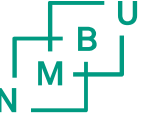


Addressing Inequality requires Addressing Secrecy

Annette Alstadsæter
Norwegian University of Life Sciences

<https://sites.google.com/view/annettealstadsater/start>

*Workshop on Household Finance and Housing, Bank of England
June 17, 2022*



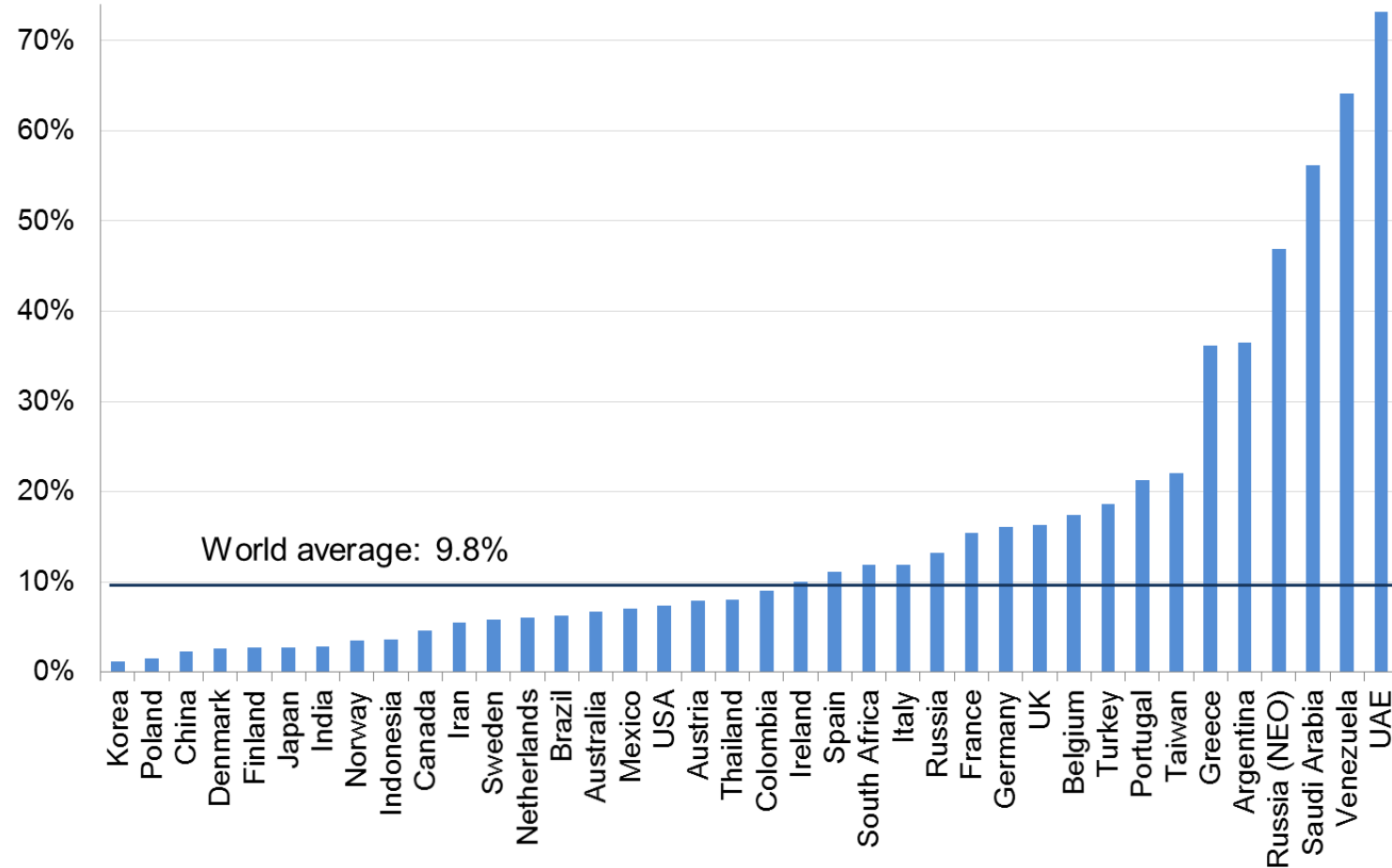
Challenges when measuring inequality

- Reliance on administrative tax data
 - Good coverage at the top of the distribution
 - Long time series
 - But; collected to assess taxes and reflects the design of the tax system
 - Not all of income, or in particular wealth, is taxable and thus not observed in tax records
 - eg. fringe benefits, welfare benefits
 - few countries tax wealth
 - income realization decisions
 - tax evasion and avoidance
- Potential non-comparability across time and countries
-

Substantial private financial wealth in tax havens



Offshore wealth / GDP
(All countries with GDP > \$200 billion in 2007)



Growing empirical evidence that offshore financial assets are concentrated at the top.

Secrecy leads to under-estimated inequality

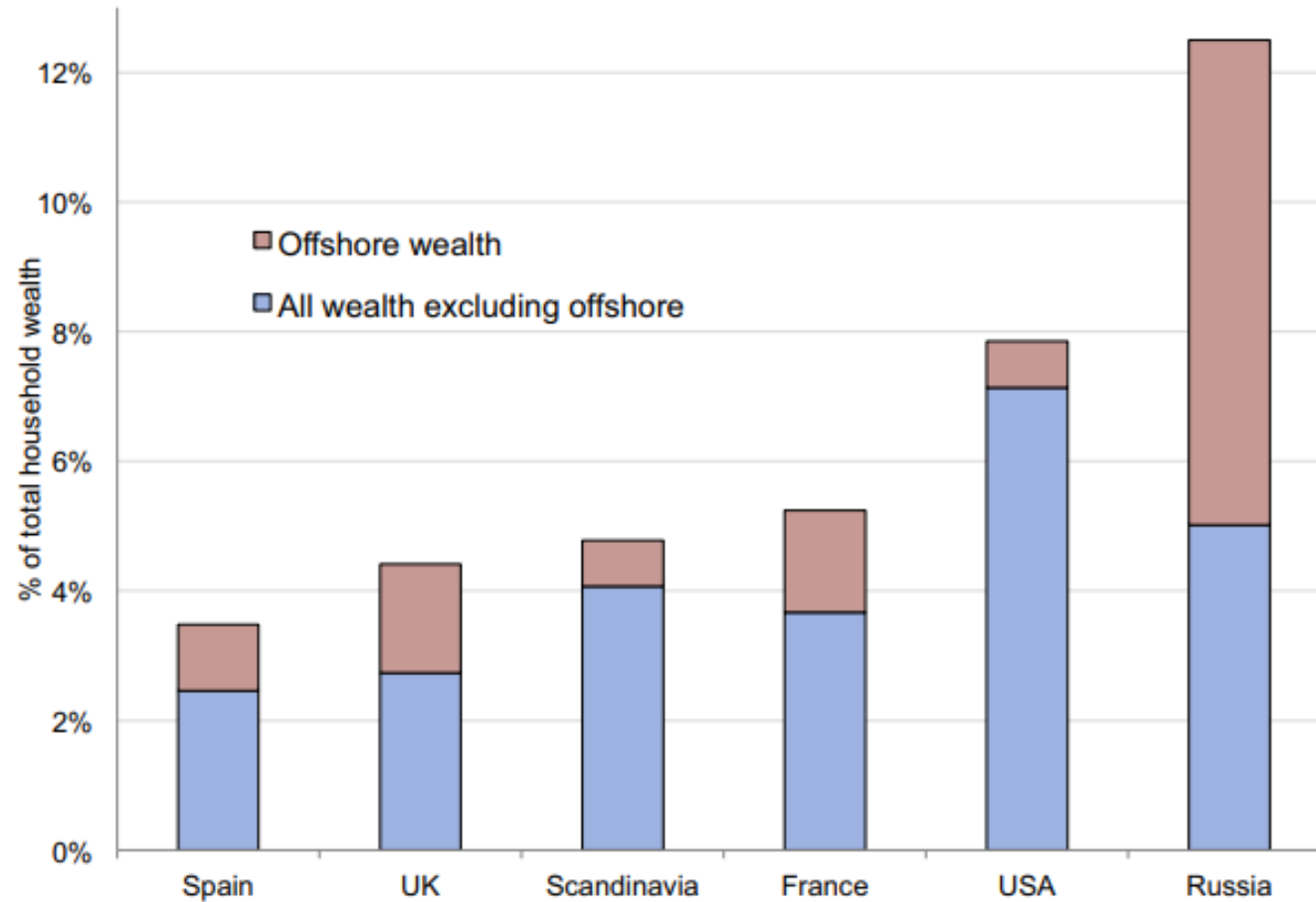
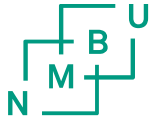
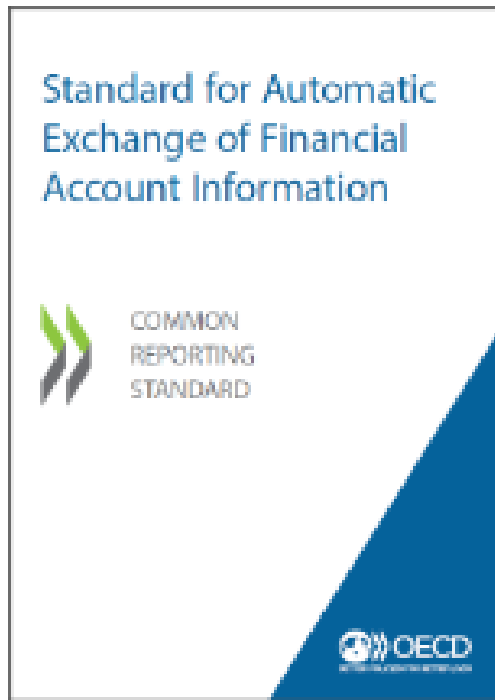


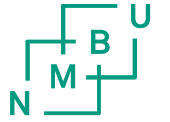
Fig. 8. The top 0.01% wealth share and its composition (2000–2009)

Increased automatic exchange of information, bilaterally, between countries' tax administrations

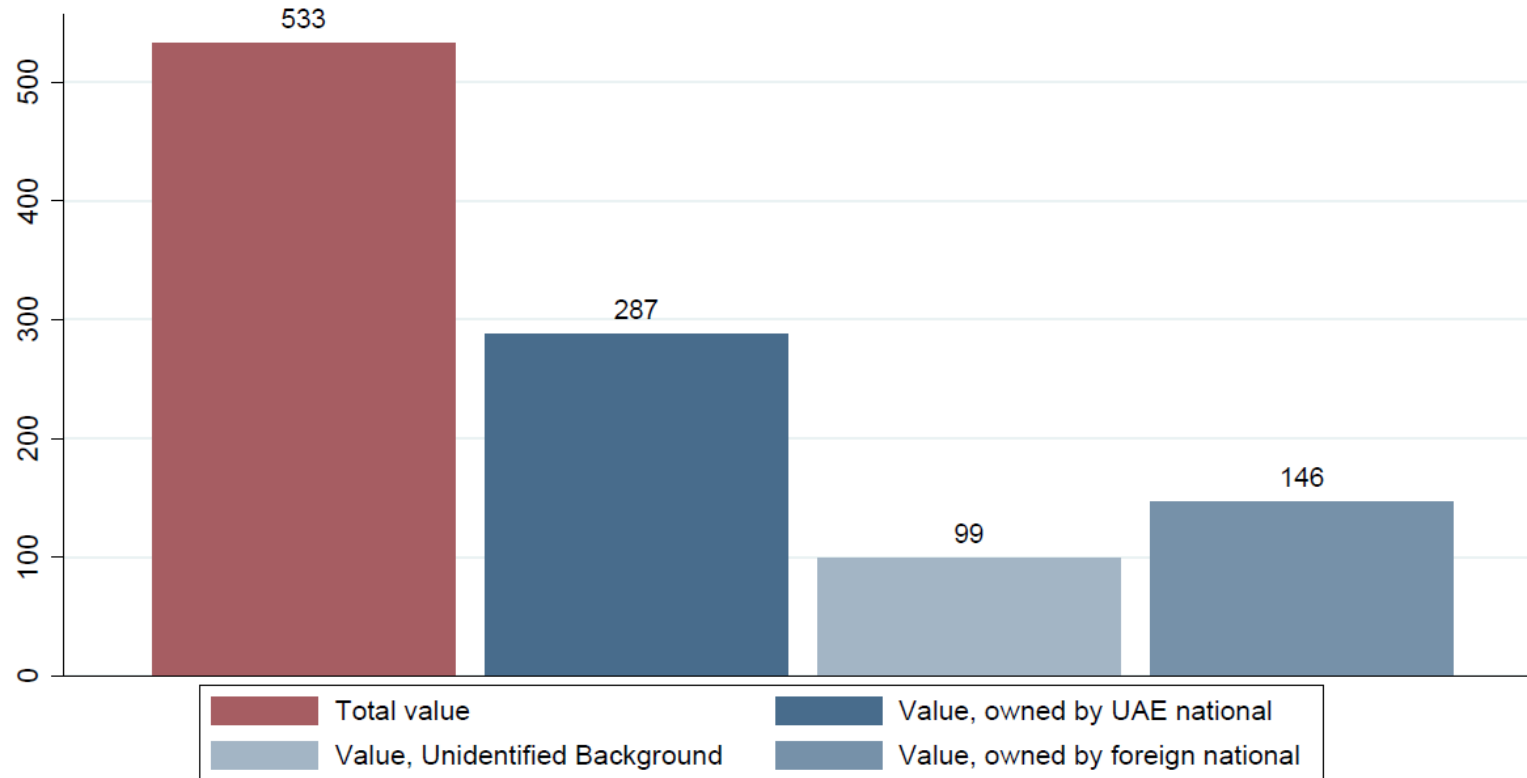


But: real assets not included.

New research: At least 146 Billion USD worth of properties in Dubai owned by foreigners in 2020



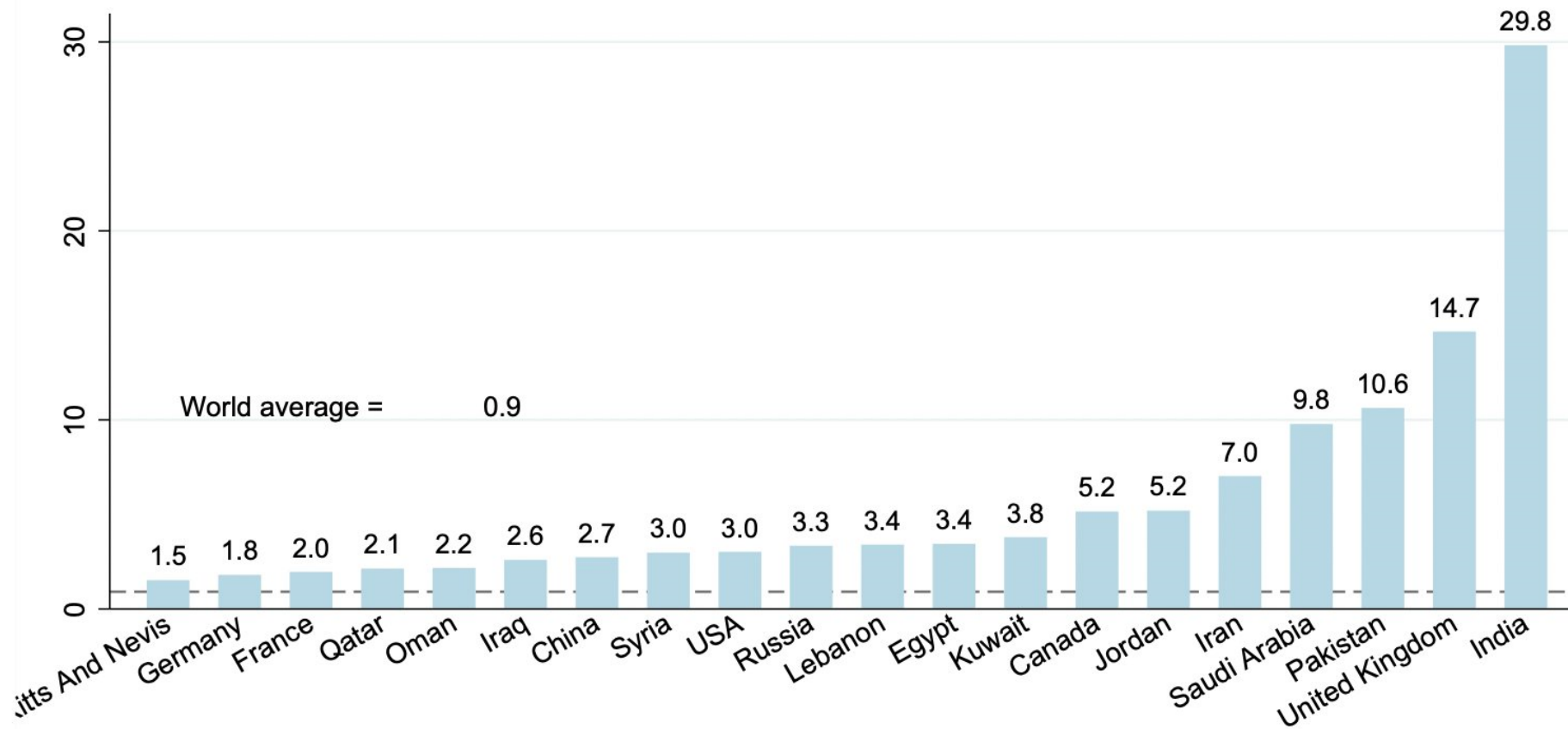
(a) Domestic vs. Foreign-Owned



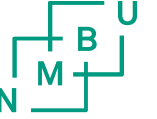
- New data leak capturing ownership of 800,000 properties in Dubai.
- Cooperation with C4ADS and journalists.
- Estimate property values and find patterns in cross-border real estate investments, anonymized.
- 70% of Norwegian taxpayers' properties not reported to tax admin.

Real estate held in Dubai in 2020, Billion USD

– Top 20 Countries



- Geographical proximity and historic ties key determinants.
- Conflict-ridden countries and autocracies have large holdings in Dubai.
- Higher Russian ownership in more expensive neighbourhoods.



Concluding remarks

- The use of secrecy jurisdiction leads to:
 - Under-estimated inequality.
 - Increased actual inequality, both horizontal and vertical.
 - In order to fully address inequality, one also needs to address secrecy.
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