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Global Research

World Social Inequality more Pronounced than Ever The Super-rich are Hiding Trillions of Dollars in Offshore Tax Havens...

By Ernst Wolff

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The super-rich are currently hiding away wealth estimated between \$21 trillion and \$32 trillion in tax havens such as Switzerland and the Cayman Islands. This is the conclusion published last weekend by the Tax Justice Network, an NGO based in London. The author of the study is James Henry, a former chief economist at the McKinsey consulting firm and an expert on tax havens.

Henry bases his projections on data from the Bank for International Settlements (BIS), the International Monetary Fund (IMF), the United Nations and various national central banks. His study was limited to financial assets, and excluded tangible assets such as real estate, gold, jewellery or other possessions.

The figures reveal that “high net worth individuals” (defined as those with assets of over \$50 million) have stashed away much larger sums in tax havens than previously thought. The report also shows that the concentration of global wealth in ever fewer hands has rapidly accelerated.

In 2005, the estimated offshore assets of the super-rich amounted to \$11.5 trillion. Since then this total has doubled or tripled. Today the top 10 percent of the world’s population control 84 percent of assets, while the bottom 50 percent have access to just 1 percent. According to the study, the top of the pile—92,000 people who constitute an infinitesimal fraction of the world’s population—have hidden financial assets amounting to more than 9 trillion dollars, an average of nearly \$100 million apiece.

The rapid growth of these assets during the past seven years shows that the global crisis of

capitalism has been by no means disadvantageous for the financial elite. On the contrary, while more and more people in advanced countries are suffering due to government austerity programs and millions in developing countries are condemned to dire poverty, the super-rich have used the financial and economic turmoil of recent years to massively increase their wealth and hide their money beyond the reach of tax authorities.

They are assisted by a tax code that permits them to move huge amounts of money to offshore tax havens utilising legal loopholes and professional help.

While those on low incomes are strictly monitored by the state and are badgered for their tax payments, the super-rich are able to rely on a globally operating group of highly paid asset and investment advisers employed by the major international banks, which charge considerable sums in return for their tax fiddles. The four largest UK banks alone—HSBC, Barclays, Lloyds and Royal Bank of Scotland—have over 1,200 branches in tax havens.

According to Henry, the world's 10 largest private financial institutions, including Deutsche Bank, moved more than \$6.25 trillion offshore in 2010. Prior to the crash of 2007 the equivalent sum amounted to \$2.34 trillion.

Those hit hardest by tax avoidance and tax evasion are developing countries. In the past 40 years the wealthiest citizens from 139 developing countries hid away non-declared assets estimated at \$7.3 trillion to \$9.3 trillion in tax havens. Their offshore assets are often greater than the national debt of their respective countries and play a major role in the lack of money to finance urgently needed public health and education programs in their home countries.

The top three in the list of countries with the most super-rich individuals are the US, China and Germany. A study by the German Institute for Economic Research (DIW) recently revised upward its estimate of the fortune of the country's top 1 percent, from 23 percent to 34 percent of national wealth, conceding that the incomes of ultra-wealthy households had not been included in its previous investigations.

Based on the findings of the enormous scale of hidden assets, Henry argues in his study that the previously applied standards for inequality, which are generally related to household income, have “dramatically underestimated” the real divide between rich and poor.

The author of the study agrees with the British economist and journalist Stewart Lansley, who writes in his recently published book, *The Cost of Inequality*: “There is absolutely no doubt at all that the statistics on income and wealth at the top understate the problem.”

Global social inequality today is not only much more pronounced than all the official statistics show. It has, in global terms, reached levels unprecedented in human history.