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## THE RICH CLASS AND OFFSHORE WORLDS

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Warren Buffett, sometimes described as the twentieth century's most successful investor, recently maintained: '[There is class warfare, all right, but it's my class, the rich class, that's making war, and we're winning](#)'. This article describes how this rich class did indeed wage class war through deploying the striking new strategy of offshoring. The 'rich class' refers to high net worth individuals and families, the owners/managers of major corporations and professional service companies, many thinktanks, and leading policy-makers.

How did the rich class develop such a strategy? We know that all societies entail the movements of peoples and objects, but capitalist societies seem to elevate the scale and impact of such movement to dramatically new levels. Many analysts believe there is a massive ratcheting up of this borderlessness from the 1980s onwards, and that this is a key part of the neo-liberal redrawing of almost all societies around the world.

This movement of money, people, ideas, images, information and objects had been thought of as economically, politically and culturally beneficial. Most aspects of contemporary societies were believed to be positively transformed through increased cosmopolitanism and borderlessness. The world was increasingly open especially if one lived, worked and consumed near the centre of this world of greater opportunity and choice.

But this 1990s decade did not turn out to be the harbinger of a long term, optimistic and borderless future. Many texts especially in the new century reveal the dark side to borderlessness. Flowing across borders are not just consumer goods and new services, but terrorists, environmental risks, trafficked women, drug runners, international criminals, outsourced work, slave traders, asylum seekers, property speculators, smuggled workers, waste, financial risks and especially untaxed income. So rather than there being a general process of increased open movement, a borderless world presupposes borders and secrets. New borders are regularly being created, policed and surveilled.

A borderless world is one of 'secret worlds' and this is to be seen in many domains, of the offshoring of manufacturing work, of waste, especially e-waste, of energy, of torture, of leisure and pleasure, of CO<sub>2</sub> emissions and of taxation. Offshoring involves moving resources, practices, peoples and monies from one national territory to another but hiding them within secrecy jurisdictions as they move through routes wholly or partly hidden from view. Offshoring involves evading rules, laws, taxes, regulations or norms. It is all about rule-breaking, getting around rules in ways that are illegal, or go against the spirit of the law, or which use laws in one jurisdiction to undermine laws in another. Offshore worlds are full of secrets and lies.

These offshore worlds have been made possible by the enhanced development of various new sociotechnical mobility-systems, of container-based cargo shipping; aeromobility; the internet and new virtual worlds; car and lorry traffic; new electronic money transfer

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systems; the growth of taxation, legal and financial expertise oriented to avoiding national regulations; and the proliferation of 'mobile lives' with frequent legal and illegal movement across borders.

Such an offshoring world is dynamic, reorganising economic, social, political and material relations between societies and within them, as populations and states find that more and more resources, practices, peoples and monies are made or kept secret. The global order is the very opposite of a simply open world - it is one of concealment, of very many secret gardens mainly orchestrated in and for the rich class.

Indeed since the development of neo-liberalism in the later 1980s there has been an astonishing growth in the movement of finance and wealth to and through the world's sixty to seventy tax havens which make up over one-quarter of contemporary societies. These tax havens, or 'treasure islands', include Switzerland, Jersey, Manhattan, Cayman Islands, Monaco, Panama, Dubai, Liechtenstein, Singapore, Hong Kong, Gibraltar, City of London and Delaware. The development of 'secrecy jurisdictions', or in France what are known as '*paradis fiscal*', are core to this neo-liberalisation of the world economy from around 1980 and the ending of many exchange controls. To be offshore is to be in paradise, by contrast with the high-state-high-tax life experienced onshore. Tax havens are places of escape and freedom, a paradise of low taxes, wealth management, deregulation, secrecy and often nice beaches.

This rich class is the beneficiary of these tax havens. Almost all major companies have offshore accounts/subsidiaries (83 per cent), more than half of world trade passes through them, almost all high net worth individuals possess offshore accounts enabling tax 'planning', and ninety-nine of Europe's hundred largest companies use offshore subsidiaries. As a consequence one-quarter to one-third of all global wealth is held 'offshore'. And the scale of offshored money makes the world much more unequal than researchers previously imagined. [According to the Tax Justice Network](#), fewer than ten million people currently own a staggering US\$21 trillion offshore fortune, a sum equivalent to the combined GDPs of the United States and Japan, the first and third largest economies in the world. This is the source of power and wealth of the super-rich with almost all owing their fortunes at least in part to tax avoiding or tax evasion.

This scale of offshored money has grown from US\$11 billion in 1968 to US\$385 billion in 1978, US\$6 trillion in 1998, and to US\$21 trillion in 2010 (equivalent to about one-third of annual world income). Shaxson (in *Treasure Islands*, 2011) shows that offshore is where the world of power now works. Money staying onshore is now almost the exception to the rule, suitable only for the 'little people' still paying tax. Most big money is offshored although offshore includes most mainstream banks and financial institutions. Shaxson describes how the US is 'by a mile – the world's most important secrecy jurisdiction'. In the little state of Delaware there is a single building which houses 217,000 companies, the largest and most unethical building in the world. [According to the Tax Justice Network](#), again, the annual loss of taxation from this offshoring world is hundreds of billions of US dollars. The offshore

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world also makes it hard for small and medium-sized companies to compete as has been revealed by many direct protestors, NGOs and charities increasingly engaged in ‘tax shaming’.

Central to these offshore worlds is water and various ‘water worlds’. The seven billion humans are crowded onto one-quarter of the earth’s surface. Oceans provide ways to assemble as secret what would otherwise be onshore and visible. Almost all the ocean world is out of sight; when standing at the water’s edge the horizon is only three miles away. There are many examples of this offshoring taking place out to sea. The oceans contain many of these unregulated ‘treasure islands’; there are ships flying ‘flags of convenience’ with conditions of work driven to the bottom; oceans are a global rubbish dump with the Great Pacific Garbage Patch twice the size of France; and there are unregulated climates as the outlaw sea subjects humans to its heightened unruliness, more intense storms, hurricanes, storm surges, rising sea levels and flooding, as documented in detail by leading insurance companies.

The sea is an unruly space not really owned and governed by states, mostly risky, free and unregulated. It is a neo-liberal paradise for the rich class, a vision of the world almost without government, taxes, laws, and where only the powerful ships and their companies survive, with the rest often literally sinking to the bottom. It is a frontier-land but where the frontier covers most of the earth’s surface.

This offshore system is an endlessly shifting ecosystem of interdependent offshore worlds with diverse concentrations of legal, financial and taxation expertise, many modes of securing secrecy and changing balances of what is legal and illegal. Brittain-Catlin (in *Offshore: The Dark Side of Globalisation*, 2005) summarises how in this secret realm: ‘the negative, dark spirit...today pervades the offshore world and its network of secret paraphernalia and hidden practices that are so closely bound into the global economy’. The social sciences neglect these offshore worlds at their peril and especially in relation to examining in what ways that which has escaped offshore might ever be reshored. This offshoring and lack of transparency is bad both for democracy and for society’s chances of ever being able to move back to a low carbon future.

The rich class plotted the development of such offshore worlds during the long period of post-war Keynesianism. In 1947 in Switzerland, the country that was and still is the world’s premier tax haven, a senior bank official brought together scholars to a secret meeting at Mont Pèlerin, near Geneva. This was organised to revive liberalism under the direction of Friedrich Hayek. This meeting, and the development of the Mont Pèlerin Society funded by Swiss banks, was central in commencing the global fightback against dominant Keynesian support for state interventionism. In promoting countless secret offshore worlds during the post-war period the rich class succeeded beyond its wildest dreams in its struggles against regulation, as Warren Buffett so disarmingly reveals.

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