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Tax Justice Network: Wealth Held in Tax Havens Skyrockets

July 22, John D. McKinnon

A new report estimates that the amount of wealth tucked away in offshore accounts is far larger than previously imagined.

While [the report](#) by the liberal Tax Justice Network focuses on the problem of unreported wealth for developing countries, it also could become part of the heated political debate going on in the U.S. over purported tax avoidance by the wealthy.

Democrats led by President **Barack Obama** have sought to highlight the issue over the last few years as they seek to pressure Republicans to raise taxes on higher earners. Democrats also are hoping to tag **Mitt Romney**, the presumptive GOP presidential nominee, as a possible tax-haven abuser, although he and his campaign [adamantly deny that](#).

The Tax Justice Network's report estimates that unreported offshore wealth held in tax havens has reached at least \$21 trillion, and possibly as much as \$32 trillion. That wealth means that the problem of inequality in wealth and income is actually worse than suspected, the group says.

It also means that many countries are losing out on tax revenue that could go a long way toward alleviating their national fiscal problems, the report's authors suggest. The largest previous estimate of the problem – also by Tax Justice Network, in 2005 – was about \$11.5 trillion, the report says.

The report considers the impacts of a range of offshore abuses, including unreported capital flows and under-taxed corporate profits. It places considerable blame on big multinational banks and other financial institutions that are integral to the process of shifting money to offshore tax havens.

The "huge, secretive offshore industry has truly become the dark side of globalization," the report concludes. It urges renewed efforts by developed countries to gain a handle on the problem.

But some tax experts – particularly conservatives – expressed skepticism at the size of the new estimate. **Dan Mitchell**, a senior fellow at the libertarian Cato Institute, compared the report's findings to some estimates of climate change.

And **Andrew Quinlan**, president of the Center for Freedom and Prosperity, a group that promotes international tax competition and financial privacy, said, "Tax Justice Network and other opponents of tax competition assume that all earnings belong first to governments, which is why they seek to prevent even legal wealth management techniques if they result in less money for spend-happy politicians."