

FALL 2019

# HEDGE PAPERS NO. 70

A stylized illustration of Lori Lightfoot, the Mayor of Chicago, with short, curly grey hair. She is wearing a red blazer over a red collared shirt. The illustration is set against a solid red background. The text 'HEDGE PAPERS NO. 70' is overlaid on the top left of the image.

**LORI LIGHTFOOT'S FAVORED FEW**

*422,000 Reasons Why the Mayor Won't  
Tax the Rich to Fund Our Schools*

# MAYOR LORI LIGHTFOOT'S DEAFENING SILENCE ON A FINANCIAL TRANSACTION TAX

## THERE IS A REVENUE RAISER OUT THERE THAT YOU LIKELY WILL NOT HEAR ABOUT FROM MAYOR LORI LIGHTFOOT

*A financial transactions tax of 1%–2% on all options traded on the Chicago Mercantile Exchange and the Chicago Board of Options is projected to raise between \$10 and \$12 billion per year for the state of Illinois.<sup>1</sup>*

*That's real money that could go a long way to improving the quality of life for millions of Illinoisans.*



Mayor Lori Lightfoot, at the MacLean Center, 2018. Source: Wikimedia Commons

Such a tax exists in at least forty other countries, including one in the United Kingdom that covers the London Stock Exchange—the seventh largest exchange in the world as of 2018.<sup>2</sup> Combined, countries with these financial transaction taxes raised \$38 billion in 2011 alone, according to one estimate.<sup>3</sup> As an added benefit, the Congressional Research Service has opined that financial transaction taxes could reduce both market volatility and speculation.<sup>4</sup>

Given the benefits to Illinois budget, it could be puzzling that you haven't heard Chicago Mayor Lori Lightfoot champion a financial transactions tax as a solution to the City's financial issues. One possible explanation can be found by examining her donors: **Mayor Lightfoot has taken \$422,000 from Chicago-area investment firms who would likely be affected by a financial transaction tax.**

Mayor Lightfoot's donors include a number of individuals linked to DRW Holdings, a high-frequency trading firm based in Chicago that counted Rahm Emanuel as one of its major political allies, as we wrote about in Hedge Clippers Paper No. 7.<sup>5</sup> High frequency trading firms like DRW trade huge volumes of options and futures contracts, and would be forced to pay a lion's share of any proposed financial transaction tax.

Mayor Lightfoot's campaign windfall from DRW Trading's Donald Wilson was \$125,000, which Wilson gifted across two donations in less than three months. As a point of comparison, Wilson donated a total of \$162,200 to Rahm Emanuel's mayoral campaigns over a period of seven years. When Wilson opened his checkbook for Rahm, the most he was willing to shell out at once was \$50,000, half of what he gave to Mayor Lightfoot on a single day in April 2019.

Rahm Emanuel repaid Donald Wilson generously. In 2011, Rahm flew to Washington, DC on Wilson's private jet to meet with regulators from the Commodity Futures Trading Commission (CFTC), in one of his first Washington, DC trips after being elected mayor.<sup>6</sup> At the time of this trip, Donald Wilson had only directly contributed \$50,000 to Rahm's mayoral committee (other employees of DRW had

donated to Rahm by that time). Rahm's 2011 trip to visit federal regulators with his high-speed trading pals had to do with the firm's reluctance to be subjected to capital reserve requirements — a financial stability measure that was strengthened after the 2009 recession. Rahm's influence in Washington must have helped: DRW and similar firms were not subjected to these regulations.

**If Donald Wilson could get Rahm Emanuel to fly to DC for \$50,000, just imagine what he has in store for Chicago's newly installed mayor.**

DONOR	AFFILIATION	CONTRIBUTIONS TO MAYOR LORI LIGHTFOOT
Donald R Wilson	Founder, DRW Holdings	\$ 100,000
Michael Sacks	Chariman, GCM Grosvenor	\$ 50,000
Cari Sacks	Spouse of Michael Sacks	\$ 50,000
Kenneth S Brody	Partner, DRW Holdings	\$ 50,000
Daniel Tierney	Founder, Getco/Adviser KCG Holdings	\$ 50,000
Donald R Wilson	Founder, DRW Holdings	\$ 25,000
David B Nelson	Partner, DRW Holdings	\$ 25,000
Kevin B Kroeger	Partner, DRW Holdings	\$ 25,000
Stephen Schuler	Founder, Getco	\$ 25,000
Daniel Tierney	Founder, Getco/Adviser KCG Holdings	\$ 10,000
Jeffrey Levoff	Partner, DRW Holdings	\$ 10,000
David J Walsh	Special advisor to CEO, DRW Holdings	\$ 1,000
Stephen Schuler	Founder, Getco	\$ 1,000
Michael Palumbo	Founder, MJP Capital	\$ 10,000
James W Mabie	Investment Manager, Chicago Capital	\$ 5,000
RMS Investment Group Inc.		\$ 2,500
RMS Investment Group Inc.		\$ 2,500

# GROUP DONATIONS

## **CME HAS BEEN A LEADING LOBBY AGAINST PROPOSALS TO INSTITUTE A FINANCIAL TRANSACTIONS TAX**

CME Group, formed out of the 2007 merger between the Chicago Mercantile Exchange and the Chicago Board of Trade, operates the largest futures and options market in the world.<sup>7</sup> Headquartered in Chicago, CME Group continues to operate both Chicago-based exchanges. In Springfield, CME Group has been a leading lobby against proposals to institute a financial transactions tax. In addition to their lobbying, CME Group has waged a public campaign opposing the LaSalle Street Tax.<sup>8</sup> CME Group president Terrance Duffy testified at a 2016 Illinois House and Senate Revenue Committee Joint Hearing on a financial transactions tax proposal, implicitly threatening to relocate CME out of state if such a tax were to be implemented.<sup>9</sup>

With profits of nearly \$10 billion over the past five years, CME Group could afford to pay the portion of the transactions tax that they would find themselves unable to pass on to the firms trading on their exchange.<sup>10</sup> But the company is persistent in their opposition, claiming that a financial transactions tax would be a “detriment to the residents and

businesses of the city of Chicago as well as the state of Illinois.”<sup>11</sup> In their annual report to shareholders, CME Group has called a financial transaction tax one of their “key areas of focus in the regulatory environment” and have consistently listed the imposition of a financial transaction tax as a possible business risk.<sup>12</sup>

As a candidate, Mayor Lightfoot offered technocratic fixes to the City's budget woes, pushing for legalizing casino gambling and “scouring every department” to ferret out cuts.<sup>13</sup> Legalized gambling would certainly be popular with her largest donors—the family of casino magnate Neil Bluhm. With so many of her campaign contributors coming from the ranks of the city's finance industry, it's no wonder that Mayor Lori Lightfoot hasn't thrown her support behind a financial transaction tax.

## **MAYOR LIGHTFOOT LOOKS TO HELP OUT THE CITY BY FATTENING THE BOTTOM LINE OF CASINO MAGNATES**

With the most obvious fix to the City's revenue issues off the table, what does Mayor Lori Lightfoot propose to do to fix Chicago's budget woes? The answer won't surprise anyone who has perused her

campaign finance reports. Mayor Lightfoot wants a “a change to the tax structure to make a casino in Chicago viable.” Casino gambling was legalized in the city in early 2019, but a recent report found that casino operators faced the prospect of paltry “single-digit profit margins.”<sup>14</sup>

That Mayor Lightfoot is carrying water for the casino industry is hardly surprising. Casino operators are some of her largest donors. The family of casino magnate Neil Bluhm donated a total of \$212,500 to Mayor Lightfoot’s campaign committee, and Leslie Bluhm co-hosted a fundraiser for Mayor Lightfoot.<sup>15</sup> An investigation by the Chicago Sun-Times noted multiple additional funding ties to the casino industry. The Sun-Times found that “Greg Carlin, a top Rivers executive, contributed \$1,000 to Mayor Lightfoot’s campaign, records show. And Craig Duchossois, whose family operates Arlington International Racecourse in Arlington Heights with Churchill Downs, gave \$50,000 to Mayor Lightfoot’s campaign.”<sup>16</sup>

# WHO ARE THE HEDGE CLIPPERS?

Every day, the most unscrupulous hedge fund managers, private equity firms and Wall Street speculators impact the lives of Americans. They play an outsized role in our political process, our education system, and our economy. Hedge Clippers is a national campaign focused on unmasking the dark money schemes and strategies the billionaire elite uses to expand their wealth, consolidate power and obscure accountability for their misdeeds. Through hard-hitting research, war-room communications, aggressive direct action and robust digital engagement, Hedge Clippers unites working people, communities, racial justice organizations, grassroots activists, students and progressive policy leaders in a bold effort to expose and combat the greed-driven agenda that threatens basic fairness at all levels of American society.

The Hedge Papers are researched, written, edited, reviewed and designed by a distributed, networked team of researchers, writers, academics, attorneys, industry experts, community organizers and designers from around the United States, with contributions from international activists.

We welcome contributions from whistleblowers, industry insiders, journalists, lawmakers and regulatory officials as well as from regular Americans who have felt the destructive impact of hedge funds, private equity funds and the billionaire class in their daily lives.

Our collective includes individuals associated with labor unions, community organizations, think tanks, universities, non-governmental organizations, national and international organizing and advocacy networks, student and faith groups as well as non-profit and for-profit organizations.

The Hedge Clippers campaign includes leadership and collaborative contributions from labor unions, community groups, coalitions, digital activists and organizing networks around the country, including: the Strong Economy for All Coalition, New York Communities for Change, Alliance for Quality Education, VOCAL-NY and Citizen Action of New York; Make the Road New York and \Make the Road Connecticut; New Jersey Communities United; the Alliance of Californians for Community Empowerment (ACCE) and Courage Campaign; the Grassroots Collaborative in Illinois; the Ohio Organizing Collaborative; ISALAH in Minnesota; Organize Now in Florida; Rootstrikers, Every Voice, Color of Change, 350.org, Greenpeace, the ReFund America Project and United Students Against Sweatshops; the Center for Popular Democracy and the Working Families Party; the United Federation of Teachers and New York State United Teachers; the American Federation of Teachers, the National Education Association, and the Communication Workers of America.

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# ENDNOTES

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- 2 <http://money.visualcapitalist.com/all-of-the-worlds-stock-exchanges-by-size/>
- 3 <https://www.politico.eu/article/why-critics-are-wrong-about-a-financial-transaction-tax/>
- 4 <https://fas.org/sqp/crs/misc/R42078.pdf>
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- 10 <http://investor.cmegroup.com/node/43571/html#sB79EF96DE1B09580537509D06FA26D98> past five years of net income totals \$9.93bn.
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- 15 <https://illinoisunshine.org/committees/34589/> ; <https://chicago.suntimes.com/city-hall/2019/10/22/20927149/lightfoot-chicago-budget-property-taxes-parking-meters-casino-teachers-strike-city-council>
- 16 <https://chicago.suntimes.com/city-hall/2019/10/22/20927149/lightfoot-chicago-budget-property-taxes-parking-meters-casino-teachers-strike-city-council>