

The unexplored size of growing poverty

How the magnitude of hidden richness
hides the real enormity of the problem

Giancarlo Livraghi – August 2012

Poverty was supposed to be the problem of “underdeveloped” economies. And it was supposed to be, slowly but steadily, decreasing. Now some alarmingly believable (while shamefully ignored) analyses show that the problem is enormously larger than was estimated – and it’s getting worse.

The worldwide awful mess of the so-called “crisis” is dominated by the dementia of financial gambling. The clumsy attempts to find a way out are making almost everybody, everywhere, poorer, unhappier and scared. While they help the “few very rich” to get even richer – especially those who are hiding their money in tax havens. This isn’t only unfair, immoral and cruel. It is also monumentally stupid.

There have been times and places, in history, where power systems based on repression, injustice, violence and ignorance lasted for centuries or millennia. In too many parts of the world such awful regimes still exist. But the new oligarchs don’t understand how fragile their rule can be. Only in a few, extremely isolated environments it is possible to prevent everybody from knowing what is happening in the rest of the world.

Fear, the perennial tool of oppression, is forcing into the the dismal habit of accepting “sacrifices” also the “middle classes” that were accustomed to feeling, if not rich, at least reasonably comfortable.

This could be acceptable, maybe desirable, if it remained within the limits of being “sober”, reducing waste and avoiding useless gimmickry. But it has already gone way beyond any acceptable measure. With an atrocious deterioration for those who were already poor – and a fearsome, distressing fall into poverty for people who had a reasonable level of wellbeing.

If the (vague and uncertain) promises to “stimulate recovery” won’t be kept, the consequences will be unpredictable, confused, alarming. Much more vicious, messy and dangerous than any “protest” we have seen so far.

In the rest of the world, where poverty has been widespread for a long time, if and where the hopes for improvement aren't satisfied the conflicts, already atrocious and often violent, are likely to become increasingly worse.

Readers who are familiar with this website know what I have been writing on this subject.

For instance in *Once upon a time there was the market* gandalf.it/stupid/market.pdf
and *Financial stupidity* gandalf.it/stupid/stupocr.pdf (more are linked in gandalf.it/stupid/).

Widely available data, worldwide, show that things (with rare and diminishing exceptions) are going from bad to worse. More and more money and resources owned by less and less people – or shady “entities.” Painful and stupid destruction of “middle classes.” Dismal increase of the number of people and families in a state of poverty or at serious risk of falling into it.

That's pretty awful – and alarmingly dangerous. But we have been underestimating the problem. A new, soundly based analysis proves that it's much worse than, so far, we have been able to estimate or understand.

Recently, in *Hidden heaven and growing hell* (gandalf.it/offline/paradise.pdf) I explained how a thoroughly documented study published on July 22, 2012 by TJN (*Tax Justice Network*) has identified the enormous amount of money removed from the world economy because it is hidden in tax havens. Twenty or thirty “trillion” – thousand billion – dollars (probably much more.)



In the following few days, some of these findings were reported by a few newspapers in a few countries – and then forgotten. While an even more serious problem is disclosed in another TJN study. *Tax havens cause poverty*. (http://www.taxjustice.net/cms/front_content.php?idcat=2 – and other detailed analyses in *Magnitudes* http://www.taxjustice.net/cms/front_content.php?idcat=103).

Especially (but not only) in the poorest countries with the most corrupt governments, the abysmal difference between the wealth of the few very rich and the hardship of the many very poor is enormously larger than can be measured by traceable income data. Most of the oligarchy's assets are hidden where they can't be found – often far beyond national borders. Invisible, unreachable, unmeasurable. Or so they seem, mainly because nothing (or not enough) is effectively being done to bring them back where they belong.

Of course no single solution can be a panacea – removing or alleviating, in one simple stroke, all of the “crises” all over the world. But it's painfully stupid to ignore a problem of this staggering magnitude (that, if properly tackled, could become a resource.)

Post Scriptum – The poor in the havens

This may sound silly. But it isn't. Some of the (few) analysts studying the enormous problem of tax evasion and hidden wealth are worried about what could happen to the people, not involved in the "sheltering", who live in countries where the economy is based on such trickery. They are right, this should be considered (also to avoid contagious protests and uprisings.)

The cost of helping innocent victims would be infinitesimal, compared to the huge resources returned to real economies worldwide. The problem isn't the expense. It's a matter of criteria and organization – to be planned and tested *before* the shelters are thoroughly sanitized. Anyhow, it's useful to understand a little better what we mean when discussing "tax havens."

We can, roughly, place them in one of three categories. The large countries where the game is being run. The small and very rich. The small that have no other relevant wealth and are really somewhere "offshore."

This last is the one that needs, and deserves, to be helped. Before the hunt starts, to find and seize the money and other hidden treasures, a tiny "Marshall plan" should be provided to help those countries to develop other resources instead of falling into wretched poverty. Also because, lacking an appropriate remedy, there would be shared and obstinate resistance against any attempt to discover where and how the stolen loots are buried.

For instance the Cayman islands, now a prototype of offshore banking, aren't only a tax haven. They are also a particularly attractive place for scuba diving. They could not only pleasantly survive, but also strengthen and improve their appeal as an under-and-above-water paradise, by removing their distasteful reputation as the home of "dirty money."

Also several others are attractive tourist destinations – or can be developed as such. For all, it is possible (and desirable) to find a different resource to replace the one on which their small economies are based now.

The case of the "small and anyhow rich" is very different. Monaco is the country with the largest per-capita income in the world. Poverty risks are unlikely in Liechtenstein or Singapore. The (not so small) traditional shelter, Switzerland, has no lack of other wealth and resources. Etcetera. They could all remain comfortably rich after giving up their role as tax havens.

The most important, but also the most difficult, task is to eradicate (or, at least, aggressively curtail) the use of tax havens in large countries.

Specifically the United States of America, the birthplace of financial gambling "that would make us all rich", now feeling the bite of the "crisis." And Britain, the other original source of the pandemic, as usual playing the game of being in Europe but also out. While, for instance, most of the euros (or earlier drachmas) stolen from Greece are hidden as pounds and dollars.

And China, Russia, many other homes or havens for corrupt autocrats...