Global Mobility of the Wealthy, their Assets and Inequality

Andrés Solimano

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1. Introduction

Global capitalism has created big wealth that is increasingly concentrated at the top of the distribution. The top 1 percent controls between 45-50 percent of the total personal wealth in the world,² conforming economically powerful and politically influential elites. From the viewpoint of international mobility, high-wealth individuals seek countries to reside that provide them with personal and financial security and their children with better education.³ In addition, the rich place their financial assets in locations that offer low taxes and discretion/secrecy on the identity of depositors.

This mobility of the wealthy is superimposing to the increased migration of talented and skilled individuals that has flourished under current globalization. This is associated with better education and job

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² Credit Suisse, (2017a).

³ “High-Net Worth Individuals, HNWIs”, are often defined as people with net assets above one million dollars although the pyramid of HNWIs include also ultra-HNWIs and billionaires (see section 2 for operational definitions)
opportunities worldwide, the spread of new technologies and new possibilities for entrepreneurship overseas. The correlation between talent and the acquisition of wealth has to be qualified, however. On one hand, talent is remunerated handsomely in financial markets and activities that create and apply new technologies (software companies, facebook, google and others). In these cases, we should expect a positive association between the remuneration and wealth of talented individuals in entrepreneurial, financial and executive positions. However, talented individuals can decide also to devote their creativity and efforts to science, teaching and philanthropic activities that are normally not as well remunerated as finance, real estate and technology. Therefore, these individuals are unlikely to belong to the list of millionaires or billionaires of the world. 4

In general, the wealthy face at least three critical decisions in a volatile world of varying national conditions: (a) in which countries/cities they wish to reside, (b) in what nations and jurisdictions to place their assets and (c) how to allocate their wealth among competing assets such as company shares, residential and commercial property, artwork and other valuable commodities. The geography of wealth creation and circulation also matters. In the last decades, large fortunes have been accumulated in Russia, China, India, Latin American nations, Africa although the bulk of wealth is still concentrated in advanced capitalist countries, chiefly in the United States (see section 2).

4 The international mobility of talent, refers to the mobility of people with special skills and advanced human capital such outstanding professionals, executives, entrepreneurs, academics, artists, writers and people in the entertainment sector and sports, see Solimano (2008, 2010).
This report documents the growing concentration of wealth at the top and its evolution over time; it examines the main pulling and pushing factors behind the mobility of wealthy individuals; provides recent orders of magnitude of the size of the HNWI pool using data collected, mainly, by investment banks, wealth management offices, and international real estate companies. The paper identifies and examines three “facilitating factors” for the mobility of the wealthy and their assets: (i) investment migration regimes and citizenship/residence by investment programs (also known as “economic citizens programs”), (ii) the existence of tax havens/special tax jurisdictions and (iii) the upper-end of the global art market used to channel new wealth. The analysis shows that these three mechanisms (along with other schemes) provide a friendly eco-system for the protection of the very wealthy whose main features and implications deserve more attention. Some relevant issues relate to the fact that special migration rules for the rich affect fairness in migration system (residence and citizenship rights can be “bought” with passive/rent- accruing investments in the host countries); tax havens deprive of tax revenues to national treasuries affecting investments in social sectors, public infrastructure, culture and environmental protection. In turn, the unrecorded transactions of highly -valued art work in the increasingly important global art market is also used as a channel to avoid paying taxes in addition of taking away aesthetic goods from public view as they are stored in Freeport often located in the same cities of tax havens.
A. Wealth Concentration at the Top and Patterns of International Mobility

The trend towards high concentration of wealth and income at the top of the distribution, accentuated since the 1980s, can be attributed to several factors: (a) some major investment in technological breakthroughs whose handsome returns are internalized by innovative and risk-taking entrepreneurs, (b) higher savings rates by top income groups, (c) cuts in personal tax rates for the rich, (d) privatization of valuable state assets, typically in the natural resource sectors, by politically-connected individuals with access to credit and/or liquidity, (e) weakened labor unions that enable a shift in functional income distribution away from labor and towards capital, (f) market de-regulation policies and (g) a growing political tolerance towards inequality of income and wealth.\(^5\)

In the case of extreme wealth, the world list of billionaires of Forbes show several interesting features of this selected group: (a) the growing importance of newly billionaires rather than people that have inherited wealth, (b) the high wealth that is generated in finance, real estate and technology sectors, (c) the close association between the development of mega-firms/ multinational corporations and extreme wealth of main owners and, sometimes, high executives, (d) the growing significance of developing countries and emerging economies now representing close to 45 percent of total billionaires.\(^6\)

\(^5\) Solimano (2017).
\(^6\) See Freund (2016).
**Historical Evolution of Top Wealth Shares**

During the 20th century personal/household wealth inequality in advanced capitalist countries and former socialist nations such as Russia and China followed a sort of U-pattern (see figure 1). Around 1913 in the US, UK, France the wealth’s share of the top 1 percent was in the range 45-65 percent. However, over time, this share started to decline reaching to 20-30 percent in the 1970s. The period of declining wealth concentration included the two world wars, the interwar years and the period from post world war II to the early 1970s; the “golden age of capitalism” of rapid growth, declining inequality, reasonable levels of social cohesion linked to the action of the welfare state, stronger labor unions and, thus, more balanced capital-labor relations. In addition, several waves of macroeconomic destabilization such as hyperinflation in the 1920s, the financial crash of 1929 and the Great Depression of the 1930s destroyed financial wealth for some, although others benefitted from price controls, black markets and political connections (Solimano, 2019a). The turning point towards a regime of higher income and wealth inequality was the 1970s and early 1980s, that prompted the adoption of policies of privatization, deregulation and globalization. This followed a decade of stagflation, currency instability and geopolitical shocks. In sum, the neoliberal model led to a higher frequency of financial crises and to a significant increase in the share of personal wealth going to the top 1 percent in the United States, UK and to a less extent in France (see figure 1).  

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7 The top wealth’s share in the USA roughly doubled from close to 20 percent in the late 1970s to near 40 percent in 2013. In the United Kingdom, since the Thatcher conservative government, the wealth’s share of the top 1 percent also increased (stabilizing at around 20 percent in the period
The trends towards higher wealth concentration at the top also affected, since the 1990s, former communist countries such as Russia and China. In Russia the wealth’s share of the top 1 percent went up from close to 20 percent in the mid 1990s to near 45 percent in 2015 (similar to the increase in the United States). In addition, in China there has been a substantial increase in the wealth share of the top 1 percent (figure 1) since the 1990s. The egalitarian wealth distribution of their classic socialist periods (when there was virtually no private property of the means of production) was 1980-2015), reversing its previous downward trend registered since world war I until the 1970s. In France, the top wealth share experienced a rapid surge in the mid 1990s to decline afterwards, stabilizing at a higher level than its historical record of the 1970s and 1980s. See, Popov, (2015), Milanovic, (2016) and Solimano, (2017).
sharply reversed in the last two decades with the advent of oligarchic capitalism in Russia and the turn to state-capitalism supportive of foreign multinationals in China.

**Additional Recent Evidence**

An important piece of information when analyzing the mobility of the wealthy is to gauge the number and location of high net worth individuals around the world. Table 1 and figures 2a-c show a rapidly shrinking pyramid of HNWIs in which a (small) group of millionaires (net wealth above U$ 1 million) --- representing only 0.7 percent of the adult world population --- controls around 46 percent of global household wealth (2017). In contrast, seventy percent of the adult population has a net wealth below U$ 10,000, representing only about 3 percent of the world’s total personal wealth. In between, there is a “middle range” (a sort of global middle class) in which 29 percent of adults have net assets between U$ 10,000 and U$ 1 million, holding altogether 52 percent of total personal wealth (see the pyramid of global personal wealth distribution in figure 2a). Figure 2b) shows that there are around 36

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8 From a statistical perspective, wealth data come, generally, from six main sources: (a) household balance sheets, (b) national wealth surveys prepared by central banks, (c) tax-based wealth data, including estate tax records at death, coming from national tax agencies in countries where wealth taxes do exist, (d) indirect income tax capitalization method using data from revenues from capital incomes provided by tax agencies, (e) data provided by wealth-management companies and commercial banks, (f) list of billionaires. Consensus has developed that tax-based information on income and wealth is deemed superior in accuracy compared with self-reporting household or individual surveys due to problems of under-reporting of income and/or wealth. Still tax-based information suffer from problems of tax avoidance and elusion, particularly related to undeclared offshore wealth (Solimano, 2017, ch.3).

9 The data comes from Credit Suisse (2017a and 2017b).
million HNWIs worldwide, with close to 150,000 “ultra-HNWIs” (people with net wealth over U$ 50 million). Figure 2c) displays the distribution of individuals with net wealth above U$ 50 million, including a group of 2,232 billionaires (with a net wealth above U$ 1 billion) at the top.

Table 1. Global Indicators of wealthy individuals (number, 2017)

<table>
<thead>
<tr>
<th>Millionaires (HNWIs)</th>
<th>36,050,680</th>
</tr>
</thead>
<tbody>
<tr>
<td>HNWI with net worth between U$ 1 and U$5 million)</td>
<td>31,365,072</td>
</tr>
<tr>
<td>Ultra-HNWI (net worth over U$ 50 million) of which:</td>
<td>148,243</td>
</tr>
<tr>
<td>UHNWI with net worth over 100 million</td>
<td>54,837</td>
</tr>
<tr>
<td>UHNWI with net worth over 500 million</td>
<td>5,749</td>
</tr>
<tr>
<td>Number of billionaires (net worth over U$ 1 billion)</td>
<td>2,232</td>
</tr>
</tbody>
</table>

Share of HNWIs in:

World adult population | 0.7%
Total household wealth | 45.9%

Source: Own elaboration from Credit Suisse (2017a) and (2017b)

Figure 2a The Global Personal Wealth Pyramid, 2017

Source: Credit Suisse (2017a).
Figure 2b HNWI Pyramid (Net Wealth between US 1 and 50 million, 2017, wealth range and number of adults)

Source: Own elaboration based on Credit Suisse (2017b).

Figure 2c Ultra-HNWI and Billionaires Pyramid (Net wealth over US$ 50 million and above US 1 billion, wealth range and number of adults, 2017)
Where Are the Millionaires Located?

Most of the millionaires (HNWIs) are concentrated in the United States that holds 43 percent of the world’s millionaires (table 1a), followed by Japan with 7 percent of the total, the United Kingdom (6 percent) and France, Germany and China, each with 5 percent of the HNWIs. In addition, if we go further up in wealth levels, the four countries that concentrate the largest number of ultra-HNWIs (net wealth above U$ 50 million) are the United States (72,000), China (18,100), Germany (7,200) and the United Kingdom (4,200).\(^{10}\) Except China, these are all mature capitalist economies.

Table 1 a) HNWIs by country, 2017

<table>
<thead>
<tr>
<th>Country</th>
<th>Adults (thousand) with wealth above USD 1 m</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>15,356</td>
<td>43%</td>
</tr>
<tr>
<td>Japan</td>
<td>2,693</td>
<td>7%</td>
</tr>
<tr>
<td>UK</td>
<td>2,189</td>
<td>6%</td>
</tr>
<tr>
<td>Germany</td>
<td>1,959</td>
<td>5%</td>
</tr>
</tbody>
</table>

\(^{10}\) Other countries with significant concentrations of Ultra-HNWIs are France, Australia, Canada, (each with 3,000 HNWIs), Switzerland (2,800), Italy (2,600) and Korea (2,300); see Credit Suisse (2017). Countries with very large levels of wealth per capita are small jurisdictions in Europe such as Monaco, Liechtenstein, Luxembourg, Cyprus, Malta and others. In Monaco, for example, it is estimated that one-third of its total population (of around 35,000 people) is composed by HNWIs (residents do not pay income-taxes in Monaco).
<table>
<thead>
<tr>
<th>Country</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>1,953</td>
<td>5%</td>
</tr>
<tr>
<td>France</td>
<td>1,949</td>
<td>5%</td>
</tr>
<tr>
<td>Italy</td>
<td>1,288</td>
<td>4%</td>
</tr>
<tr>
<td>Australia</td>
<td>1,160</td>
<td>3%</td>
</tr>
<tr>
<td>Canada</td>
<td>1,078</td>
<td>3%</td>
</tr>
<tr>
<td>Spain</td>
<td>428</td>
<td>1%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>381</td>
<td>1%</td>
</tr>
<tr>
<td>Sweden</td>
<td>335</td>
<td>1%</td>
</tr>
<tr>
<td>Others</td>
<td>5,281</td>
<td>15%</td>
</tr>
<tr>
<td>World</td>
<td>36,050</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Credit Suisse (2017)

**Why the Wealthy emigrate? Pull factors**

The determinants of the migration of the wealthy include the following factors (Solimano, 2019b):

(A) Personal safety.

(B) Availability of high-quality health services.

(C) Favorable tax treatment.

(D) Protection of wealth and property rights.

(E) Good education opportunities for the children.

(F) Visa-free mobility to third countries.

(G) Cosmopolitan settings and good transport connections.

Historically, individuals of high-wealth, including entrepreneurs, successful professionals, people of high talent and *rentiers*, migrate or move temporarily for at least four reasons: (a) in response to new opportunities for profit abroad, (b) to enlarge the scope of their work and attain international recognition, (c) escaping from political, religious or ethnic persecution, (d)
seeking to shield their assets from taxation, financial uncertainty and confiscation policies.

The financial empire built by the Rothschild family in the 19th century required an important degree of international mobility of those at the helm of the family business.\(^{11}\) In South America, immigration of enterprising individuals, mainly coming from Europe, in the colonial period and the 19th century (the first century of independence from Spanish colonial rule) was seen as a vehicle by national governments to spur the creation of productive capacities, bringing innovation and new ideas to the new world (Acosta 2018).

In the North American-European corridor, from the second half of the 19th century and throughout the 20th century, successful entrepreneurs and financiers such as Mellon, Vanderbilt, Carnegie, Rockefeller, Soros and others emigrated from Europe to the United States where their careers and fortunes (including philanthropic activities) received a big boost.\(^ {12}\) On the other hand, wealthy classes left home at the time of anti-capitalist revolutions such as the Russian revolution of 1917, the Chinese revolution of 1949 and the Cuban revolution of 1959. The ‘white Russians” moved mainly to Europe, the Chinese to south Asian countries and the Cuban bourgeoisie to the state of Florida.

In India, the globalization and private-sector-led development model pursued since the 1980s has led to the acceleration of economic growth, albeit with significant class, regional disparities and persistent poverty,

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\(^ {11}\) For an interesting biography of the Rothschild family and their times, see Ferguson (1999).

\(^ {12}\) Solimano (2010).
contributed to the formation of new wealth and the internationalization of economic elites that also seek to reside abroad (D’ Costa, 2018).

In recent decades, the threat of communism has disappeared and capitalism has consolidated at global level, albeit with important fragilities such as a high incidence of financial crises and rising inequality. This boosted the global circulation of the rich.

A modernist view has developed around the concept of a “global market of nationalities”. H&P and Kochenov, (2016) presents empirical indices of quality of nationality in which governments compete by offering favorable migration rules and attractive qualities such as higher living standards, social peace, the rule of law, good financial and cultural facilities, culture, to attract wealthy and /or the highly talented people. Nonetheless, it is important to recognize that economic citizenship programs catered to attract the wealthy are very different from the lengthy and bureaucratic procedures applied to unskilled migrants and refugees coming from developing countries and conflict-ridden areas. The quality of nationality index gives considerable weight –as a very valued trait by prospective immigrants-- to the fact that holding citizenship of certain countries (e.g member nations of the European Union such as Cyprus and Malta) enhances the ability to travel to other nations without restrictions. Also wealthy migrants value countries with

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13 Solimano (2014) discusses the formation and various impacts of economic and talent elites in the global age.

14 The “Quality of Nationality Index, QNI” (H&P and Kochenov, 2016) ranks countries in terms of levels of economic and human development, internal peace and stability, visa-free access to third countries (freedom to travel), ability to work without permits and special visas (freedom of settlement) and quality of the legal system.

15 This may be particularly valued by international investors who are nationals from certain countries that seek to travel to nations where entry-visas may be hard to obtain.
well-developed banking systems, full currency and capital convertibility, a supply of good-quality legal services, predictable policies and “capital-friendly” tax structures.

**Why the Wealthy Leave their Home Nations? Push Factors**

Push-factors that induce the rich (and the upper middle class) to leave their home country (permanently or temporarily) include economic insecurity, cumbersome taxation systems, lack of adequate protection of property rights, political uncertainty, austerity policies, depressed asset prices, violence and terrorism. The explosive rise in the value of wealth accumulated by small elites in countries outside the capitalist core of the global economy (US, Western Europe, Japan, Australia) has taken place in relatively short time spans. One example is the formation of a class of post-soviet oligarchs in Russia, the rise of the very wealthy in China after the adoption of post-Mao policies of state-capitalism and opening to multinational corporations coming from the west; wealthy oligarchies in Latin American countries that adopted free-market policies of privatization of state assets in the 1990s following the recommendations of the “Washington Consensus” (Solimano, 2017).

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16 For empirical measures of the rise of the importance of the very wealthy around the world see the World Inequality Report, 2018.

17 A measure of worsening inequality in Russian is the rise of the income Gini coefficient that went-up from near 25 percent in the mid 1980s (still in the socialist period) to over 45 percent and the wealth Gini climbing over 75 percent in 2013-2014. See Novokmet, Piketty and Zucman (2017) and Popov (2015). In Chile, one of the most unequal countries in Latin America the Gini coefficients for net personal wealth is in the range of 70-80 percent. Even more concentrated is financial wealth, with the Gini coefficient climbing to 90 percent. The world average Gini coefficient for income is around 40 percent and for wealth Gini is near 70 percent, Solimano (2017).
Another set of factors that can trigger the flight of people and capital are violence and terrorist activity.\textsuperscript{18} The statistics collected by wealth management companies show outflows of HNWIs from France/Paris in recent years probably due to terrorism, besides high taxes. The exact reasons for these trends deserve more research but these factors seem, in principle, plausible explanations. A similar situation can be attributed to Turkey (also experiencing outflows of HNWIs, see table 3 below) affected by terrorism and heightened Islamic fundamentalist activity. In the Latin American context, economic collapse in Venezuela, featuring hyperinflation, scarcities and massive output contraction, along with internal and external political destabilization, has prompted the wealthy and more than two million people (including professionals, middle class and working class people) to leave the country since 2013.

The relation between taxation levels and costs of compliance and outflows of high wealth individuals is complex. A country that is probably the largest magnet for immigrants such as the United States also shows a growing tendency for individuals to renounce their nationality, apparently for tax reasons. In fact, there is a number of wealthy (and middle-class) Americans, mostly living outside the U.S. and holding other nationalities, that have relinquished their American citizenship in recent years (estimates show numbers near 2,000 people in the 2010s up from less than 100 in the 1960s).

Interviews highlight that a main motivation for doing so is not so much a very high level of taxation but the complexity of the US tax system, including the high cost of filing taxes every year outside the U.S. when tax experts

\textsuperscript{18} Examples of this are the Paris terrorist attacks of late 2015 and the Nice attack of July 14\textsuperscript{th}, 2016.
conversant on that tax system are in short supply. Also concerns on the invasion of privacy on asset holdings by U.S. tax authorities is reported to be another cause for relinquishing US citizenship. On the other hand, countries with a high level of personal taxation such as Scandinavian countries do not figure prominently among the nations in which rich nationals depart from their home countries. Therefore, the relationship between the level of taxation and the departure of the very rich is not that straightforward. The rich may not like paying high taxes but if they receive--like in any other citizen in universal systems of provision -- good quality education, health services and pensions provided by the state and funded with income and wealth taxation as in the case of Scandinavian countries, the rich may decide to stay at home.

Inflows and Outflows of HNWIs

In 2017 there were near 95,000 HNWIs that moved to reside abroad compared to 82,000 HNWIs in 2016 and 65,000 in 2015 (WWN, Research and Markets, 2018). As the total stock of migrants is near 250 million, we are

19 Durden (2014).

20 The numbers are rounded to the next 000s. There are at least three main reports/ private sources of information on wealth holdings by country and mobility of the wealthy: The Wealth Report prepared by the London-based global property company Knight-Frank, (Knight-Frank, 2018), The Global Wealth Report (Credit Suisse, 2017) and the Global Wealth Migration Review (New World Wealth, NWW, Research and Markets, 2018) based in Johannesburg. In turn, the Bank of International Settlements (BIS) is a public repository of offshore wealth registers held in member countries. Some of this data is presented in high detail as in the case of Switzerland but in other countries that are tax havens and cater international depositors the information tends to be rather aggregate and murky. See Alstadsaeter, Johannesen and Zucman (2017a).
speaking of a very small group of individuals worldwide but this is a group with a large command of financial resources and influence. It is estimated that 34 percent of HNWIs, globally, have a second passport or dual nationality. This percentage is the highest for wealthy Russians/CIS, (58 percent), followed by wealthy Latin Americans, (41 percent), and wealthy individuals from the Middle-East, (39 percent). Asian and Australasian have the lowest percentage of second passports/dual nationality.  

The three most preferred country destinations for HNWIs in 2017 (countries with net inflows of HNWIs above 1,000 individuals) were Australia, the United States and Canada, followed by the United Arab Emirates and small countries in the Caribbean such as Bermuda, Cayman Island, Virgin Island, St. Kitts and Nevis and others (table 2). In turn, the list of 11 countries with the largest net outflows of HNWIs in 2017 (table 3) is headed by China and India (the scale factor has to be considered here) followed by Turkey, France, the United Kingdom and Russia. It is quite remarkable that two advanced countries such as the UK and France appear as two countries with significant net outflows. In Latin America, Brazil and Venezuela, both affected by economic crises and political turbulence, are among the top ten countries with the largest outflows of HNWIs in recent years.

Table 2 Countries ranked by HNWI net inflows, 2017

<table>
<thead>
<tr>
<th>Country</th>
<th>Net inflows of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td></td>
</tr>
<tr>
<td>the United States</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td></td>
</tr>
<tr>
<td>the United Arab Emirates</td>
<td></td>
</tr>
<tr>
<td>small countries in the Caribbean such as Bermuda, Cayman Island, Virgin Island, St. Kitts and Nevis and others</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>HNWIs in 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>10000</td>
</tr>
<tr>
<td>United States</td>
<td>9000</td>
</tr>
<tr>
<td>Canada</td>
<td>5000</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>5000</td>
</tr>
<tr>
<td>Caribbean*</td>
<td>3000</td>
</tr>
<tr>
<td>Israel</td>
<td>2000</td>
</tr>
<tr>
<td>Switzerland</td>
<td>2000</td>
</tr>
<tr>
<td>New Zealand</td>
<td>1000</td>
</tr>
<tr>
<td>Singapore</td>
<td>1000</td>
</tr>
</tbody>
</table>

*Note: figures rounded to nearest 1000

*Caribbean includes Bermuda, Cayman Islands, Virgin Islands, St Barts, Antigua, St Kitts & Nevis, etc

<table>
<thead>
<tr>
<th>Country</th>
<th>Net outflows of HNWI net outflows in 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>10000</td>
</tr>
<tr>
<td>India</td>
<td>7000</td>
</tr>
<tr>
<td>Turkey</td>
<td>6000</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>4000</td>
</tr>
<tr>
<td>France</td>
<td>4000</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>3000</td>
</tr>
<tr>
<td>Brazil</td>
<td>2000</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2000</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>1000</td>
</tr>
<tr>
<td>Nigeria</td>
<td>1000</td>
</tr>
<tr>
<td>Venezuela, RB</td>
<td>1000</td>
</tr>
</tbody>
</table>

_Note: figures rounded to nearest 1000_


Main cities that received inflows of HNWIs above 1,000 in 2017 were Auckland, Sydney, Melbourne, and Perth, Tel Aviv, Dubai, San Francisco, Vancouver and others (table 4). It is worth noting that Canada and Australia concentrate large inflows of HNWIs in recent years. In contrast, cities that experienced outflows of HNWIs above 1,000 in 2017 were Istanbul, Jakarta, Lagos, London, Moscow, Paris and Sao Paulo (table 4). Some of these cities have been affected, at different degrees, by factors that may encourage the exit of people from their home countries/cities such as violence and terrorist
attacks, high taxes, pollution and traffic congestion; nonetheless, cities such as Paris and London that have traditionally been preferred destination for the wealthy show now positive net outflows of wealthy individuals. As already mentioned, reasons for these reversal may be related with Brexit in the case of London along with the level of inheritance and other taxes affecting the UK and France (NWW, Research and Markets, 2018).

Table 4 Cities with large (1,000+) inflows of HNWIs in 2017

<table>
<thead>
<tr>
<th>City (alphabetical)</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auckland</td>
<td>New Zealand</td>
</tr>
<tr>
<td>Dubai</td>
<td>UAE</td>
</tr>
<tr>
<td>Gold Coast</td>
<td>Australia</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>USA</td>
</tr>
<tr>
<td>Melbourne</td>
<td>Australia</td>
</tr>
<tr>
<td>Montreal</td>
<td>Canada</td>
</tr>
<tr>
<td>Miami</td>
<td>USA</td>
</tr>
<tr>
<td>New York City</td>
<td>USA</td>
</tr>
<tr>
<td>San Francisco Bay area</td>
<td>USA</td>
</tr>
<tr>
<td>Seattle</td>
<td>USA</td>
</tr>
<tr>
<td>Sydney</td>
<td>Australia</td>
</tr>
<tr>
<td>Tel Aviv</td>
<td>Israel</td>
</tr>
<tr>
<td>Toronto</td>
<td>Canada</td>
</tr>
<tr>
<td>Vancouver</td>
<td>Canada</td>
</tr>
</tbody>
</table>


Table 5 Cities with large (1,000+) outflows of HNWIs in 2017

<table>
<thead>
<tr>
<th>City (alphabetical)</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Istanbul</td>
<td>Turkey</td>
</tr>
<tr>
<td>Jakarta</td>
<td>Indonesia</td>
</tr>
<tr>
<td>Lagos</td>
<td>Nigeria</td>
</tr>
<tr>
<td>London</td>
<td>UK</td>
</tr>
<tr>
<td>Moscow</td>
<td>Russia</td>
</tr>
</tbody>
</table>
Bilateral corridors include wealthy Chinese going to the US, UK and Canada; wealthy Indians going to the US, UAE, Canada, Australia and New Zealand; rich Britons moving to Australia and the US, wealthy Russians to the US, Cyprus, Switzerland, the UK; the French going to Canada, Switzerland and the US; Brazilians going to Portugal, Spain and the US, Venezuelans going to the US and so on. The diversity of countries of origin is wide and include emerging economies and post-socialist countries as well as some advanced economies. Destination nations include mature advanced capitalist countries (US, UK, Switzerland, Australia) as well as southern European nations as Cyprus, Portugal, Spain and small islands in the Caribbean.

B. Facilitating Mechanism for the Mobility of the Wealthy and their Assets

In this section we will examine three supporting mechanisms/markets that facilitate the international mobility of the wealthy and their assets: (i) special investment migration regimes/citizenship and residence by investment programs, (ii) tax havens and (iii) the upper-end of the art market.

(i) Special Investment Migration Regimes and Citizenship/Residence by Investment Programs
The European Union, islands in the Caribbean\textsuperscript{22}, Canada, Australia, the United States have introduced in recent years the so-called \textit{Investment Migration Regimes (IMR)} or \textit{Economic Citizenship Programs (ECP)}\textsuperscript{23}. They are also referred to as \textit{Citizenship by Investment} programs (CBI) or \textit{Residence by Investment} programs (RBI).

To grant residence or citizenship rights they require applicants to make certain investments in the host country, comply with physical residence periods and undergo background checks. There are two types of capital contributions: (i) “passive” investments such as buying real estate, the purchase of government bonds, open a bank account and/or make capital contributions to existing firms, (ii) “active” investments such as the creation of new firms and the provision of jobs accompanied by business plans that are presented to the local authorities. Passive investment requirements are present in most cases being more popular in the programs of Caribbean islands, Malta, Cyprus, Bulgaria, Latvia and other nations\textsuperscript{24}. In turn, the United States, Great Britain and other mature capitalist economies lean more towards active investment requisites (Avanzini, 2018).

Estimates of the volume of foreign investment (mostly in securities and other financial assets) and property investment related to European CBI/RI programs are in the range of 0.3 percent of GDP (Portugal), 1

\textsuperscript{22} A citizen of Saint Kitts and Nevis is entitled free-visa entry to 152 countries. In turn, a citizen of Cyprus, a EU-member state, has access to 172 nations without visa.

\textsuperscript{23} Some programs have been in place since the 1980s and 1990s while others were created after the 2008-09 financial crisis.

\textsuperscript{24} European Parliament (2018).
percent in Latvia and 2.5 percent in Cyprus (European Parliament, 2018). In the Caribbean Island of St. Kitts and Nevis the sum of fees and capital contributions related to ECP in 2013 reached over 20 percent of GDP, improving substantially the fiscal budget, the balance of payments and liquidity in the banking systems and leading to a boost in tourism and construction (Xu, et.al., 2015). This shows that in relative terms these foreign capital inflows related to CBI/RBI schemes can be relatively important in small economies. The other side of the coin of these inflows is the risk of macroeconomic destabilization related to a reversal in these inflows for changes in government policies and other factors. The risk is particularly relevant in small-state economies as the magnitude of foreign capital inflows often amount to several points of their GDP.  

Small islands and independent jurisdictions and Bulgaria enable the wealthy that engage in IMR programs to the benefits of special taxation regimes (particularly reduced personal income tax rates) that also raise issues of fairness. Investment migration regimes impose certain *physical residence requisites* that in some Caribbean islands can be no more than a week in a year while some EU countries require almost no physical residence although others require six-months or more. Some countries adopt a sequential approach, imposing first having permanent residence before the eventual granting of citizenship. The amount of investment required to obtain citizenship rights in EU-countries with more liberal admission regimes may vary from Euro 400,000 (Bulgaria), Euro 1,150,000 million (Malta) to Euro 2 million (Cyprus). In some Caribbean countries the

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amounts are in the range of U$ 250,000-U$ 600,000. Although the data is scant, the number of residence permits granted to non-EU residents under RBI schemes in the period 2009-2018 range from 490 in Bulgaria to 14,000 in Latvia and 17,000 in Portugal (no data available for Malta and Cyprus).  

These programs are controversial as affect conventional notions of citizenship eligibility by place of birth or family-background that have traditionally governed immigration systems. In addition, concepts of “genuine links” with the countries of adoption — in which individuals accessing to citizenship must show affinities of language, culture and a common history — are weakened by simply requiring to undertake certain financial investments and by reducing staying periods. In addition, concerns on corruption, money laundering and favorable tax regimes for the wealthy have been ignited by observed irregularities in the management of economic citizenship programs in Hungary, Latvia, Portugal and other nations. 


27 At conceptual level, the use of money to obtain residence rights was explored by free market economist Gary Becker (Becker 1987). He argued that letting immigrants to pay for the right to reside in another country was more efficient than subjecting them to lengthy waiting periods. His main policy recommendation was a payment system for visas and citizenship rights. Recent literature on the subject (Surak, 2016; Sumption, K. and H. Hooper, 2014 and Prats, 2017) examine the various dilemmas of the market for visas and citizenship rights driven by money contributions. This new literature poses that immigration rights should not be treated as a commodity to be traded in a market in exchange for money. The market mechanism may be more efficient than bureaucratic allocation but at the same time it provides a substantial advantage to rich immigrants compared with the non-rich (working class migrants, middle class migrants) as the latter can not afford, in general, making hefty payments to get residence permits and citizenship that open the doors for better jobs and the superior living standards of rich nations. It is clear that existing inequalities of income and wealth can be amplified if migration policies in the receiving countries are driven by the ability to pay by prospective immigrants.
(ii) Special Tax Jurisdictions/ Tax Havens

An important mechanism for attracting assets of the rich is tax havens. Although there is no universally accepted definition of what constitutes exactly a “tax haven” or a “special tax jurisdiction” they share at least three common features: (a) low or zero taxation of interests earned by foreign depositors, (b) easiness of legal incorporation of commercial companies and (c) legally-protected secrecy. Tax havens are special designs of sovereign states and small jurisdictions created to attract foreign capital. The economic benefits of these legal devices include the extra financial resources coming from abroad that can be invested in the recipient countries, the enhancement of profit-opportunities for domestic banks and increased tax revenues for the government (although obtained in indirect ways). In contrast, the origin countries of the funds will see their tax base eroded and will have less resources available to support domestic investment and economic development.

Historically, the locations of tax havens can be traced to three geopolitical poles, reflecting various financial practices of old empires and hegemonic nations: (i) The British Pole including the City of London, British- Crown Dependencies, Overseas Territories and former colonies, (ii) The European Pole comprising tax havens created by continental European countries and (iii) The American Pole with special tax jurisdictions in the sphere of the

__________________________
Americas and, particularly, in some states of the U.S.A. Other classifications are possible, particularly to denote the recent importance of Asian tax havens.

The British Pole includes a variety of tax havens such as Jersey Island, Isle of Man, Cayman Island, British Virgin Island and former protectorates and colonies such as as Hong-Kong, Singapore, the Bahamas, Bahrain and Dubai. The European Pole includes Switzerland, Ireland, the Benelux countries (Belgium, Netherlands and Luxembourg) and Liechtenstein. The American Pole includes states such as Delaware and New Jersey and the most distant Panama and Uruguay. This international network of special tax jurisdictions has grown in recent decades in line with the increasing accumulation of wealth in small elites seeking escape from national taxation, the improvements in the technology for electronic transfers of funds and the growing size of global capital markets.

**Resources Involved**

It is estimated that, in 2001-2015, on average, around 10 percent of global GDP has been maintained offshore as personal wealth in special tax jurisdictions.\(^{28}\) Other estimates from the Boston Consulting Group show a share that is two to three percentage points higher than the one provided by Alstadsaeter, Johannesen and Zucman, (AJZ, 2017a, figure 3). In turn, the National Bank of Switzerland shows a decreasing proportion of offshore wealth being held in Swiss financial institutions (a main offshore financial center) starting around 2007. In total monetary value, and as a share of

\(^{28}\) See Alstadsaeter, Johannesen and Zucman, (AJZ, 2017a). Zucman (2013) provided an earlier estimate of “hidden wealth” in fiscal paradises that was updated in AJZ (2017a).
global GDP, the total value of offshore wealth has been steadily rising between 2005 and 2015, see table 6.

Figure 3. The Global Amount of Wealth in Tax Havens

Table 6. **World Offshore Household Wealth**

<table>
<thead>
<tr>
<th></th>
<th>Billion of current U$</th>
<th>% of world GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AJZ (2017a)</td>
<td>BCG.</td>
</tr>
<tr>
<td>2005</td>
<td>4,410</td>
<td>6,052</td>
</tr>
<tr>
<td>2010</td>
<td>5,547</td>
<td>7,800</td>
</tr>
<tr>
<td>2015</td>
<td>8,635</td>
<td>10,000</td>
</tr>
</tbody>
</table>

Source: Own elaboration based on, Statistical Appendix, AJZ 2017a(online). BCG= Boston Consulting Group.

This money largely escapes taxation in the origin countries as a large proportion of it is undisclosed; on the other hand, these flows engross the deposits received by commercial banks in tax heavens, providing additional financial resources to recipient countries and other benefits already mentioned. A study for the case of Norway, Sweden and Denmark (ADZ, 2017b) examined the degree of no disclosure to the national tax authorities of funds held offshore\(^{29}\). An important finding of this research is that the average rate of tax evasion rises sharply with the wealth level of those placing assets abroad.\(^{30}\)

**Changing Importance of Regional Tax Havens**

\(^{29}\) The offshore wealth to GDP ratio in these countries is between 2-4 percent, well below the world average (see figure 2 in the text).

\(^{30}\) The average personal tax evasion, for the three countries, is 3 percent, this percentage rises to 25-30 percent for the top 0.01 percent of the wealth distribution.
Historically, Switzerland has been a main supplier of cross-border wealth management services starting in the 1920s. In the 1930s and 1940s, the Swiss took advantage of its neutrality in Second World War to receive large deposits from wealthy Europeans in belligerent countries, including money coming from Nazi Germany. Before the financial crisis of 2008-09, Switzerland held 46 percent of global offshore wealth (2007) but this share declined to around 26 percent in 2015 (table 7). The decline in the importance of Switzerland and other European tax havens has been matched by an increase in the relative share of American and Asian special tax jurisdictions. In the American Pole, the Cayman island accounted for 7.9 percent of world offshore wealth, followed by the US (7.5 percent) and Panama (1.6 percent). The main recipient of offshore wealth in that year was Hong–Kong, representing 16.5 percent of the world total (mostly coming from mainland China) followed by Singapore (10 percent). Among the special tax jurisdiction in the British and European poles we find the UK (8.9 percent) followed, closely, by Luxembourg (8.3 percent) in 2015.

Table 7  Evolution of Regional Tax Havens (TH) between 2005 and 2015 (share of offshore wealth, percent)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Switzerland</th>
<th>AmericanTH</th>
<th>AsianTH</th>
<th>EuropeanTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>100</td>
<td>46</td>
<td>10.7</td>
<td>13.9</td>
<td>29.6</td>
</tr>
</tbody>
</table>

31 This is for 2015.
32 Alstadsaeter, Johannesen and Zucman (2017a), Statistical Appendix.
<table>
<thead>
<tr>
<th>Year</th>
<th>100</th>
<th>26</th>
<th>15.9</th>
<th>17.0</th>
<th>19.7</th>
<th>33.5</th>
<th>23.8</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>100</td>
<td>41</td>
<td>15.9</td>
<td>19.7</td>
<td>22.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>100</td>
<td>26</td>
<td>17.0</td>
<td>33.5</td>
<td>23.8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Own elaboration based on Alstadsaeter, Johannesen and Zucman (2017a), Statistical Appendix (online).

Figure 4 shows a significant dispersion in the ratios of offshore personal wealth relative to GDP across countries with different development levels and macroeconomic and socio-political characteristics. The ratio varies from 2–4 percentage points of GDP in Korea, Sweden, Norway, Denmark, Japan and China to around 35 percent in Greece and Argentina and up-to 40 to 70 percent in Russia, Saudi Arabia, Venezuela and United Arab Emirates. Countries with a history of financial crises such as Argentina, Venezuela, Greece and Russia have higher percentages of offshore personal wealth relative to their GDP than nations with more stable macroeconomic and socio-political structures. This underscores the fact that macro-financial volatility deters national investment and encourage capital flight to more financially-secure locations (Popov, 2015, Solimano, 2017).

Figure 4. Offshore Personal Wealth for Selected Countries (percent of GDP)

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33 Russia is in this range when offshore wealth is estimated through the Net Errors and Omission (NEO) methodology, see Novokmet, Piketty and Zucman, (2017).
Finally, it is important to note the existence of regional biases in the choice of tax havens for individuals wanting to place their wealth abroad. American special tax jurisdictions such as Virgin Island, the US and Panama receive an important proportion of wealth from residents in the Americas. In turn, the French, Belgians and Portuguese hold part of their offshore wealth mainly in Switzerland and Luxembourg and wealthy Russians prefer Switzerland and Cyprus. In turn, wealthy Asians tend to prefer Singapore, Hong Kong, Macao and Jersey Island (a British territory) as places to park their financial assets.

(iii) The Art Market as an Outlet for Wealth Accumulation
The global art market is becoming a channel of growing importance for the money of the super-rich as the annual turnover of the international art market is around U$ 60 billion (Mac Andrew, 2018).\(^3\) Most transactions in expensive art-work tend to take place at the high-end of this market and may be surrounded by opacity and practices of tax avoidance. In turn, issues of provenance and forgery are deemed relevant in the operation of the segment. As shown in figure 5 the main markets are located in the USA and China, followed by the traditional European art markets of the UK, France and Germany.\(^5\)

**Figure 5 Global Art Market Share by Value in 2017**

\(^3\) Estimates are that billionaires (individuals/families with net wealth over one billion dollars) hold an average between U$ 5 to 50 million in art (McAndrew, 2018, pp. 294).

\(^5\) The art market has historically been dominated by the West. Nevertheless. In the 1970s and 1980s, the Asian regional art market was dominated by Japan, as it experienced high rates of economic growth, record savings, booms in the stock and real estate market and the yen appreciated against main Western currencies, making it cheaper to buy Western art. These trends favored the acquisition of art by Japanese collectors, and the participation of the country in the global art collecting scene. This art market, however, crumbled in the early 1990s and China started to emerge as a vibrant art market coinciding with the country’s economic rise. Consequently, main galleries and auction houses have established in Beijing, Shanghai, and Hong-Kong, and the number of auction houses has sharply increased (Solimano and Solimano, 2019).
Top art collectors often belong to global economic elites concentrated in a few cities and in the most dynamic sectors of the current capitalist economy. The three biggest collector cities are New York, London, and São Paulo, the latter home to more than half of Latin American art collectors. Other significant cities are Miami, Venice, Paris, Basel, Berlin and Hong Kong, because they are home to art dealers, they host satellite fairs and biennials, and are homes to artists and artistic production (this is especially so in Berlin). The sources of their wealth, besides inheritance, are largely finance, real estate, construction, and retail, followed by extractive, media, advertising, and other industries. Wealthy collector’s involvement with art institutions—either private or public—also leads collectors to enjoy special tax treatments, an important incentive to consider. Tax breaks are given according to the financial value of their donations, which are backed up by experts and appraisers (art historians, dealers, conservators, or others, who must possess a broad knowledge of the art market, and the standards,

principles, and methodologies that surround art pieces). Incentivizing collectors to donate artworks to public museums, some institutions have inflated the prices of artworks in order to facilitate them with larger tax-deductions.36 The speculative demand for art is currently reaching ever-higher proportions and degrees of sophistication, led by purchases of very rich individuals and families. The wealthy is increasingly viewing art objects as an opportunity for profit-making and capital gains. 37

Liquidity, Inequality and Concentration in the Art Market

The art market displays four special features important for understanding both potential and limits as an outlet for investment by global elites. First, higher transactions costs and (a relative lack of) liquidity are features that makes it different from financial markets of say equity and bonds. These financial assets can be bought and sold electronically supported by a well established institutional infrastructure. In contrast, in the case of art work, the costs of finding buyers is time-consuming, often requiring the intermediation of auction houses and art galleries that charge significant fees for their services. On the other hand, prices for major artists can reach

36 For details see Solimano and Solimano (2019).
37 The MoMA in New York has the largest number of members of the Forbes 400 list of all the corporations and nonprofit organizations worldwide, beating rich companies such as Google and Facebook. One may ask what motivates these wealthy individuals to donate to the arts, yet it is important to remember that their donations are not only directed to this sector. Along with their involvement in museums, the transnational capitalist class donates to political parties and candidates. Fraser (2016) has undertaken thorough research on the political donations of museum board members and trustees in the United States, finding that many of the people involved in purportedly progressive museums are in fact active contributors to conservative parties.
extravagant levels: Leonardo da Vinci’s *Salvatore Mundi* painting was sold at U$ 450 million in 2017.

Second, the art market is increasingly *financialized*, with hedge funds, family offices and banks actively investing in creating their own internal knowledge capacities oriented to advice their wealthy clients on investments in the art sector.

Third, there is a substantial *concentration and polarization* between a small high-end segment of the art market oriented to rich buyers (in tandem with the rise in global wealth inequality) and a vast mass of galleries that generate the bulk of employment and trade, yet they do not capture the high revenues as they are oriented to a middle class or even popular market segment. In other words, it is a polarized market, with the bulk of the volume of sales (number of transactions) concentrated at the lower-end of the market, while the higher value of sales (prices times quantities sold) is concentrated at the higher-end of the market. The middle-range of the market in terms of value and quantities is squeezed by the upper tail (in value) and the bottom tail (in volume).38 These trends are exacerbated by the presence of powerful dealers at international art fairs (where many transactions take place now as the cost of renting space for galleries is increasing), in cities like New York City, Miami, Basel, London, among others.

Fourth, the art market displays a considerable *sensitivity to macroeconomic cycles* behaving in a pro-cyclical way, with aggregate sales/volumes rising in the upswings, and declining in the downturns of the business cycle. As shown in figure 6 below, both sales and volumes fell

38 See Solimano and Solimano, (2019) for empirical evidence on this.
sharply in 2009 at the bottom of the global financial crisis, yet recovered rather forcefully afterwards. In addition, many times the recoveries (and booms) in the art market tend to benefit the high-segment of the market more, while downturns and crises may affect all segments. In line with the asymmetrical nature of the market just mentioned, the recovery after the 2008-09 global financial crisis mostly favored the large auction houses and large galleries, rather than those in the middle- or lower-end range.39

Figure 6 The Global Art Market: Value and Volume of Transactions, 2007-2017
(U$ million and thousands)

39 In fact, galleries with turnover in excess of U$ 50 million had yearly increases of over 10 percent in the post-2009 period, compared with declines in sales for dealers with sales less than U$ 1 million. Galleries with annual sales below U$ 250,000 did the worse in the market, showing that the recent recovery and boom in the art market has benefitted the ultra-high-end in detriment to the rest.
Hiding Art in the Shadows: The Emergence of Freeport

The world’s top collectors are increasingly holding their collections in high-tech, well protected storages, thereby hiding them from the public view. These special storage spaces often exist outside the territorial jurisdiction of any country and are called Freeport. They were historically, intended to store goods traveling (in transit) to other destinations and thus duties and taxes were suspended until the goods reached their final destination. They arose in Geneva, Zurich, and Luxembourg, in tax-relieved countries, and have expanded to others like Monaco, Singapore, and Beijing. No restrictions are put on who may use a Freeport (as long as fees are paid) and all of them are open to individuals, as well as to business entities that benefit from the tax-suspension system. While not all taxes are exempted in these facilities, value-added taxes are, as well as sales taxes, which is crucial considering that some pieces of fine art, including high-value artists, such as Amedeo Modigliani,
Vincent Van Gogh, and Paul Cézanne have increased substantially, depriving the state of the corresponding revenues. Unsurprisingly, the geographic location of Freeport for artworks and luxuries (expensive cars, wine, private airplanes) tend to coincide with the locations of tax havens for outside bank deposits.\(^{40}\) They provide “protection” that is both physical and financial: highly-valuable physical objects (artwork) are subject to museum-like storage standards under high-security with financial protection linked to the tax-free status enjoyed by Freeport.

C. Personal Wealth Mobility and Inequality

A final subject of this report is the relation between the mobility of the wealthy and their assets and inequality. International migration theory posits that immigration tends to amplify internal inequality between capital and labor in recipient countries by increasing the supply of labor and therefore moderating the growth of wages relative to profits and other returns on capital assets. In our case the immigration is of capital owners rather than labor. As the number of wealthy immigrants as a share of the total population is very small and wealthy immigrants may not enter the local labor market (e.g. they are rentiers enjoying incomes from passive investments) the effects on the local remuneration structure may be weak at best. Regarding inequality between countries, international migration can contribute to reduce differences in wages and per capita income across

\(^{40}\) See previous sections and Solimano, (2018a ad 2018b).
countries over time. Economic historians studying the “Atlantic economy” 
(Europe, the United States and Canada) have shown that in the era of mass 
migration (c.1870-1914) there was a process of wage convergence between 
labor–abundant European countries (Ireland, Italy and others) where people 
were earning modest wages and labor-scarce, North American countries (the 
United States and Canada) where labor was in relative short supply and thus 
wages were higher. A similar process of convergence took place between 
countries of the “Old World” (Europe) and other economies of the “New 
World” such as Argentina and Australia. Massive migration at the turn of the 
20th century between the old and new world encouraged wage convergence, 
narrowing international inequality. However, throughout the 20th century 
and the early 21st century migration flows became more restricted and wage 
convergence weakened.

In the case of migration of the wealthy, more relevant seems to be the 
effects of capital inflows associated with economic citizenship programs. 
Distributive effects of capital inflows by the wealthy are linked to the way 
these funds are allocated in the host country. There is evidence that a 
portion of resources brought by HNWI migrants go to the real estate market. 
Orlando (2018) investigated the impact of capital inflows on the real estate 
market in Los Angeles and New York and concluded that home prices tend to 
to positively correlate with foreign capital inflows. In the European context, a 
similar finding is provided in the European Parliament report on CBI/RBI 

Luxury real estate is a main target of foreign rich individuals in main cities of 
the developed world with the concomitant effect of making real estate more
expensive benefitting the owners of land and apartment-buildings. Intermediaries gain also as real estate companies engaged in selling property to foreign oligarchs receive handsome fees and earnings. A downside for the non-rich of the push-up in the price of urban land and property in downtown/preferred locations is to make them less affordable for working and middle class inhabitants that are displaced. Sellers of existing property can make monetary gains with these transactions but at the emotional cost of leaving their traditional homes and neighborhoods severing ties with their inhabitants. In addition by moving to more distant places from their working place, the schools of the children they will be spending more time in transportation. The distributive aspects of financial flows to tax havens also have to be considered. When the money is coming from emerging economies to advanced countries—the most usual pattern—there is a redistribution of wealth is from low and middle income countries towards high-income nations that offer international financial services in conditions of low taxation and discretion. This would be a redistribution from the global south to the global north (the numbers are not low as the average global offshore deposits to GDP is at least 10 percent). In addition, we can also establish a positive correlation between the extent of wealth inequality within countries and the proportion of their GDP held abroad in offshore deposits. As shown in table 8, countries that have a large proportion of offshore deposits (ratios over 30 percent of GDP) have also higher average wealth-Gini coefficients, closer to 0.75, than countries with
relatively low proportions of their GDP held in offshore deposits (ratios below 5 percent) that have lower average wealth-Gini coefficients (near 0.65).

Table 8. Offshore Deposits and Wealth Inequality

<table>
<thead>
<tr>
<th>Offshore deposits</th>
<th>Wealth Gini</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share over 30 % of GDP*</td>
<td>0.74</td>
</tr>
<tr>
<td>Share below 5 % of GDP **</td>
<td>0.63</td>
</tr>
</tbody>
</table>

Notes: *: Argentina, Greece, Russia, Venezuela and Saudi-Arabia
**: China, Denmark, Finland, Norway, Korea and Poland.
Wealth Gini coefficients are from the UN and WID database.

An interesting empirical result is provided by Popov (2018) that finds a higher concentration of the very wealthy (billionaires)\(^{41}\) in countries with relatively lower income inequality (measured by income-Gini coefficients obtained from household surveys). This is the case of Cyprus, Israel, Sweden, Denmark, Iceland, Ireland and the United States, all countries with high-per capita income levels that receive a significant number of billionaires. Of course, the

\(^{41}\) Individuals with net wealth above US 1 billion. Popov (2018) measures concentration by the ratio of wealth to GDP of billionaires.
intensity of wealth to GDP almost by definition affects also the extent of wealth inequality in a country.

Conclusions

This report underscores several trends that are likely to shape the mobility of the wealthy and their assets in coming years: (i) a very high concentration of personal wealth in the upper-end of the wealth distribution, (ii) the existence of economic citizenship programs that provide permanent residence and citizenship in exchange for investments in the host country accompanied by often light physical presence requirements (iii) the global network of tax havens and special tax jurisdictions that provide a convenient place to hold offshore deposits outside the countries where that wealth was generated, and (iv) the development of the global art market as a vehicle of growing importance to invest wealth and save taxes.

Economic citizenship programs (ECP) are controversial as often turn citizenship rights into a commodity that can be purchased with financial investments. The macroeconomic effects of financial inflows tied to ECPs requirements can be destabilizing for small-state economies as reversals in capital inflows may occur in response to changes in admission rules. In addition, these funds tend to increase property prices displacing locals.

Moreover, ECP can have corrupting effects on local politicians. Offshore deposits redistribute financial wealth towards high-income nations, islands and small jurisdictions that offer tax havens services and erode the taxable base of national governments. Furthermore, undeclared offshore wealth
leads to underestimate the degree of wealth concentration and wealth inequality in the source countries providing a distorting empirical base to formulate tax policies and business regulation.

The upper end of the art market has resulted in the diversion of valuable artwork from public enjoyment in museums to secure storages in Freeport often located in the same cities of tax havens.

The empirical evidence on the relation between inequality and physical mobility of the wealthy is complex. It shows that the super-rich prefer to reside in nations with lower income inequality (and more stable institutions) although they often come from countries in which wealth inequality has risen sharply in recent decades. In turn, countries with high inequality tend to have a greater proportion of offshore deposits to GDP than nations with lower indices of wealth inequality. The practice of holding offshore deposits is often motivated by the expectation of policy and political changes that can affect the economic value of their financial assets through depreciations of the currency, inflation and taxation. In turn, these events tend to be more frequent in unequal societies. In contrast, destabilizing socio-economic cycles in recent decades are rarely observed in more socially cohesive and egalitarian countries (e.g. Scandinavian and Central European nations). Nonetheless, this may change with the recent rise of nationalism and populism in Europe giving rise to new scenarios of instability now in high-income nations.
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