

The Growing Problem of Hidden Wealth

≠ inequality.org/great-divide/zucman-hidden-wealth/

How can we reverse growing wealth inequality? Well, for starters, we need to know how unequal we've become, and that's getting increasingly difficult. The super rich worldwide are hiding more and more of their wealth from taxation and accountability.

New [research suggests](#) that the top 0.01 percent — households with over \$40 million in wealth — are manipulating trusts, offshore bank accounts, and various other opaque mechanisms that mask ownership to evade 25 to 30 percent of what they owe in personal income and wealth taxes.

This new research from economists Annette Alstadsaeter, Niels Johannesen, and Gabriel Zucman — just published as [Tax Evasion and Inequality](#) — neatly debunks the canard that the super rich cheat on their taxes no more frequently than the population as a whole. Households in the highest net-worth bracket, the three economists show, are evading taxes at a rate roughly 10 times higher than households overall.

The likelihood that a household is hiding assets, the researchers conclude, “rises very sharply with wealth.”

[Born on Third Base](#)

[A 1 percenter makes the case for tackling inequality](#)

→

A hefty chunk of the world's hidden wealth is sitting in Panama, the Cayman islands, and other offshore secrecy jurisdictions. The top 0.01 percent of the wealth distribution, economists Alstadsaeter, Johannesen, and Zucman estimate, own about 50 percent of the wealth parked offshore.

In [earlier research](#), Zucman estimated that about 10 percent of the world's wealth sits hidden in offshore accounts.

The most alarming implication of this new research? Our current estimates on wealth inequality in the United States come largely from tax data. These estimates, given the billions upon billions the wealthy are hiding from U.S. tax collectors, now appear to grossly *underestimate* how much wealth actually sits concentrated at America's economic summit.

According to the standard estimates of U.S. wealth inequality, America's top 0.1 percent — the richest one-tenth of 1 percent of households — hold 22 percent of the nation's wealth, up from 7 percent in the late 1970s. The new research on tax evasion suggests that this top 0.1 percent wealth share could be considerably greater.

How can researchers know how much wealth the super rich are hiding? The window to hidden wealth sometimes cracks open, and Alstadsaeter, Johannesen, and Zucman have extrapolated from the data leaking through these cracks to reveal the machinations of the global wealth system.

In 2007, for instance, a data leak from HSBC Private Bank Switzerland exposed account information for about 30,000 wealthy clients, the majority of whom were avoiding taxes. A second big leak — the publication of the Panama Papers in May 2016 — exposed the tax dodging exploits of the Panamanian law firm Mossack Fonseca. Tax amnesty programs in several Scandinavian countries have provided still another source.

Researchers Alstadsaeter, Johannesen, and Zucman combined the micro data from these leaks with macro estimates of offshore wealth to construct their new estimates on the extent of tax evasion.

The good news in all this? By reducing tax evasion by the super wealthy, we could collect significantly more revenue

for public investment — and maybe even reduce taxes by lawful taxpayers to boot.

Chuck Collins is a senior scholar at the Institute for Policy Studies and a co-editor of Inequality.org and the author of Born on Third Base.

Chuck Collins invites all of us — but especially the wealthy — to come home and deepen our stake in the common good and fixing the future.

Topics

[Hidden Wealth](#)