

WHO ARE THE NON-CELEBRITIES IN THE PANAMA PAPERS?

In the first stories about the Panama Papers, we got the names of a bunch of politicians, a few criminals, sports and other celebrities and one or two names of rich people. But in focusing solely on this kind of person, we miss the major point about tax havens. They are used by hundreds of thousands of people, including many who are not billionaires and who are not famous or otherwise newsworthy. They are commonly used by doctors, lawyers, accountants, small business owners and those who inherited money from such people.

Here's a chart from the New York Times showing the mix of people making up the top 1% in income in the US; the chart is from 2012 and uses 2007 data. The cut-off for this level is the Census Bureau figure of \$380K, while other studies put it higher. The Fed Survey of Consumer Finances, a better survey, has it at \$690K in 2007. The cut-off for the top 1% in wealth was estimated at nearly \$8.4 million in 2007. Those numbers went down after the Great Crash, but recovered smartly. By 2013, the cut-off for the top 1% in wealth was back to nearly \$8 million, and climbing.

Lisa Kiester of Duke University, a sociologist who has published on the 1% describes a group she calls the double rich in this article. These are people who are in the top 1% in both income and wealth. Their median wealth was about \$12 million in 2010, and their median income was in the range of \$1.2 million. Both have no doubt risen since then. Kiester does not give an estimate of the number of the double rich, but this New York Times article, using 2007 data, says that there is about a 50% overlap between the two groups. There were about 117 million households in 2010 according to the Census Bureau. From that we can estimate that there are

about 560,000 households making up the double rich.

Kiester examines the lack of discontent with wealth and income inequality in this 2014 paper. She offers five explanations with supporting evidence from research:

1. Homophily, the tendency to hang out with people like us. We aren't often exposed to the impact or the magnitude of wealth inequality.
2. People think things will get better because they always have.
3. There is some evidence of social mobility, and it's even possible for people to think they could move into the top 1%.
4. People are too busy, distracted and stressed to care.
5. People focus on poverty, not inequality. Academics are concerned about inequality because they think huge wealth gaps lead to power imbalances that favor the rich at the expense of the rest of us. That's completely outside the scope of most people's worries about money.

Gabriel Zucman, one of Piketty's collaborators, estimates that individuals have approximately \$962 billion of unreported assets in tax havens. Source: Data figure 4 tab 1 from a spreadsheet found here; click on Tables and figures included in the book. The book is *The Hidden Wealth of Nations*. For a description of Zucman's methodology see this by Cass Sunstein.

Kiester says that 56% of the top 1% by net worth were self-employed in 2010. These are people who have the means to move money into tax havens, as are the rest of the top 1%. There are hundreds of thousands of US citizens who would benefit from tax havens, and there is so much money out there by Zucman's estimate that it must be that case that tens of thousands of them have done so.

The ICIJ and its participating groups name politicians, celebrities, and crooks who hide

their wealth in tax havens, and who won't be prosecuted, but at least are shamed. But what about the huge number of the 1% who hide their wealth abroad and are not even shamed for their corruption?

This kind of disclosure would help break through the mental barriers to making inequality itself a force in politics.

Update April 15, 2016 From ICIJ:

The law firm's [Mossack Fonseca] leaked internal files contain information on 214,488 offshore entities connected to people in more than 200 countries and territories. ICIJ will release the full list of companies and people linked to them in early May.