

Just what \$21 trillion being held offshore really means...

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My friend and colleague Jim Henry, the main researcher for the new [Tax Justice Network report](#) *The Price of Offshore Revisited*, has said of it:

This new report focuses our attention on a huge “black hole” in the world economy that has never before been measured — private offshore wealth, and the vast amounts of untaxed income that it produces. This at a time when governments around the world are starved for resources, and we are more conscious than ever of the costs of economic inequality.

Using several independent estimation methods, and the most comprehensive data set ever assembled, we have been able to triangulate on the size and growth of this black hole. Despite taking pains to err on the conservative side, the results are astonishing.

They are. A cautious estimate is that \$21 trillion of assets are held offshore. Cautious means we are very confident that this is understated. I've already provided more details on the report [and its findings here](#), but as Jim puts it the impact of this finding is enormous. He says:

First, this hidden offshore sector is large enough to make a significant difference to all of our conventional measures of inequality. Since most of missing financial wealth belongs to a tiny elite, the impact is staggering. For most countries, global financial inequality is not only much greater than we suspected, but it has been growing much faster.

Second, the lost tax revenue implied by our estimates is huge. It is large enough to make a significant difference to the finances of many countries, especially developing countries that are now struggling to replace lost aid dollars and pay for climate change. Indeed, once we take these hidden offshore assets and the earnings they produce into account, many erstwhile “debtor countries” are in fact revealed to be wealthy. But the problem is, their wealth is now offshore, in the hands of their own elites and their private bankers. Indeed, the developing world as a whole has been a significant CREDITOR of the developed world for more than a decade. That means this is really a

tax justice problem, not simply a “debt” problem.

Third, it turns out that this offshore sector — which specializes in tax dodging - is basically designed and operated, not by shady no-name banks located in sultry islands, but by the world’s largest private banks, law firms, and accounting firms, headquartered in First World capitals like London, New York, and Geneva. Our detailed analysis of these banks shows that the leaders are the very same ones that have figured so prominently in government bailouts and other recent financial chicanery.

Fourth, given all this, it is scandalous that official institutions like the Bank for International Settlements, the IMF, the World Bank, the OECD, and the G20, as well as leading central banks, have devoted so little research to this sector. This scandal is made worse by the fact that they already have much of the data needed to estimate this sector more carefully. For reasons of their own, they have tolerated the growth of the offshore sector for far too long, out of sight. It is time for them to live up to their promises, and work with us on concrete policies to get it under control.

But to end on a note of optimism Jim adds:

From another angle, this study is really good news. The world has just located a huge pile of financial wealth that might be called upon to contribute to the solution of our most pressing global problems. We have an opportunity to think not only about how to prevent some of the abuses that have led to it, but also to think about how best to make use of the untaxed earnings that it generates.