

Of Billionaires, Fiscal Paradises, the World's Debt, and the Victims

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Among Bloomberg's many profitable activities there is a convenient [Bloomberg Billionaires Index](#), which has just published its findings for 2017.

It covers only the 500 richest people, and it proudly announces that they have increased their wealth by 1 trillion dollars in just one year.

Their fortunes went up by 23 per cent to top comfortable 5 trillion dollars (to put this in perspective, the US budget is now at 3.7 trillion).

That obviously means an equivalent reduction for the rest of the population, which has lost those trillion dollars.

What is not widely known is that the amount of money circulation remains the same; no new money has been printed to accommodate the 500 richest billionaires!

In fact, Forbes, the magazine for the rich, states that there are over 2.000 billionaires in the world, and that this number is going to increase and increase fast.

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Rank	Name	Total net worth	\$ Last change	\$ YTD change	Country	Industry
1	Jeff Bezos	\$99.0B	-\$1.31B	+\$33.7B	United States	Technology
2	Bill Gates	\$91.8B	+\$82.9M	+\$9.41B	United States	Technology
3	Warren Buffett	\$85.3B	-\$458M	+\$12.2B	United States	Diversified
4	Amancio Ortega	\$75.3B	+\$102M	+\$3.21B	Spain	Retail
5	Mark Zuckerberg	\$72.8B	-\$581M	+\$22.8B	United States	Technology
6	Bernard Arnault	\$63.3B	-\$33.2M	+\$24.1B	France	Consumer
7	Carlos Slim	\$62.8B	+\$41.6M	+\$12.9B	Mexico	Diversified
8	Larry Ellison	\$53.1B	-\$182M	+\$11.6B	United States	Technology
9	Ingvar Kamprad	\$52.4B	+\$51.6M	+\$8.46B	Sweden	Retail
10	Larry Page	\$52.4B	-\$136M	+\$12.5B	United States	Technology

[Screengrab from Bloomberg Billionaires Index. See this for the complete list.](#)

China

China has now surpassed the US, with 594 billionaires as compared to the US's 535 - and every three days a new millionaire is born there. There is even an exclusive club of

billionaires, the China Entrepreneur Club, which admits members only by unanimity of its current 64 members. Together they have 300 billion dollars, equivalent to 4.5 per cent of the Chinese Gross National Product (GNP).

As a norm, the Chinese wealth is a family affair, which means that in 10 years they will leave a heritage of 1 trillion dollars, most probably to their sons; and the amount of inherited wealth is going to rise to three trillion dollars in 20 years.

We know from a large study by the French economist **Thomas Piketty** covering 65 countries during modern times, that the bulk of wealth comes from inherited money. That is because, as we all know, money begets money.

“Misery brings misery, wealth brings wealth”

In fact, **Ronald Reagan** started his campaign: “Misery brings misery, wealth brings wealth” — therefore, we must tax rich people less than poor people.

However, the just adopted **Donald Trump**’s tax law in the US cuts taxes to companies, thus increasing the US deficit by 1.7 trillion dollars over ten years. Nobody has apparently noticed that the US deficit already amounts to 18.96 trillion dollars or about 104 per cent of the previous 12 months’ Gross Domestic Product (GDP).

This tax reform will have a deep impact on Europe, by shifting there many of the costs of the reform, through balance of payments and trade. The five most important ministers of finance of Europe, the UK included, have written a letter of protest, obviously much to the glee of President Trump, who perceives only the US as winner, and all others as losers.

All this staggering amount of money in a few hands (8 people have the same wealth as 2.3 billion people), brings us to three relevant considerations: a) what is happening with the world debt b) how are governments helping the rich to avoid taxes; c) the relation between injustice and democracy. None of those perspectives gives space for hope, and least of all trust in our political class.

World’s Debt

Let us start with the world’s debt. I do not remember having seen one single article on that in the closing year. Yet the International Monetary Fund has alerted: gross debt of the non-financial sector has doubled in nominal terms since the end of the century to 152 trillion dollars.

This is a record 225 per cent of the world GDP. Two thirds come from the private sector, and one third from the public sector. But this increased from below 70 per cent of the GDP last year now to 85 per cent, a dramatic rise in such a short time.

In fact, the respected Institute for international Finance estimates that at the end of 2017 the global debt –private and public– would have reached a staggering 226 trillion dollars, more than three times global annual economic output...

This doesn’t seem to interest anybody. But let us take the state of the American economy, and the case of a proud President boasting about the index of growth, now estimated at 2.6 per cent.

Well, this shows the inadequacy of the GDP as a valid indicator. Growth is a macroeconomic index. If 80 per cent goes to a few hands, and the crumbs to all the others, who pay most of taxes, it is not an example of growth; it is just a problem waiting to explode.

What is more, nobody is thinking about the increase in deficit. The total private debt at the end of the first quarter of 2017 was 14.9 trillion, with an increase of 900 million dollars in three months.

While salaries increased from 9.2 billion dollars in 2014 to 10.3 billion dollars in the second quarter of 2017, the debt of families rose from 13.9 billion dollars to 14.9, an increase of one billion dollars in just four months.

Growth? What Growth?

What growth are we talking about? In fact, we have 86 per cent of the population facing an increasing debt, while becoming because of the concentration of wealth in the hands of just 1 per cent of the population.

This should be a cause of concern for any administration, left wing or right-wing be it. In fact, it is not surprising that the 400 richest men of the US, led by Warren Buffet, have written to Trump telling him that they are doing fine and that they do not need a tax rebate; and that he should worry about the poorest part of the population.

The Hidden Money

Now a favourite way of avoiding taxes is to place money in tax havens, where between 21 and 30 trillion dollars are ensconced.

The Tax Justice Network reports that this system is “basically designed and operated” by a group of highly paid specialists from the world’s largest private banks (led by UBS, Credit Suisse, and Goldman Sachs), law offices, and accounting firms and tolerated by international organizations such as Bank for International Settlements, the International Monetary Fund, the World Bank, the OECD, and the G20.

The amount of money hidden away has significantly increased since 2005, sharpening the divide between the super-rich and the rest of the world. And this is why there was a lot of pressure to oblige banks to open their accounts to fiscal inspection, and press on the Bahamas, Hong Kong, Panama and other third world countries.

Now, another good example of the reigning hypocrisy: The last meeting of the Ministers of Finance of the European Union (Ecofin), has not been able to take a decision on something heinous: several member countries (Luxemburg, UK, Ireland, the Netherlands, Malta and Cyprus), host tax havens on their territories.

The Queen of England has invested 10 million pounds in an English tax heaven. And two US states, in particular Delaware, have tax havens that are impenetrable even to the CIA and FBI.

Tax havens such as the Cayman Islands, Jersey and the Bahamas were far less permissive, researchers found, than states such as Nevada, Delaware, Montana, South Dakota, Wyoming and New York.

“[Americans] discovered that they really don’t need to go to Panama”, said James Henry of the Tax Justice Network. Ecofin has decided that they will continue to bang Third World countries, until they decided what to do at home.

So, the West proclaims principles of transparency and accountability, as long as it can impose these on others. But there is a paradox for Western governments: if those tax havens were closed, as the majority of the deposit comes from the West, they would be able to get much more taxes.

To take just the case of the US: Reed College economist Kim Clausing estimates that inversions in tax havens and other income-shifting techniques reduced Treasury revenues by as much as 111 billion dollars in 2012.

And, according to a new Congressional Budget Office projection, the corporate base erosion will continue to cut corporate tax receipts over the next decade.

It must be clear therefore that if governments let their revenues from corporations and high earners shrink, they are not acting in the interest of the average citizen.

“Let Us Protect the Richest”

So, let us draw our conclusions. Nobody is paying attention to the world debt, which is increasing beyond control, but we are leaving the problem to the next generations, hoping that they will address it. We are mortgaging them with debt, with climate change, and whatever else is possible, to avoid any sacrifices on our part now.

Our motto seems to be: Let us protect the richest, and expect less from them and more from the others. In 1952, corporate income taxes funded about 32 percent of the US government. That shrank to 10.6 percent by 2015. While tax havens aren’t the sole cause of this shift, it’s worth noting that the share of corporate profits reported in tax havens has increased tenfold since the 1980s. And now comes from Trump the giant tax gift for companies.

This policy, hidden to citizens, and never legitimised by any formal act of law, is now becoming evident because of the giant increase of inequality, which has no precedent in history.

According to Oxfam, Great Britain will have more social injustice in 2020, that at the times of Queen Victoria. The world is moving faster to financial investments and transactions, and not to the production of goods and services, which do not fetch instant rewards. It is estimated that with one trillion dollars you can buy the world production of a day of goods and services.

That same day, the financial transactions reach 40 trillion dollars. That means that for every dollar generated by human hands, there are 40 dollars created by financial abstractions.

Globalisation

Globalisation is obviously rewarding capitals, not human beings. Well, this is having an impact on politics, and not the best one.

There is everywhere an increasing number of losers, especially in rich countries, also

because of technological development, and shift in consumption. A classic example is the coal mines that Trump wants to resurrect, to make America great again.

But coal is inexorably being phased out because of climate concerns (even if not fast enough), and automatism reduces considerably the number of workers to be employed. Robots will in 2040 be responsible for 42 per cent of production of goods and services, up from the present 16 per cent. This means around 86 million of new unemployed, in the West alone, according to the International Labour Organization.

Those left out from the benefits of globalisations look at the winners, whom they see well connected to the system. This results in the globalisation of resentment and frustration, which in a few years has led to the rise of the rightist parties in all European countries, triggered Brexit, and Trump. Once upon a time, the left was the banner-bearer of the fight for social justice. Now it is the right!

Finally, globalisation has lost its shine – but not its power. Now, the debate is about how to de-globalise, and what is worrying is that the debate is not about how to bring the process to the service of humankind, but how to deploy populism and nationalism, and xenophobia, to “let us make US great again”, to the increase in clashes and conflicts.

Too Late?

International organisations like the IMF and the World Bank – who have been claiming for two decades that market is the only basis for progress, that once a totally free market is in place, the common man and woman would be the beneficiary – have switched the reverse gear.

Now they are all talking about the need for the state to be again the arbiter for regulations and social inclusion, because they have found out that social injustice is a brake not only for democracy, but also economic progress.

But despite all the *mea culpa*, they are rather late in the day. The genie is out of the bottle, and the powers do not even try to put it back. Utter hypocrisy, vested interests, and the lack of vision have regrettably replaced policy.

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Roberto Savio is the founder and former Director-General of international news agency [Inter Press Service \(IPS\)](#). In recent years he has also founded [Other News](#), a service providing ‘information that markets eliminate’.

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