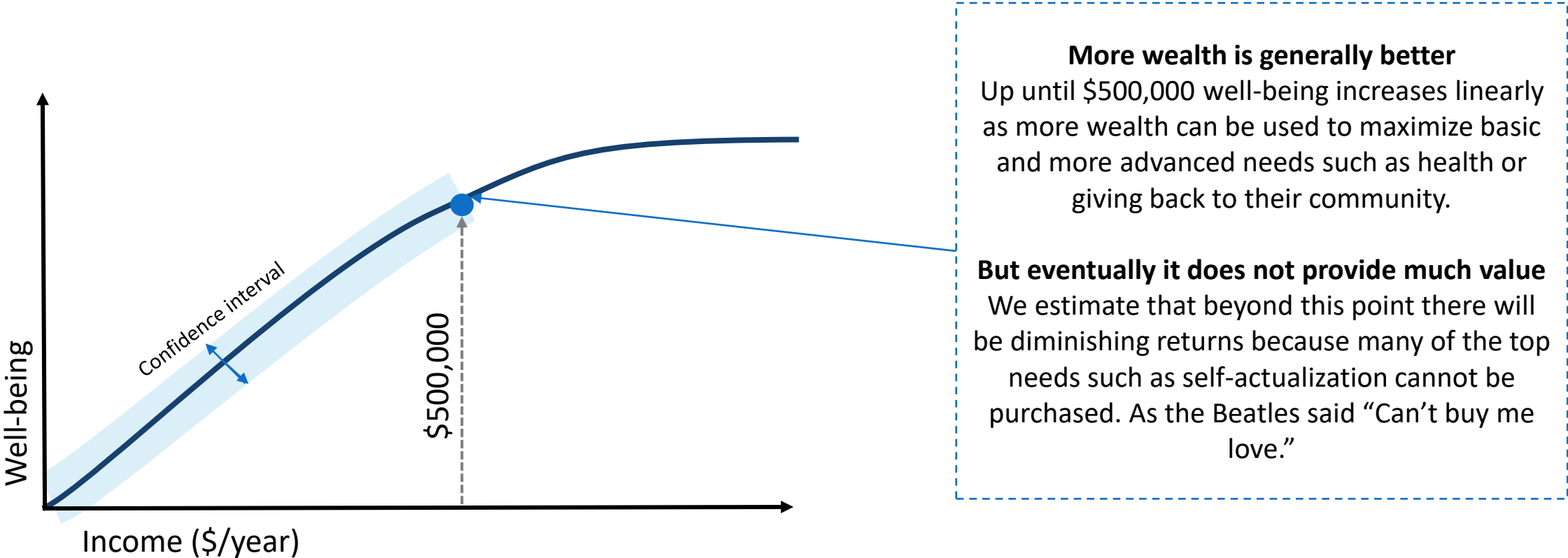
Appendix: Financial services salary ranges

Finance and accounting salary ranges in U.S. by role 2020



Appendix: The need to increase wealth (to a point)

Wealth has been found to increase well-being, to a point



More wealth is generally better
Up until \$500,000 well-being increases linearly as more wealth can be used to maximize basic and more advanced needs such as health or giving back to their community.

But eventually it does not provide much value
We estimate that beyond this point there will be diminishing returns because many of the top needs such as self-actualization cannot be purchased. As the Beatles said “Can’t buy me love.”

Appendix: Agreements for and against the tax

Proponents

Effects on Liquidity

The difference between the two fell from an average of 1.3 percent in the 1980s to just 0.1 percent in recent years which makes it difficult to believe that an low FTT at the rates often proposed would reverse this trend dramatically.

Opponent

The FTTs instituted in France and Italy resulted in substantial increases to quoted bid-ask spreads.

Impacting economies

Improving equality improves the supply of talent and ideas, and increased private sector competition.

An FTT would increase the prices of consumer goods. Many industries use options to hedge their exposure to various commodities.

Aligned organizations



MODERN MARKETS INITIATIVE

Appendix: Global Trends 2040

SCENARIO 1: RENAISSANCE OF DEMOCRACIES

- Open, democratic systems proved better able to foster scientific research and technological innovation, catalyzing an economic boom. Strong economic growth, in turn, enabled democracies to meet many domestic needs, address global challenges, and counter rivals.
- Better service provision and anticorruption efforts helped restore public trust in institutions and eventually mended many fractured societies. Strong differences in public preferences and beliefs remained but these were worked out democratically.
- US leadership proved central to multilateral coordination and focus on global challenges, building on established alliances and international institutions. A revival in the EU and United Kingdom, spurred on by technological innovation and economic growth, was key to broader success.

SCENARIO 2: A WORLD ADRIFT

- This is a directionless world in which international rules of behavior are no longer followed, global cooperation is limited, and technology fails to provide solutions.
- Weakened rules and lack of multilateral cooperation leave the world more vulnerable to individual hackers, terrorists, and criminal groups.
- Nonetheless, some states, companies, and private organizations use the freedom to discover novel ways to enhance human health and worker productivity and to experiment with new approaches to economic development and governance.

Appendix: Global Trends 2040

SCENARIO 3: COMPETITIVE COEXISTENCE

- The US-China rivalry and other state-to-state relations are channeled into competition for markets, resources, and brand reputation within mutually accepted rules in these areas. Populaces rally around their government in the competition, tempering societal fragmentation.
- Long-term stability remains at risk from growing climate challenges that were ignored in favor of near-term economic gains; technological innovations and economic prosperity have lulled leaders into believing that they can put off making hard choices on climate change.

SCENARIO 4: SEPARATE SILOS

- Separating economies has dire consequences, including massive financial losses for countries and corporations, as supply chains fracture, markets are lost, and once lucrative sectors, like travel and tourism, decline. The resulting economies are less vulnerable to future supply chain disruptions but also less efficient.
- Larger countries with abundant resources, few nearby enemies, and defensible borders, such as the United States and Canada, are better able to adapt than most others. The focus on self-sufficiency makes some states more resilient even as others founder.
- Unable to attract talent globally or sustain international collaboration, technological innovation atrophies. Wealthy countries begin to compensate by shifting resources to domestic education.

SCENARIO 5: TRAGEDY AND MOBILIZATION

- After severe natural disasters strike major power competition among individual states is rechanneled to address more pressing global challenges; the geopolitical hierarchy is reshuffled, creating once unlikely partnerships between progressive European political parties and the Chinese Communist Party. Europe takes the lead in promoting sustainable development, while China adopts and promotes new energy technologies.
- Countries beholden to fossil fuel industries are the slowest to get on board with the global revolution, creating a global backlash to their leadership, products, and brands. The second- and third-order implications of the new political movements create long-term challenges for their economies.