Factual mistakes in "Robin Hood's Very Merry Man", *Wall Street Journal*

Gabriel Zucman – October 20, 2015

The article by Joseph C. Sternberg published in the *Wall Street Journal* (online version posted on October 20, 2015) contains a number of factual mistakes that misrepresent the figures and arguments in my book *The Hidden Wealth of Nations*.

1) "*Mr. Zucman's guesses about billions of tax dollars left uncollected boil down to crude extrapolations: Assume all foreigners' money on deposit in tax-haven jurisdictions has gone completely untaxed by the relevant authorities and then guess at what would happen were the estimated dividends and interest taxed at higher rates*."

I do not assume that all foreigners' money in tax havens is untaxed. The data show that a fraction of offshore wealth is taxed, and I take this into account in my computations. This is discussed in my book from p. 47 (starting with "Of course, not all the wealth held offshore evades taxes: some taxpayers duly declare their Swiss or Cayman holdings.") to page 52. My computations are based on statistics suggesting that a growing fraction of offshore wealth is duly declared, namely 20% in 2014, up from 10% in 2008.

2) "*[Mr Zucman makes] the implicit assumption that additional revenue can be collected from low-tax jurisdictions with no ill effects on growth. That's a mighty big assumption*."

I do not assume that taxes have no effect on growth. The scenarios discussed in my book are budget-neutral, they do not increase government revenue. See p. 54-55, passage starting with "Collecting more tax is certainly not a goal in itself, especially in countries like France, where taxes are already high. If the struggle against fraud is essential, it is because it would make it possible to lower the tax rate that is imposed on the vast majority of taxpayers."

3) "*[Mr. Zucman] calculates that rich individuals stash about $7.6 trillion—about 8% of global household wealth—in tax havens such as Switzerland and Singapore.*"

My estimate is that individuals stash 8% of global household <u>financial</u> wealth, not 8% of global household wealth. This is explained in detail in the book (e.g., Figure 3 p. 36).

4) "*Mr. Zucman estimates that U.S. firms alone paid the Treasury around $130 billion less last year than they would have paid had they repatriated all overseas profits rather than parking them in low-tax areas such as the Cayman Islands.*"

This is not the estimation I make. My estimate is that "the artificial shifting of profits to low-tax locales enables US companies to reduce their tax liabilities, in total, by about $130 billion a year" (p. 105). These are taxes that would have been paid not only to the US Treasury, but to all the world's governments.