

How to Deep Six/Bin Off the Financial Sector

Warren Mosler
July 15-17, 2024
University of Leeds

Proposals to Gut the Financial Sector

- Permanent 0 rate policy
- Eliminate tax advantaged savings incentives
- Require public companies to offer unlimited new shares at a fixed price
- Full bank deposit insurance and unsecured overdrafts at the Fed

Direct Financial Sector Employment is Over 3 Million People

Over 1,365,000 Million Employed in Commercial Banking:

☆ All Employees, Commercial Banking (CES552211001) DOWNLOAD

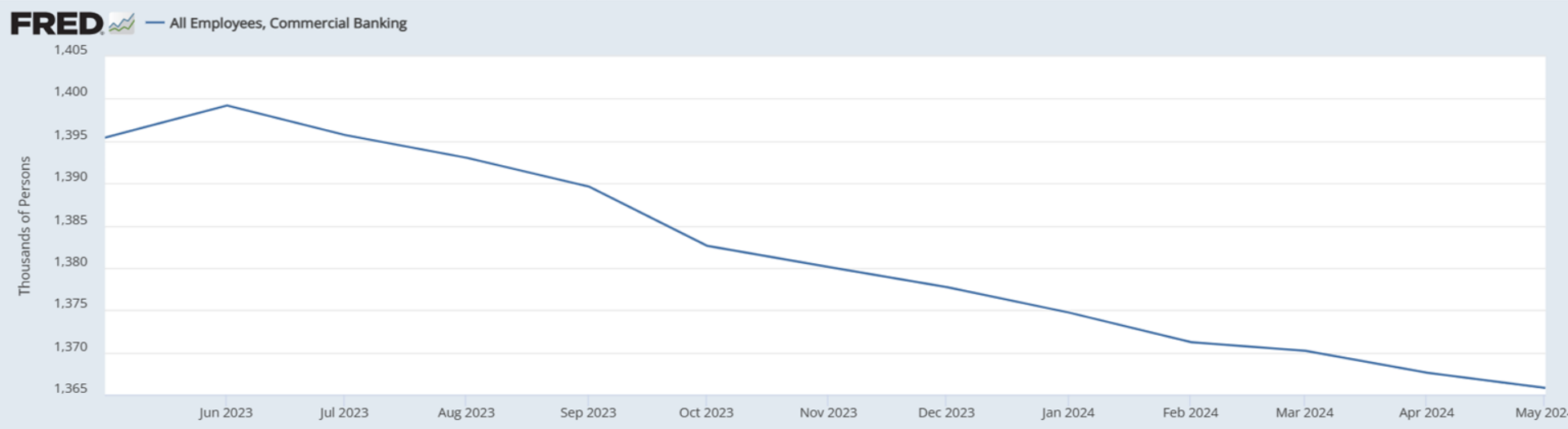
Observation: May 2024: 1,365.8 (+ more) Updated: Jun 7, 2024 7:52 AM CDT

Units: Thousands of Persons, Seasonally Adjusted

Frequency: Monthly

1Y | 5Y | 10Y | Max

2023-05-01 to 2024-05-01 EDIT GRAPH



1,073,500 Employed in Capital Markets

Section 5 – U.S. Securities Industry

The number of FINRA registered broker-dealers decreased 0.5% Y/Y to 3,378 in 2022.

Gross revenues for FINRA registered broker-dealers totaled \$350.5 billion in 2022, a decrease of 12.1% Y/Y, while total expenses increased 0.4% Y/Y to \$308.2 billion. As such, pre-tax net income fell to \$42.3 billion in 2021, a decrease of 53.8% Y/Y.

National securities industry employment reached 1,073,500 jobs in 2022, an increase of 4.2% Y/Y.

How much does a Financial Industry make?

Updated Jun 6, 2024

Experience

All years of Experience



Industry

All industries



\$131K/yr



Total Pay Range

\$98K - \$180K/yr

\$98K

\$180K



■ Most Likely Range

Base Pay

\$68K - \$123K/yr

Additional Pay

\$31K - \$57K/yr

The estimated total pay for a Financial Industry is \$131,097 per year in the United States area, with an average salary of \$90,305 per year. These numbers represent the median, which is the midpoint of the ranges from our proprietary Total Pay Estimate model and based on salaries collected from our users. The estimated additional pay is \$40,792 per year. Additional pay could include cash bonus, commission, tips, and profit sharing. The "Most Likely Range" represents values that exist within the 25th and 75th percentile of all pay data available for this role.

Ancillary Costs of the Financial Sector

- Legal expenses
- Audit expenses
- Educational expenses
- Energy consumption
- Regulatory expenses
- Computational resources

Proposed Permanent 0 Rate Policy

- Banking System's cost of funds is 0%
- Bank lending prices risk adjustment
- Unlimited 0% CB overdrafts for member banks
- No Treasury securities longer than 3 month bills
- The Fed will have a bid for longer dated Treasury securities

Real Gains from a Permanent 0 Rate Policy

- Eliminates interbank lending
- Eliminates trading of Treasury securities
- Eliminates Treasury interest expense
- Eliminates tens of thousands of those employed in this aspect of the financial sector.

Eliminate Tax Advantaged Savings Incentives

- Ex Poste, for every entity that spent less than its income (saved) another spent more than its income (deficit spent).
- Tax advantages provide incentives to not spend income.
- This income can't be realized without deficit spending by another entity.
- Public and private deficit spending are the source of investment funds for the financial sector.
- Eliminating the tax advantages eliminates the savings desires facilitating the deficit spending that creates the funds that support the financial sector.

Real Gains from Eliminating Tax Advantaged Savings

- The reversal of the rapid growth of the then contracting vast pools of savings will transition tens of thousands of financial professionals to other sectors.
- Real investment will continue to create its own savings, both through the banking system and private funding markets.

In 2022, the total assets under management in North America was higher than the the value of assets under management in Europe and Asia combined (Japan excluded). The assets under management (AUM) in North America amounted to almost **47 trillion U.S. dollars** in 2022, accounting for almost half of the total AUM worldwide.

Require Public Corporations to Offer Unlimited New Shares at a Fixed Price

- Puts a ceiling on the price of the stock
- Doesn't hurt existing investors
- Purchases of new shares adds cash to the company
- Existing investors who purchased stock at lower prices benefit accordingly from new shares sold and new corporate investment
- The incentive to speculate on price is largely eliminated
- Trading in stocks is dramatically reduced
- Buybacks are largely eliminated

Real Gains from Capping Stock Prices

- Tens of thousands of people directly and indirectly involved in stock trading lose their livelihoods and can be redeployed to useful endeavors.
- Massive quantities of real resource consumption will cease and can be redirected or curtailed.

Banking Proposals

- Full deposit insurance- eliminates the need for money market funds
- Unlimited, uncollateralized borrowing from the discount window- eliminates liquidity issues and interbank trading
- Eliminate financial assets as qualifying collateral- eliminates state sponsored financial leverage
- Retention of agency insured mortgage backed securities by the housing agencies- eliminates volatility from negative convexity

Real Gains from Banking Proposals

- Eliminates tens of thousands of people directly and indirectly involved in current banking activities that can be redeployed to useful endeavors.
- Massive quantities of real resource consumption will cease and can be redirected or curtailed.