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## **Fresh TJN research shows gap between rich and poor far wider than we ever imagined**

Inequality is far greater than previously understood in all studies and countries in which it is measured.

A Tax Justice Network (TJN) study, entitled *Inequality: You Don't Know the Half of It*<sup>1</sup> has discovered tens of trillions of dollars belonging to high net worth individuals (HNWIs) that are not included in calculations establishing the gap between the rich and poor.

TJN interviewed eight of the world's most respected economists specialising in economic inequality. They all confirmed a huge under-reporting problem in this area.

TJN's research explains that if an asset is hidden in an offshore bank account, trust or company, and the ultimate owner or beneficiary of the income or capital therefore cannot be identified, then this asset and the income it produces cannot be counted in inequality statistics.

Although some inequality studies try to compensate for the missing offshore assets, all experts interviewed for this TJN paper agreed that no study comes even close to compensating sufficiently.

In response to our initial question in our inequality study: [do you believe our thesis is valid?](#) The following responses came from experts we contacted:

*Yes, definitely.*

- **Thomas Piketty**, professor, Paris School of Economics

*Absolutely.*

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<sup>1</sup> Click here for the full inequality study:

[http://www.taxjustice.net/cms/upload/pdf/Inequality\\_120722\\_You\\_dont\\_know\\_the\\_half\\_of\\_it.pdf](http://www.taxjustice.net/cms/upload/pdf/Inequality_120722_You_dont_know_the_half_of_it.pdf)

- **Sam Pizzigati**, Associate Fellow, Institute for Policy Studies (IPS) in Washington, D.C.

*I agree with your thesis and I believe - everyone does.*

- **Milorad Kovacevic**, Chief Statistician for the U.N. Human Development Report Office

*The main bias is likely to be at the top end of the distribution. But we do not yet have the data needed to correct for this problem across all countries.*

- **Martin Ravallion** Acting Chief Economist and Senior Vice President Development Economics, World Bank

*There is absolutely no doubt at all that the statistics on income and wealth at the top understate the problem, for the reasons that you say.*

- **Stewart Lansley**, author of *The Cost of Inequality: Why Economic Equality is Essential for Recovery*.

*Wealth of the very rich is massively under-reported in households surveys and (probably slightly less so) in tax accounts. Proper reporting would drive up the Gini and drive down the wealth share of the poorest 20 per cent.*

- **Kevin Watkins**, nonresident senior fellow, Center for Universal Education, Brookings Institution

*I think there's no doubt whatsoever. . . People say there's lots of money missed out and that's true. There is an issue here.*

- **Branko Milanovic**, Lead Economist in the World Bank research group and visiting professor at the School for Advanced International Studies at Johns Hopkins University

Whether tax data or survey data is used, problems with gaining accurate results to base conclusions on wealth and inequality are manifold.

National tax authorities have well documented issues accessing the income of their citizens – particularly High Net Worth Individuals (HNWIs) adept at using offshore financial centres, secrecy structures and tax loopholes. Surveys suffer from people declining to participate or giving false information: only rarely do households from the top 1% participate in surveys, admits Milorad Kovacevic, Chief Statistician for the UN Human Development Report Office.

Although these survey problems affect the lowest income groups too, the sums involved are “small beer” compared with the upper income brackets.

The systematic underestimation of economic inequality data comes as TJN research simultaneously publishes the most comprehensive, detailed and rigorous study of wealth offshore, revealing hidden assets on a scale never previously revealed. The report, entitled *The Price of Offshore Revisited*<sup>2</sup>, yields a result twice as big as the previous biggest estimate.

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<sup>2</sup> Click here [http://www.taxjustice.net/cms/upload/pdf/Price\\_of\\_Offshore\\_Revisited\\_120722.pdf](http://www.taxjustice.net/cms/upload/pdf/Price_of_Offshore_Revisited_120722.pdf)

**John Christensen**, director of the Tax Justice Network, said:

Inequality has reached epic proportions. It threatens economic and social stability – but none of the big institutions such as the IMF, the World Bank, the Bank of England or the Fed, with their many thousands of highly paid economists – have ever taken useful and serious steps to measure all this offshore wealth. Without this, we could never understand the true, gargantuan scale of the inequality challenge we face. This is an astonishing abdication of responsibility on their part.

**Nicholas Shaxson**, author of the book *Treasure Islands: Tax Havens and the Men Who Stole The World*, said:

A pinstripe infrastructure of accountants, lawyers and financial institutions has painstakingly put together a global offshore system for hiding a large chunk of the world's wealth and income from view. They have been spectacularly successful.

Now that we can at last see the true scale of this monster, we will have to get used to the idea that inequality is much worse than we ever thought.

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**Notes to editors**

- 1) A fuller background to this release is contained in the attached TJN paper, [\*You don't know the half of it: why inequality is even worse than we thought\*](#)
- 2) Also accompanying this report is the study into the amount of wealth owned by individuals offshore. The study for TJN by former McKinsey chief economist, James Henry draws on data from the World Bank, IMF, Bank for International Settlements and national treasuries, and concludes there is \$21-\$32 trillion of wealth owned by individuals offshore, conservatively estimated. Click here. [http://www.taxjustice.net/cms/upload/pdf/Price of Offshore Revisited 120722.pdf](http://www.taxjustice.net/cms/upload/pdf/Price_of_Offshore_Revisited_120722.pdf)
- 3) Studies into economic inequality focus on individuals, families or households. There are three main ways in which economic inequality is measured. Income, Wealth and Assets, and Consumption and Expenditure.

- 4) A study by Professor [Thomas Piketty](#) of the Paris School of Economics and Professor Emmanuel Saez at the University of California, Berkeley shows that in the 30 years to 2010, the income of the top 1% in the US doubled while the top 0.01% quadrupled. In this period, incomes of the bottom 90% in the US fell by nearly 5%.
- 5) The [Tax Justice Network](#) is an international research and advocacy network which promotes transparency in international finance and opposes offshore secrecy and corruption.
- 6) These TJN reports will be housed permanently on this web page [http://www.taxjustice.net/cms/front\\_content.php?idcat=148](http://www.taxjustice.net/cms/front_content.php?idcat=148)