

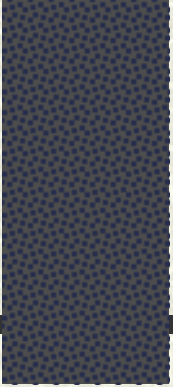


tax justice network

# **Tax Evasion, Money Laundering, and Tax Heavens: Effects on Developing Countries**

---

*(some, at least)*



---

# The main consequence of  
Tax Evasion, Money Laundering and  
Tax Heavens (and Capital Flight):

*Concentration of Wealth and  
the Impoverishment of the People*

---

# Wealth Concentration

---

Occurs on an individual basis (class related):  
appropriation of “extra” money

- # Legal preferred taxation (of Capital) or illegal keeping of withholding tax, or fraud
  - # Corruption
  - # Drug and Arms Traffic, and Money Laundering
-



## ▶ Os caminhos do dinheiro



# Impoverishment of People

---

Occurs at the Macroeconomic Level:

- # The Burden of State financing falls solely on labor
    - “Only the little people pay taxes”
  - # Evaded and illegal money are withdraw from the economy, thus weakening it, (and redirected to Tax Heavens)
  - # Less revenue ==> cuts in (social) expending
  - # Evaded and Illegal Money returns to Developing Countries as Hot Money (either directly or through Funds)
-



# Impoverishment of People

---

## (Periodical) Currency crises

- # Hot Money is sensitive to political situation (and sometimes just eager for extra earnings)
- Crises (Mexico, Russia, East Asia, Brazil, Argentina)

# Impoverishment of People

---

## “Solution”

# IMF and World Bank: “aid” and adjustment requirements:

- New Money (to pay banks and hot money): more Debt
- Primary Surplus (in Brazil: 5.25% of PIB):
  - increase revenues and cut of (social) expenses
  - less investments → recession → unemployment
- Currency devaluation: inflation, less imports (usually, of capital goods), more incentives for exportation (in a tight market – under-remuneration of products)