



KATEDRA HOSPODÁRSKEJ POLITIKY



CENTRUM PRE EKONÓMIU A FINANČIE



NÁRODNÁ BANKA SLOVENSKA  
EUROSISTÉM



## BRATISLAVA ECONOMIC SEMINAR

26. September 2012

### **Dale W. R. Rosenthal**

University of Illinois at Chicago

#### ***Transaction Taxes in a Price Maker/Taker Market.***

#### **Abstract**

We develop a price maker/taker model to study how a financial transaction tax affects markets. We find taxes widen quoted and effective spreads by more than twice the tax. Taxes increase volatility slightly (without intermediation) to significantly (with intermediation). High taxes may halve volumes and gains from trade while doubling search costs. Measures of market quality are more affected by taxes in markets with intermediaries. Investors and intermediaries competing for liquidity can triple search costs and increase quoted spreads while decreasing effective spreads. We also find revenue-optimal rates of 60--75 bp. Our results are particularly relevant to markets with high-frequency trading or thin depth.

Venue: University of Economics, new building, room C1.06, Dolnozemská 1,  
Bratislava

Date: 26. September 2012

Program: 15:00 Dale W. R. Rosenthal: Transaction Taxes in a Price Maker/Taker  
Market  
16:30 coffee