

UK super-rich seize 26 percent of all new wealth since 2000

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Oxfam's briefing paper, "Ending the Era of Tax Havens—Why the UK government must lead the way," highlights the ever-increasing gap between a rich elite and the majority of the world's population. The report analyses data on the UK from the financial services company Credit Suisse.

While net wealth in the UK had increased from £6.4 trillion to £10.1 trillion since the beginning of the millennium, over a quarter of this went to the richest 1 percent. Over the last 15 years, the average increase in wealth going to the top 1 percent of 600,000 individuals is £1.5 million, bringing their average wealth to £3.7 million.

For those in the bottom 10 percent the average increase in wealth over the last 15 years has been a mere £500—bringing average wealth to £1,600. The bottom 10 percent of the population are now only £500 wealthier than in 2000.

In percentage terms, of the increase of wealth in the UK between the years 2000 and 2015, 26 percent went to the richest 1 percent, 600,000 people, while just 7 percent of the increase went to the poorest 50 percent, around 30 million people.

The paper's introduction sets the staggering growth of wealth inequality in the UK in its global context. It reiterates Oxfam's recent research, which showed that in 2015 just 62 of the world's wealthiest individuals held as much wealth as the poorest 50 percent of the world's population. These rich individuals have more than fully recovered from the financial crisis of 2008, with their wealth increasing by over half a trillion dollars since 2010, while the wealth of the bottom 50 percent of the world fell by \$1 trillion.

The paper explains the significance of tax havens for the continuous piling up of wealth by the super-rich. "The gap between the rich and the rest is growing. Tax

havens are at the heart of the inequality crisis enabling corporations and wealthy individuals to dodge paying their fair share of tax."

It continues, "Tax havens create an uneven playing field. Some multinational companies are well positioned to take advantage of tax havens. ... Similarly ... very wealthy individuals ... can afford the armies of tax lawyers and accountants needed to hide wealth in tax havens, so ironically it is those with the greatest financial means who are best placed to avoid paying their fair share."

It is difficult to calculate the levels of individual wealth hidden away in tax havens, given their nature, but Oxfam makes some estimates. It notes that in 2012, a chief economist with the management consultancy firm McKinsey estimated this hidden wealth at \$21-32 trillion.

A more conservative estimate based on the difference between acknowledged assets and liabilities of a list of tax havens holding the hidden wealth of individuals gave a figure of \$7.6 trillion in 2013. Oxfam estimates this leads to an annual global shortfall in revenues of \$190 billion, of which \$70 billion is lost by the world's poorest countries.

The report notes that University of California economist "Gabriel Zucman has also estimated that (as of 2014) individuals from the UK are holding at least \$284 billion (over £170 billion) offshore, *approximately 2 percent of the UK net wealth*, as estimated by Credit Suisse. This is costing the UK more than \$8 billion (£5 billion) per year in lost tax revenues ... the wealthiest people are the most prolific users of tax havens, *therefore if this hidden wealth were include in Oxfam's analysis of the wealth distribution in the UK, we would expect to see an even greater share of wealth being held by richest 1 percent*"

(emphasis added).

A table in the report has a breakdown of the estimates of undeclared individual wealth held by different regions of the world. Outside the Gulf countries, with 57 percent, and Russia, with 50 percent of undeclared wealth held offshore, the highest levels are found in poor countries in Africa and Latin America with 30 and 22 percent respectively of undeclared individual wealth, meaning state budgets miss out on much needed revenues.

The report notes that “poor countries lose out on a staggering \$170 billion of taxes every year because of tax havens—vital revenue that is desperately needed to pay for public services like health care and education. ...

“Individual studies can give a powerful indication of the scale of impacts. An ActionAid (anti-poverty charity) study found that the Australasian mining company Paladin had cut \$43 million from its tax bill in Malawi. This could have paid for either 431,000 HIV/AIDS treatments, 17,000 nurses, 8,500 doctors or 39,000 teachers.”

Oxfam estimates that the \$14 billion a year squirreled away in tax havens by wealthy African individuals could pay for healthcare to save the lives of 4 million children and provide enough teachers to ensure each African child could attend school.

The report highlights the prominent role played by the UK tax haven network, which includes Overseas Territories such as the Cayman Islands and Crown Dependencies such as Jersey. The UK network represents 17 percent of the global market in offshore financial services. The UK itself is placed 15th in a list of more than 90 countries in a Financial Secrecy Index for 2015 drawn up by the Tax Justice Network. Switzerland is in first place, with the Cayman Islands in fifth place.

It continues: “The World Bank has shown that the UK’s Overseas Territories are the number one destination of choice for the world’s corrupt to set up anonymous countries. ... As Leo Sheppard of TaxAnalysts said, ‘The British think they do finance well. No. They do the legal stuff well. Most of the big investment banks there are branches of foreign operations ... there because there is no regulation whatsoever.’”

The “Square Mile,” the financial district of the City of London, plays a key role in maintaining the UK tax

haven network.

The “City of London ... is the only local authority in the UK where businesses are able to vote in local elections. ... A City of London ‘Remembrancer’ liaises with the UK Parliament, bringing intelligence from the political sphere back to, and lobbying on behalf of the City. ... (It has) focussed increasingly on defending the ‘freedoms’ of finance. Britain’s history of ‘light touch’ regulation leading up to the global financial crisis in 2007/8 has deep roots in the Corporation’s (City of London) lobbying activities and ideological defence of ‘freedom’ for finance ...”

The level of self-delusion evidenced in the report is breathtaking. Virtually disregarding everything it goes on to document, Oxfam’s introduction states blithely, “The UK government has played a significant role in the fight against global poverty.” But as a solution, the report offers only a plea to the same widely discredited political set-up.

The report concludes by demanding an end to tax havens and calls on the UK government to act unilaterally to, among other things, rein in the activities of the City of London. It also calls on the government to support international efforts to end tax havens, including fixing “the broken international tax system, including a commitment to end the race to the bottom ...”

Needless to say, this wish list will be studiously ignored by the bourgeois parties who make up both the UK’s Conservative government and Labour Party-led parliamentary opposition.



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