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Private Empires: The Development of Offshore Commercial and Financial Services in Tax Havens, 1955–1979

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This article examines the development of offshore commercial and financial services in tax havens between 1955–1979. The geographic locus of this paper is the Caribbean region, mainly focusing on the island tax havens that had been part of the British empire prior to decolonization. The article examines the relationship between the development of tax havens and decolonisation, and explores questions of international capital movement, the institutional structure of tax havens, the development of banking and commercial services in tax havens, and other offshore business activities. The article presents new data on international capital investment and capital movement, and provides empirical evidence in relation to the structure and function of businesses located in tax havens. This evidence is used to engage with emerging debates with reference to the history of tax havens: specifically, the nature of capital movement and the importance of beneficial ownership rights, and the relationship between the (re)location of business to tax havens and the mitigation of political risk and instability. We demonstrate that the development of tax havens in this period was a consequence of substantial innovation by business and finance to create advantageous environmental conditions in relation to taxation and governance. This was supported by an isomorphic process that spread similarly favourable regimes of law and regulation between different tax havens, as well as the development of a range of supportive commercial and financial services. We conclude by discussing the implications for future research on this topic.

Keywords: tax havens; international business history; international finance

In July 1969 the Bank of England wrestled with the problem of tax havens within the sterling area:

Events in the Caribbean are moving quickly: there has been a considerable build-up of activity since sterling devaluation ...The smaller less sophisticated islands are receiving constant

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attention and blandishments from operators who aspire to turn them into their own private empires. The administrators of these places find it difficult to understand what is involved and to resist the tempting offers which gear the developments of their own islands to tax and banking concessions, involving the minimum, or the complete absence of Exchange Control. Any proliferation [sic] of trust companies, banks etc, which in most cases would be no more than brass plates manipulating assets outside the islands, could quickly get out of hand and produce substantial gaps in the exchange control fence.¹

The concern that tax havens might become, or already were, “private empires”—figuratively and practically replacing the ossifying vestigial institutions of the British Empire—indicates the wider context of the creation of the tax havens. The Bank of England’s palpable expression of a loss of control over business and finance, and perhaps even the sterling area itself, reflects a remarkable reversal; where business and finance once had aided the creation of empire, it now sought to exploit its decline. As this article will demonstrate, the creation of the tax havens was itself a product of powerful economic actors that sought to exploit opportunities created by decolonization that elsewhere had caused disruption and difficulty for business and finance.² The interpretation that we develop here is that they achieved this by creating zones of low or no taxation, limited regulation, and negligible oversight. In so doing, they replicated environmental conditions that had prevailed before 1914, especially in the City of London. In 1968 the *Financial Times* observed that “[o]ne of the few 19th century laissez faire economies still in vigorous working order is to be found in Bermuda.” This “nostalgic condition,” they wrote, had “some advantages ... among them are the absence of income, corporation, and capital gains tax.”³ Tax havens were, therefore, from the outset, and remain today, places with (i) low or no taxation, (ii) where nonresidents could legally locate assets without the necessity to undertake significant business activity, in order to (iii) escape or reduce liability to taxation, and (iv) benefit from secrecy and lack of regulatory transparency (these being four of the main characteristics of tax havens, as recognized by the Organization for Economic Cooperation and Development [OECD]).⁴

1. Bank of England Archive (BOE) OV 121/22 ‘Tax Havens’, July 1969, 10-11.

2. Peter J. Cain and Anthony G. Hopkins, *British Imperialism: 1688-2000* (London: Pearson Education, 2002); David Kenneth Fieldhouse, *Economics and Empire, 1830-1914* (Weidenfeld and Nicolson London, 1973); D. C. M. Platt, *Business Imperialism, 1840-1930: An Inquiry Based on British Experience in Latin America* (Oxford: Clarendon Press, 1977). The negative consequences of decolonization for international business and finance are widely recognised. See, for example, Robert L. Tignor, *Capitalism and Nationalism at the End of Empire: State and Business in Decolonizing Egypt, Nigeria, and Kenya, 1945-1963* (Princeton, NJ: Princeton University Press, 1998); David Kenneth Fieldhouse, *Black Africa 1945-1980: Economic Decolonization and Arrested Development* (London: Routledge, 1986); Nicholas J. White, *British Business in Post-Colonial Malaysia, 1957-70: “Neo-Colonialism” or “Disengagement”?* (Abingdon: Routledge Curzon, 2004); Neveen Abdelrehim and Steven Toms, “The Obsolescing Bargain Model and Oil: The Anglo-Iranian Oil Company 1933–1951,” *Business History* 59, no. 4 (2017): 554–71; Shradha Verma and Neveen Abdelrehim, “Oil Multinationals and Governments in Post-Colonial Transitions: Burmah Shell, the Burmah Oil Company and the Indian State 1947–70,” *Business History* 59, no. 3 (2017): 342–61.

3. A Special Correspondent. “A Jigsaw Puzzle with the Corner Bits Missing.” *Financial Times*, 30 January 1968, p. 3.

4. Organization for Economic Co-operation and Development. 1998. *Harmful Tax Competition: an Emerging Global Issue*. Paris: OECD.

Tax havens and their impact on politics, society, business, and economy remain of considerable importance in popular discourse, to policymakers, and within contemporarily focused political studies and social science.⁵ Within the field of business history, there is a growing literature on the impact of taxation, tax havens, tax avoidance and evasion, and related practices.⁶ In UK economic history the importance of taxation to the domestic business environment is now established.⁷ Within international economic history, research has emphasized the relationship between state actors, the emergence of the international taxation regime, and the development of the offshore economy,⁸ while the importance of taxation to colonial governance and as a factor in decolonization is noted in the field of imperial/colonial history.⁹ The growth in this literature has highlighted how taxation-related research in the fields of economic and business history is in general comparatively underdeveloped. However, within this literature, there are emergent debates that we specifically address.

The first is a debate about the role that capital movement played in the development of tax havens. Ogle begins by asking “what happened to European-owned assets when Europeans left the colonial world during the end of empires” going on to argue that decolonization was “accompanied by a liquidation and removal of European assets.”¹⁰ Ogle conceives of this

5. Ronen Palan, *The Offshore World: Sovereign Markets, Virtual Places, and Nomad Millionaires* (Ithaca: Cornell University Press, 2006); Ronen Palan, Richard Murphy, and Christian Chavagneux, *Tax Havens: How Globalization Really Works* (Ithaca: Cornell University Press, 2010); Nicholas Shaxson, *Treasure Islands: Tax Havens and the Men Who Stole the World* (London: Random House, 2011); Ronen Palan and Anastasia Nesvetailova, “Elsewhere, Ideally Nowhere: Shadow Banking and Offshore Finance,” *Politik* 16, no. 4 (2013): 26–34; Gabriel Zucman, *The Hidden Wealth of Nations: The Scourge of Tax Havens* (University of Chicago Press, 2015); Hines, James. 2010. “Treasure Islands.” *Journal of Economic Perspectives* 24 (4): 103–26; Slobodian, Quinn. 2023. *Crack-Up Capitalism: Market Radicals and the Dream of a World Without Democracy*. London: Allen Lane.

6. Lynne Oats, “Distinguishing Closely Held Companies for Taxation Purposes: The Australian Experience 1930–1972,” *Accounting, Business & Financial History* 15, no. 1 (March 2005): 35–61; Christopher Kobrak and Jana Wuestenhagen, “International Investment and Nazi Politics: The Cloaking of German Assets Abroad, 1936–1945,” *Business History* 48, no. 3 (2006): 399–427; John Avery Jones, “The History of the United Kingdom’s First Comprehensive Double Taxation Agreement,” *British Tax Review* 3 (2007): 211–54; Simon Mollan and Kevin Tennent, “International Taxation and Corporate Strategy: Evidence from British Overseas Business, circa 1900–1965,” *Business History* 57, no. 7 (2015): 1–28; Simon Mollan, Billy Frank, and Kevin Tennent, “Changing Corporate Domicile: The Case of the Rhodesian Selection Trust Companies,” *Business History*, June 25, 2020, 1–23.

7. Martin Daunton, *Just Taxes: The Politics of Taxation in Britain, 1914–1979* (Cambridge: Cambridge University Press, 2007); Mark Billings and Lynne Oats, “Innovation and Pragmatism in Tax Design: Excess Profits Duty in the UK during the First World War,” *Accounting History Review* 24, no. 2–3 (September 2, 2014): 83–101.

8. Catherine R. Schenk, “The Origins of the Eurodollar Market in London: 1955–1963,” *Explorations in Economic History* 35, no. 2 (1998): 221–38; Thomas Rixen, *The Political Economy of International Tax Governance* (Basingstoke: Palgrave Macmillan, 2008); Zucman, *The Hidden Wealth of Nations: The Scourge of Tax Havens*; Vanessa Ogle, “Archipelago Capitalism: Tax Havens, Offshore Money, and the State, 1950s–1970s,” *The American Historical Review* 122, no. 5 (2017): 1431–58; Christophe Farquet, “Capital Flight and Tax Competition after the First World War: The Political Economy of French Tax Cuts, 1922–1928,” *Contemporary European History* 27, no. 4 (2018): 537–61.

9. Sarah Stockwell, “Trade, Empire, and the Fiscal Context of Imperial Business during Decolonization,” *The Economic History Review* 57, no. 1 (2004): 142–60; Catherine R. Schenk, *The Decline of Sterling: Managing the Retreat of an International Currency, 1945–1992* (Cambridge: Cambridge University Press, 2010); Leigh Gardner, *Taxing Colonial Africa: The Political Economy of British Imperialism* (Oxford University Press, 2012).

10. Ogle, Vanessa. 2020. “Funk Money”: The End of Empires, the Expansion of Tax Havens, and Decolonization as an Economic and Financial Event.” *Past & Present* 249 (1), p.213; p.214.

movement as being monetary, stating that “[s]ome money returned to metropolitan contexts, if only temporarily, awaiting new opportunities.... importantly for the story outlined here, a significant share of funds was moved to an emerging system of offshore tax havens.”¹¹ This was a consequence of a “money panic” by colonial Europeans at the end of empire. This argument builds on previous work by Ogle that argues “when Europeans retreated from the colonial world abroad in the 1950s and 1960s, some returnees sought to prolong the favorable tax arrangements that had come with empire.”¹² This interpretation has been rejected by Farquet, who argues that Ogle “overestimates the influence of capital flight from extra-European countries during the postwar decolonization on the growth of tax havens, failing to connect qualitative and microeconomic evidence with macroeconomic tendencies and to correctly assess the importance of the liberalisation of capital flows in Europe at the time.”¹³ Farquet further disagrees with Ogle over the issue of decolonization which he argues “was not the driving force of this second life of the offshore economy ... although there were some important movements of capital from North Africa and from Latin American countries to France and the United States, respectively, the fortunes of rich countries constituted the bulk of the wealth that nourished the rebirth of offshore finance.”¹⁴

This debate raises several interrelated questions that we (at least in part) address here. The first is the relationship between decolonization and tax havens. Most island tax havens had been (or still were) colonial states, so in that sense, there is an obvious connection in relation to their own political and economic development (the Bahamas, for example, figures prominently in this article; it became formally independent in 1973, having been self-governing since 1964). Nevertheless, the question raised by Ogle is that it was colonial Europeans moving their capital that was causal to the development of tax havens. The data we present in this article contributes to this debate. Specifically, we examine the volume of capital movement to tax havens and the mechanism of the movement of capital to tax havens—in particular to explore the role that business and finance played in this process.¹⁵ We demonstrate that the “movement” of capital was complex, but of critical importance is an understanding of how beneficial ownership rights could be transferred, rather than capital itself. Beneficial ownership relates to who ultimately controls and benefits from an asset and may be different from the legal owners.¹⁶ This helps to explain how individuals and corporations moved capital into tax havens, a key element of how they operated in practice.

The second area of debate is with reference to the complex relationship between political risk and corporate structures. Boon and Wubs, writing about the historical development of Dutch tax havens, note that offshoring domicile was a precaution against

11. Ogle, Vanessa. 2020. “‘Funk Money’”, p.217.

12. Ogle, Vanessa. 2017. “Archipelago Capitalism: Tax Havens, Offshore Money, and the State, 1950s–1970s.” *The American Historical Review* 122 (5), p. 1438.

13. Farquet, Christophe. 2021. “Attractive Sources. Tax Havens’ Emergence: Mythical Origins versus Structural Evolutions.” *SSRN Electronic Journal*, August. <https://doi.org/10.2139/ssrn.3897377>; p. 3.

14. Farquet, “Attractive Sources”, 19-20.

15. The historiographical context for the role played by business and finance is framed by Gehlen, Boris, and Christian Marx. 2022. “‘I Am a Professional Tax Evader’: Multinationals, Business Groups and Tax Havens, 1950s to 1980s.” In *Histories of Tax Evasion, Avoidance and Resistance*, 221–39.

16. Inter-American Development Bank. 2019. “A Beneficial Ownership Implementation Toolkit.” Paris: OECD. <https://www.oecd.org/tax/transparency/beneficial-ownership-toolkit.pdf>.

a possible third world war.¹⁷ Thus in the postwar period, there was a normalization of restructuring corporate structures as a prophylactic against political-economic upheaval.¹⁸ In this article, we observe three articulations of this. First, with reference to decolonization in the British Empire, the possibility that the use of a tax haven might provide a means of retaining control over assets located in colonies (this, note, is a slightly different point to the one raised by Ogle). Second, fears that the British government in the UK might introduce a more hostile taxation environment could be effectively preempted, or reactively foiled. Third, political instability in other regions of the world (notably in Latin America) might encourage corporations and business leaders to take advantage of tax havens to minimize risks of political uncertainty, civil war, or political revolution or unrest. The issue of corporate restructuring also allows us to comment on the relationship between tax havens and the disappearance of the “free-standing company” corporate form in the course of the twentieth century.¹⁹

The focus of this paper is, then, to address these debates by bridging between the organizational approach of business history and the system-wide approach of economic history by exploring the relationship between business at an organizational level, and the creation of tax havens and the political-economic system that has been described as the “offshore world.”²⁰ Specifically, we examine five interrelated and interacting domains that shaped the island tax havens of the British West Indies in the course of the mid-twentieth century. These are as follows, and form the structure of the article.

First, we examine the context of metropolitan financial and commercial services and the decline of the City of London as the context for the rise of tax havens. Second, we chart the history of the institutional structure of the tax havens. Third, we establish the nature and volume of international capital investment in the postwar period in order to explore the dynamics of capital mobility with reference to tax havens. In the fourth and fifth sections we outline, respectively, the banking and commercial services, and business activities, provided by and undertaken in tax havens.

This article is based on a synthesis of archive documents and historically contemporary serial publications. Archive documents have been drawn primarily from the Bank of England Archive, and the UK National Archives, in London, and the Barclays Bank Archive in

17. See: Boon, Martin and Ben Wubs, “Safe haven Curaçao”: the origins of a Dutch offshore centre, 1915–1960’, unpublished paper, World Economic History Congress, Boston, 2018; moving domicile for taxation and political purposes has also been discussed by Simon Mollan, Billy Frank & Kevin Tennent. 2020. “Changing corporate domicile: the case of the Rhodesian Selection Trust companies”, *Business History*, 64 (9), 1600–1622.

18. See also Jan Vleggeert and Henk Vording “How the Netherlands Became a Tax Haven for Multinationals” (January 17, 2019). Available at SSRN: <https://ssrn.com/abstract=3317629>; Tijn van Beurden and Joost Jonker. 2021. “A Perfect Symbiosis: Curaçao, the Netherlands and Financial Offshore Services, 1951–2013.” *Financial History Review* 28 (1): 67–95; and Sébastien Guex. 2022. “The Emergence of the Swiss Tax Haven, 1816–1914.” *Business History Review* 96 (2): 353–72.

19. For an overview of this historical question see Mira Wilkins, “The Free-Standing Company Revisited,” in *The Free Standing Company in the World Economy, 1830–1996*, ed. Mira Wilkins and Harm Schröter (Oxford: Oxford University Press, 1998), 3–66; Mollan and Tennent, “International Taxation and Corporate Strategy: Evidence from British Overseas Business, circa 1900–1965”; Simon Mollan, “The Free-Standing Company: A ‘zombie’ Theory of International Business History?,” *Journal of Management History* 22, no. 2 (2018): 156–73.

20. Palan, *The Offshore World: Sovereign Markets, Virtual Places, and Nomad Millionaires*.

Manchester.²¹ The serial publications we have drawn on include *The Economist*, the *Financial Times*, *The Times*, and the *Guardian*. The periodization adopted in this article is necessarily flexible but focuses on the period after the foundation of the Bahamas Freeport in 1955, and the abandonment of capital controls by the UK government in 1979. It was in this period that the growth of tax havens dramatically expanded.²²

Metropolitan Financial and Commercial Services and the “Decline” of the City of London

The City of London emerged as a trading center and entrepot as a consequence of its position as a port and the importance of London as the UK’s largest urban area.²³ By the beginning of the twentieth century, the City was the world’s most significant international financial center, possessing internationally important financial services including capital markets, insurance, and banking, alongside a range of complementary professional services, such as law and accountancy.²⁴ At the core of the City of London’s enduring role as a leading international financial center was its large international banking cluster.²⁵ International correspondent banking networks centered on London provided the architecture of international finance, with London as the hub of the international payments system.²⁶ In turn, this provided a platform for the City to develop new markets, such as the foreign exchange market.²⁷ As a large agglomeration economy, the City was also an important international commercial center,

21. These archives were selected because of the relative abundance of documentary evidence in relation to tax havens and their accessibility to the researchers. Barclays Bank Group Archives were particularly useful because Barclays DCO had a significant banking presence in the British Caribbean and as an owner of Bahamas International Trust Company Ltd (BITCO) had considerable records in relation to that company.

22. Though this article focuses on island tax havens of the Caribbean that were former British colonies, the phenomenon was global. In addition to the preceding references, see also: Majerus, Benoît, and Benjamin Zenner, “Too Small to Be of Interest, Too Large to Grasp? Histories of the Luxembourg Financial Centre.” *European Review of History: Revue européenne d’histoire* 27, no. 4 (2020), 548–62, doi:10.1080/13507486.2020.1751587; and Vleggeert, Jan and Vording, Henk, How the Netherlands Became a Tax Haven for Multinationals (January 17, 2019). Available at SSRN: <https://ssrn.com/abstract=3317629>

23. David Kynaston, *The City Of London Volume 1: A World of Its Own 1815-1890* (Random House, 2015).

24. Ranald Michie, *The City of London: Continuity and Change, 1850–1990* (Palgrave, 1992); David Kynaston, *The City of London* (Chatto & Windus, 1994); Youssef Cassis, “Capitals of Capital: The Rise and Fall of International Financial Centres 1780–2009” (Cambridge University Press, 2010).

25. Richard Roberts, “What’s in a Name? Merchants, Merchant Bankers, Accepting Houses, Issuing Houses, Industrial Bankers and Investment Bankers,” *Business History* 35, no. 3 (July 1, 1993): 22–38; Stanley Chapman, *The Rise of Merchant Banking* (Taylor & Francis, 2005); Stefanie Diaper, “Merchant Banking in the Inter-War Period: The Case of Kleinwort, Sons & Co.,” *Business History* 28, no. 4 (October 1, 1986): 55–76.

26. D. T. Merrett, “Global Reach by Australian Banks: Correspondent Banking Networks, 1830–1960,” *Business History* 37, no. 3 (July 1995): 70–88; Simon Mollan, “International Banking and Asia: Some Evidence from Correspondent Banking Links,” in *International Banking in Asia in the 19th and 20th Centuries*, ed. Ranald Michie and Shizuya Nishimura (Oxford: Oxford University Press, 2012), 217–29; Ranald Michie, “The City of London as a Centre for International Banking: The Asian Dimension in the Nineteenth and Twentieth Centuries,” in *The Origins of International Banking in Asia*, ed. Nishimura Shizuya Suzuki Toshio (Oxford University Press, 2012), 13–54; Laura Panza and David Merrett, “Hidden in Plain Sight: Correspondent Banking in the 1930s,” *Business History*, 2018, 1–26.

27. John Atkin, *The Foreign Exchange Market of London: Development Since 1900* (London: Routledge, 2004).

which both housed and provided business services (such as secretarial and administrative support) to nonfinancial firms.²⁸ Importantly, the City was the headquarters of many thousands of “free standing companies” (FSCs) whose “brass plates” gave a domicile to international businesses whose operations were across the globe in a wider range of sectors.²⁹

The period before 1914 was one of low taxation (both corporate and personal), and minimal regulation.³⁰ This is important because this low-tax regime was not able to survive significant changes in the national and global economy in the course of the twentieth century. In particular, the greater importance of the state in the economy brought with it increased taxation and more economic intervention.³¹ The City increasingly concentrated on finance and moved away from commerce and international trade.³² This poses a question of what happened to the commercial services and international business activities that were previously located there, a question that is connected to the apparent disappearance of FSCs in the middle years of the century.³³

London’s merchant banks also faced challenges in the postwar period. As a consequence of deglobalization, the decline of the UK in the international economy, and the rise of the large-scale multinational corporations that internalized international trade, the traditional role of merchant banks in providing international trade finance began to fade.³⁴ A response to this challenge was to develop new markets and services, such as the development of “offshore” financial markets, especially the Eurocurrency and Eurobond markets in the 1960s and 1970s.³⁵ The Euromarkets were based on regulatory arbitrage, allowing US dollars and other

28. Simon Mollan and Ranald Michie, “The City of London as an International Commercial and Financial Center since 1900,” *Enterprise and Society* 13, no. 3 (January 27, 2012): 538–87.

29. Mira Wilkins, “Defining a Firm: History and Theory,” in *Multinationals: Theory and History*, ed. Peter Hertner and Geoffrey Jones (Aldershot: Gower, 1986), 80–95; Mira Wilkins, “The Free-Standing Company, 1870–1914: An Important Type of British Foreign Direct Investment,” *The Economic History Review*, New Series, 41, no. 2 (1988): 259–82; Mira Wilkins (1988) *European and North American Multinationals, 1870–1914: Comparisons and Contrasts*, *Business History*, 30:1, 8–45.

30. Paul Johnson, *Making the Market: Victorian Origins of Corporate Capitalism* (Cambridge University Press, 2010); B. E. V. Sabine, *A History of Income Tax* (London: Allen and Unwin, 1966).

31. Daunton, *Just Taxes: The Politics of Taxation in Britain, 1914–1979*; Jim Tomlinson, *Managing the Economy, Managing the People: Narratives of Economic Life in Britain from Beveridge to Brexit* (Oxford: Oxford University Press, 2017); Ranald Michie and Philip Williamson, *The British Government and the City of London in the Twentieth Century* (Cambridge: Cambridge University Press, 2004).

32. David Kynaston, *The City of London: A Club No More, 1945–2000* (Random House, 2002); Mollan and Michie, “The City of London as an International Commercial and Financial Center since 1900.”

33. Mira Wilkins, “The Free-Standing Company Revisited,” in *The Free Standing Company in the World Economy, 1830–1996*, ed. Mira Wilkins and Harm Schröter (Oxford: Oxford University Press, 1998), 3–66; Mollan and Tennent, “International Taxation and Corporate Strategy: Evidence from British Overseas Business, circa 1900–1965”; Simon Mollan, “The Free-Standing Company: A ‘zombie’ Theory of International Business History?,” *Journal of Management History* 22, no. 2 (2018): 156–73.

34. Roberts, “What’s in a Name? Merchants, Merchant Bankers, Accepting Houses, Issuing Houses, Industrial Bankers and Investment Bankers”; Richard Roberts, *Schroders: Merchants & Bankers* (London: Springer, 2016).

35. Stefano Battilossi, “Financial Innovation and the Golden Ages of International Banking: 1890–1931 and 1958–81,” *Financial History Review* 7, no. 02 (2002): 141–75; Schenk, “The Origins of the Eurodollar Market in London: 1955–1963”; John Singleton, “The Euromarkets and the New Zealand Government in the 1960S,” *Australian Economic History Review* 49, no. 3 (2009): 252–75; Stefano Battilossi, “Working Papers in Economic History The Eurodollar Revolution in Financial Technology. Deregulation, Innovation and Structural Change in Western Banking in the 1960s and 1970s,” *Working Papers in Economic History* (Universidad Carlos III de Madrid, 2009).

currencies to be held in London, away from the strict regimes that governed capital movements in the Bretton Woods era.³⁶

The underlying business model for these activities was to avoid or evade the restrictions on capital movement and regulation that were a feature of the Bretton Woods system and were associated at a national level with the increased role of the state. The most common historiographical view of this financial innovation is to view it as being in response to a changing external environment³⁷, whereby “the dynamism of the markets and firms” that enabled the City to “overcome the exigencies of war, regulation, [and] government intervention.”³⁸ However, it is also possible to look at this as the attempt by financial firms to remake the low-tax, low-regulatory environment that had predominated in the heyday of the City before 1914. Seen from this perspective, the development of offshore markets in the City in the 1960s and 1970s was part of a deeper process of developing avoidance and evasion measures more widely. The argument that we develop below is that the tax havens became the physical location for business activities that had previously been carried out “on-shore,” largely in the City of London.

The Institutional Structure of Tax Havens³⁹

The institutional structures of tax havens were, in general, composed of low or no territorial taxes (including beneficial tax treaties); banking secrecy laws and trust legislation; and private tax deals between local authorities (“tax holidays”) and tax-exempted corporations.⁴⁰ These features were often combined with liberal conditions for the gambling industry (in the form of casinos) and convenient flag registries for shipping companies.⁴¹ The Bank of England summarized the institutional structure and formation of the island tax havens as follows:

Broadly speaking, a tax haven may be described as a centre, the level (or non existence) of whose tax is sufficient to attract funds from a higher-taxed centre, give also appropriate trust

36. Gary Burn, “The State, the City and the Euromarkets,” *Review of International Political Economy* 6, no. 2 (1999): 225–61; Albert George Kenwood, Michael Graff, and A. L. Loughheed, *Growth of the International Economy, 1820-2015* (London: Routledge, 2013); Stefano Battilossi and Youssef Cassis, *European Banks and the American Challenge: Competition and Cooperation in International Banking under Bretton Woods* (Oxford: Oxford University Press, 2002); Barry J. Eichengreen, *Globalizing Capital: A History of the International Monetary System* (Princeton, NJ: Princeton University Press, 1998).

37. Battilossi, “Financial Innovation and the Golden Ages of International Banking: 1890–1931 and 1958–81”; Battilossi, “Working Papers in Economic History The Eurodollar Revolution in Financial Technology. Deregulation, Innovation and Structural Change in Western Banking in the 1960s and 1970s.”

38. Mollan and Michie, “The City of London as an International Commercial and Financial Center since 1900,” 577.

39. This section draws on Chapter 3 ‘A Challenge to Sterling Integrity’ of Sævold, Kristine. 2022. “Tax Havens of the British Empire: Development, Policy Responses, and Decolonization, 1961-1979.” PhD Thesis, the University of Bergen, 82-124.

40. TNA OD 28/311 ‘Tax havens and tax concessions in the Dependent Territories’, 25 March 1969; TNA FCO 44/360 ‘Avoidance through tax havens’, December 1970; TNA T 295/862 ‘United Kingdom/British Virgin Islands Double Taxation Agreement’, 28 April 1971.

41. See for instance TNA FCO 44/961 Letter from N.B.J. Huijsman (the West Indian and Atlantic Department, Foreign Office) to A.G. Mitchell (the Administrator in the Turks and Caicos), 18 April 1973.

legislation and a stable political climate. Once the conditions for a tax haven are established, the necessary institutional framework begins to grow, usually in the form of trust companies. ... The environment is also encouraging to other forms of business enterprise including the registration of commercial companies, brass plates and off-shore company operations, the creation of free-ports and duty-free areas. The territories in which these developments take place usually begin to enjoy certain fringe benefits such as income from registration fees and licenses. It is also probable that some local “development” may be stimulated, such as improvements in hotel facilities and in communications. There will be some increase in the level of local incomes and in the standard of living ... it has to be recognised that there are important examples of success in real development in tax haven conditions of which the principal is probably Freeport, Bahamas.⁴²

Trust legislation enabled UK residents to pay little or no tax on shareholdings, either held in the UK or overseas.⁴³ The legislation that was enacted in the islands enabled avoidance measures to be undertaken.⁴⁴ Reflecting on the development of the Cayman Islands as a tax haven, the Ministry of Overseas Development in London thought tax havens were controversial because they were “inevitably propounded in an atmosphere of geniality, lavish hospitality, implied generosity, and overwhelming urgency ... [but t]hey are invariably staged against an impossibly tight deadline, with an implicit threat of jam today or none tomorrow.”⁴⁵

Critically, they were also mimetic:

They are almost always in package form – the provision of a deep-water harbour in exchange for x acres of freehold; the construction of roads and schools in return for exclusive water-rights; the metamorphosis of unhealthy swamp-land in return for dredging and sea-reclamation monopolies, and so on.⁴⁶

This kind of “cut and paste” development, which spread from jurisdiction to jurisdiction, began in the Bahamas and Bermuda.⁴⁷ In 1955 the Hawksbill Agreement between the Bahamas Government and the Grand Bahama Port Authority Limited—a private company that still exists—created a freeport in West Grand Bahama. Financed by US investors the freeport established a deepwater harbor that possessed its own jurisdiction separate from that of the Bahamas and included tax concessions.⁴⁸ In 1956 Bermuda established a similar freeport.⁴⁹ After the Bahamas had put in place wide concessions for trusts with the Banks and Trust Companies Regulation Act in 1965, the Cayman Islands followed with the similar Trust

42. BOE OV 121/22, ‘Tax Havens’, July 1969, 1-2.

43. BOE OV 121/22, ‘Tax Havens’, July 1969, p.3.

44. BOE OV 121/22 ‘Tax Havens’, July 1969, p.6.

45. TNA OD 28/311, ‘Report on a team visit to the Cayman Islands, 14th-17th April 1969’, 28 April 1969, p. 8

46. TNA OD 28/311, ‘Report on a team visit to the Cayman Islands, 14th-17th April 1969’, 28 April 1969.

47. TNA T 295/587 ‘Record of a meeting in Rawlinson’s room’, 14 December 1967.

48. TNA OD 28/311 ‘Tax havens and tax concessions in the Dependent Territories’, 25 March 1969, p. 2; TNA FCO 59/532, ‘Freeport (Hawksbill Creek Agreement)’, June 1955; Government of the Bahamas, “The Hawksbill Creek Agreement and Amendment,” June 1955, <https://library.gbpa.com/docs/the-hawksbill-creek-agreement-amendments-1955.pdf>.

49. TNA OD 28/311 ‘Tax havens and tax concessions in the Dependent Territories’, 25 March 1969, p. 3.

Companies Law of 1966 (in effect from 1967).⁵⁰ The Caribbean islands of Antigua, Barbados, Grenada, Jamaica, and St. Vincent all legislated to give preference to International Business Companies before 1970.⁵¹ Combinations of these mechanisms then spread across the former British Empire into new regions, including the Indian Ocean, the Pacific, and the Middle East.⁵² Tax haven “operators” (those accountants, lawyers, and business officials who became adept at organizing business in tax havens) helped spread the legislation. Some, such as Gordon Guttridge and Milton Grundy became well-known, and appear in the archive as actors of note.⁵³

The Bank of England noted that operators in the British West Indies looked for new opportunities in the Pacific once they were “priced out of the Caribbean,” indicating that the region was the leading edge and the proving ground for the development of tax havens.⁵⁴ For example, in 1970 the Bank of England expected Bahrain to adopt some of the business that had previously been undertaken in the failed tax haven of Beirut in Lebanon.⁵⁵ And, following a sterling contraction in June 1972, which left some tax havens outside the sterling exchange control fence (for example, Bermuda), many tax haven operators shifted to low tax dependencies in Europe that had remained within the sterling area such as Jersey, Guernsey, the Isle of Man, and Gibraltar. The Bank of England noted that in December 1972 “tax avoidance business for resident and non-resident account is growing very rapidly in Jersey and Guernsey and there is every sign of it spreading to the Isle of Man.”⁵⁶

Freeports usually operated without tariffs, but they also provided tax holidays, in some cases stretching for many decades.⁵⁷ For example, the exemption from taxation in Bermuda was for thirty years. As the *Economist* noted, “Bermuda is thus in the company registration business.”⁵⁸ Companies that were registered (or reregistered) in tax havens enjoyed tax advantages conferred by local legislation, such as the International Companies Act of Barbados. As long as a firm was owned by nonresidents and did not trade goods or services in Barbados then it was exempt from most taxation. Trading companies were completely exempt from taxation, while investment companies paid a local tax of only 2.5 percent. Under the terms of the Double Tax Agreement in force at that time between the UK and Barbados, if the

50. BEA OV 121/21, ‘Banking Legislations’, 19 February 1968, p. 2; TNA, FCO 48/63 Letter of assent signed John A. Cumber (the Administrator’s office, Grand Cayman), 28 May 1966.

51. TNA FCO 44/360 ‘Avoidance through tax havens (the Inland Revenue), December 1970

52. TNA FCO 59/534 E.J. Emery (the Pacific and Indian Ocean Department) to T.J. O’Brien (Financial Policy and Aid Department), 24 June 1969; BOE 12 A 10/2, ‘Report on the Exchange Control Aspects of the Visit by Hallows and Marshall to the Lower Gulf’, 20 October 1971.

53. TNA IR40/16743 External Operations of Trust Companies in the Bahamas, c.1968; TNA IR40/16743 Minute Paper, 4 October 1967; TNA IR40/16338 Untitled Memorandum, 31 January 1968; see section titled “Summary of Operations (A.E. Johnson)”. Grundy continued to practice as a tax barrister until his death in 2022 aged 96. “GITC Is Sad to Report the Death of Our Head of Chambers, Mr Milton Grundy Who Passed Away at the Weekend. - Gray’s Inn Tax Chambers.” 2022. Gray’s Inn Tax Chambers. November 28, 2022. https://taxbar.com/?latest_news=gipc-is-sad-to-report-the-death-of-our-head-of-chambers-mr-milton-grundy-who-passed-away-at-the-weekend.

54. TNA FCO 44/356 ‘Note of a meeting held at the FCO, Secretary of Financial Affairs’, 1 April 1970.

55. BEA 3A 152/16 ‘Exchange Controls in the Dependent Territories’ (the Bank of England), November 1970.

56. TNA T 295/1013 ‘The Channel Islands’, 7 December 1972.

57. BOE 3A 152/16 ‘Bahamas’ 11 November 1970; BOE 3A 152/16 ‘British Honduras’ 11 November 1970.

58. “Ticket to Bermuda.” *Economist*, 15 September 1956, 899-900.

Barbados tax was paid, the “promoter” (i.e., the person forming the new company) could secure a refund on all UK tax levied on dividend payments.⁵⁹ As a memo for Barclays observed:

Dividends for an IBC [international business company] would in any case usually be liable to tax on the shareholder in his country of residence, which largely nullify the benefit received by the company [of being located in a tax haven]. To avoid this we arrange for investments to be transferred by the promoter to the IBC in exchange for share of a nominal amount in the IBC, the balance of the consideration being left on loan with the company. This loan is repaid at intervals from the company’s income, these repayments still being treated in most countries in this area as capital and not as taxable income.⁶⁰

This reveals corporate tax planning using a variation on debt-financing / thin capitalization to avoid taxation. On this point, the source is clear that Section 412 of the 1957 Income Tax Act “militates against a UK resident taking advantage of these tax avoidance measures’ something which the bank felt compelled to tell potential clients. Nevertheless, as the source goes on: “having done that, however, we consider our duty ends and we advise the promoter to obtain advice in the UK as to how these provisions in the UK Act affect him ... If he still wishes to set up an arrangement in Barbados we will act for him, unless we know that he is evading rather than avoiding tax.”⁶¹ That is, once satisfied they had discharged their legal obligations around evasion/avoidance, they were prepared to take the rest on trust.

The Bank of England thought that the growth of tax havens created three problems, namely, adversely affecting the balance of payments, reduction in taxation, and exchange leaks and reserve losses.⁶² In contrast, the leaders of the island states of the Caribbean clearly saw the possibility of attracting financial business as a means of development.⁶³ Freeports, as part of the tax-free apparatus were seen as a way of attracting tourism to the islands, especially in the form of cruises.⁶⁴ As a Treasury official wrote to the Bank of England in 1969, “while from our point of view tax haven developments of any kind are unwelcome, and those in the Sterling area doubly so, from the point of view of the Islands themselves becoming a tax haven may be their only hope of salvation.”⁶⁵

International Capital Investment and Tax Havens

While economic historians have developed extremely good data with reference to British overseas investment before 1914, no similar systematic surveys exist for the period after 1914,

59. BGA 80/5398, ‘Barbados. International Business Companies’, 1968, p.1.

60. BGA 80/5398, ‘Barbados. International Business Companies’, 1968, p.2.

61. BGA 80/5398, ‘Barbados. International Business Companies’, 1968, p.2.

62. BOE OV 121/22, ‘Tax havens Part 1’, July 1969, p.2.

63. BGA 80/5398, ‘Trinidad’, 9-12 October 1968, p.2.

64. BGA 80/5398, ‘Grand Cayman’, 18-19 October 1968, p.2

65. BOE OV 121/22, R.S. Symons, Treasury, to S. Payton, Bank of England, ‘Turks and Caicos Islands’, 24 March 1969.

including the postwar period that we are focusing on here.⁶⁶ This points to the need for considerable further work in relation to both statistics and individual case histories that cover this period, but this section nonetheless begins this task by examining the changing international investment position of the UK in the postwar period. Given the perception of the decline of the UK in the world economy at this time, it is perhaps surprising that between 1962 and 1979 the external assets owned by UK interests grew by 319 percent in real terms, once adjusted for inflation. Those assets owned by the private sector grew by 354 percent. At first sight, therefore, the impact of the tax havens on overseas capital investment appears not to have dented the UK's position as an overseas investor via capital outflow. However, these headline figures mask a more complex picture in the data.⁶⁷

As shown in [Figure 1](#), the overall level of private investment abroad (defined as direct and portfolio investment overseas) rose from £37.1 billion in 1962 to two peaks of £50.7 billion in 1968 and £51.9 billion in 1972, before declining to £34.1 billion by 1979. Yet financial investments abroad (including commercial bills, trade credit, claims in Sterling and Foreign Currencies [i.e., deposits held overseas]) grew dramatically across the same period, from £10.1 billion in 1962 to £133.5 billion in 1979. As [Figure 1](#) shows, 1969 marked the moment when the overseas assets of the financial sector became greater than the foreign investment of the nonfinancial corporate sector. Indeed, such was the decline of UK direct investment, that by 1979 the total external assets of the public sector were roughly half that of the nonfinancial corporate sector, a situation that would have been unimaginable in the pre-1914 period.

The decomposed figures for UK direct investment and portfolio investment indicate that both were in decline between c. 1972/3 and 1979 (see [Figure 2](#)). UK direct investment (excluding oil, insurance, and banking) rose from 1962 onwards to a peak of £24.6 billion in 1973, before declining to £16.5 billion by 1979. Yet the stock of portfolio investment collapsed from its peak of £23.4 billion in 1973 to only £9.5 billion by 1979. This collapse in real terms is even more profound given the relative shift of the pound against the dollar across this period, which increased the nominal value of these overseas investments where

66. Desmond C. M. Platt, "British Portfolio Investment Overseas before 1870: Some Doubts," *The Economic History Review* 33, no. 1 (1980): 1–16; Desmond C. M. Platt, *Britain's Investment Overseas on the Eve of the First World War: The Use and Abuse of Numbers* (Basingstoke: Macmillan, 1986); Lance Davis and Robert Huttenback, *Mammon and the Pursuit of Empire: The Political Economy of British Imperialism, 1860-1912* (Cambridge: Cambridge University Press, 1986); Lance E. Davis and Robert E. Gallman, *Evolving Financial Markets and International Capital Flows* (Cambridge University Press, 2001); Sidney Pollard, "Capital Exports, 1870–1914 Harmful or Beneficial?," *The Economic History Review* 38, no. 4 (1985): 489–514.

67. Data sources used, also for [Figure 1](#) and [Figure 2](#): 1962, 1964, 1966–1969 from 'An Inventory of UK External Assets and liabilities: end-1969', *Bank of England Quarterly Bulletin*, 1970, Q3, 308–319; 1970 and 1971 from 'An Inventory of UK External Assets and Liabilities: end-1971', *Bank of England Quarterly Bulletin*, 1972, Q2, 213–219; 1970 and 1971 from 'An Inventory of UK External Assets and Liabilities: end-1971', *Bank of England Quarterly Bulletin*, 1972, Q2, 213–219; 1972–1974 from 'An inventory of UK external assets and liabilities: end-1974', *Bank of England Quarterly Bulletin*, 1975, Q2, 182–187; 1975–1978 from 'An Inventory of external assets and liabilities: end-1978', *Bank of England Quarterly Bulletin*, 1979, Q2, 160–166; 1979 from 'An inventory of UK external assets and liabilities: end-1979', *Bank of England Quarterly Bulletin*, 1980, Q2, 166–172. The periodization is defined by the availability of consistent reporting series in the data from 1962–1979. Both [Figure 1](#) and [Figure 2](#) show the stock of investments, not annual flow.

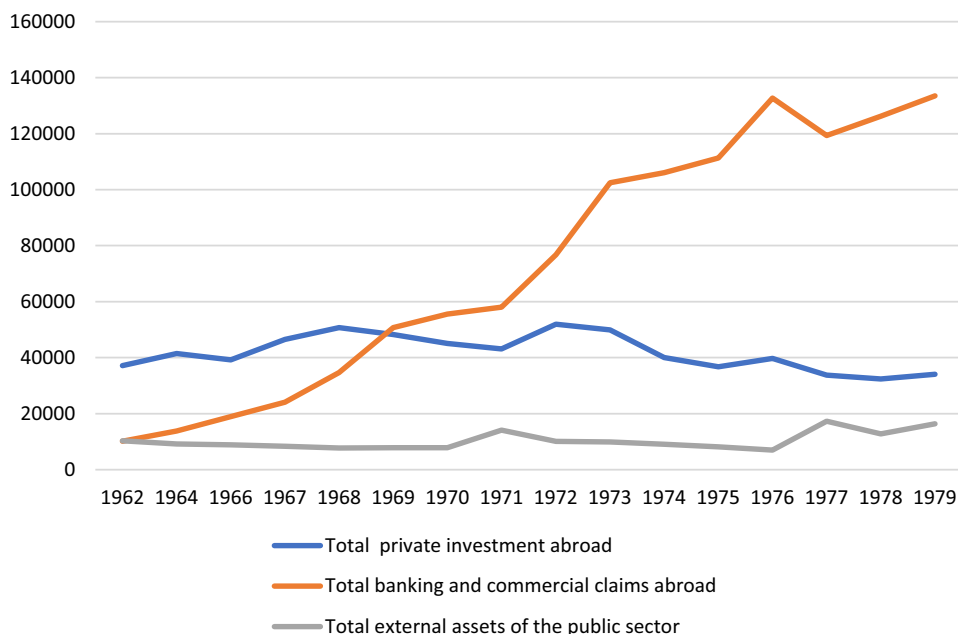


Figure 1. UK External Assets, 1962–1979 (£ million; 1979 prices).

Sources: 1962, 1964, 1966–1969 from “An Inventory of UK External Assets and liabilities: end-1969,” *Bank of England Quarterly Bulletin*, 1970, Q3, 308–319; 1970 and 1971 from “An Inventory of UK External Assets and Liabilities: end-1971,” *Bank of England Quarterly Bulletin*, 1972, Q2, 213–219; 1970 and 1971 from “An Inventory of UK External Assets and Liabilities: end-1971,” *Bank of England Quarterly Bulletin*, 1972, Q2, 213–219; 1972–1974 from “An inventory of UK external assets and liabilities: end-1974,” *Bank of England Quarterly Bulletin*, 1975, Q2, 182–187; 1975–1978 from “An Inventory of external assets and liabilities: end-1978,” *Bank of England Quarterly Bulletin*, 1979, Q2, 160–166; 1979 from “An inventory of UK external assets and liabilities: end-1979,” *Bank of England Quarterly Bulletin*, 1980, Q2, 166–172.

they were in the dollar zone or were dollar-earning. The sterling devaluation of 1967 began a slide in the value of the pound that resulted in it slipping below \$2 for the first time in 1976.⁶⁸ It is further at least a possibility that this capital outflow was connected to the election of the Labour government and fears around increased taxation as was reported to Barclays International by one of the trust companies located in the Bahamas at the time.⁶⁹

The implications of the data discussed are twofold. First, the decline in the real value of both direct investment and portfolio investment implies that capital outflow was occurring in this period, intensifying in the 1970s. Second, the dramatic rise in overseas financial investments is indicative of the increased importance of international finance to the UK economy from the 1960s onwards. Both of these things provide the context for the role that tax havens played in these processes, both as a mechanism for the external outflow of capital and as part of

68. Lawrence H. Officer, “Dollar-Pound Exchange Rate From 1791,” MeasuringWorth, 2021URL: <http://www.measuringworth.com/exchangepond/>

69. BGA 80/5399, ‘Visit to Bahamas’, 9-11 February 1974, p.4.

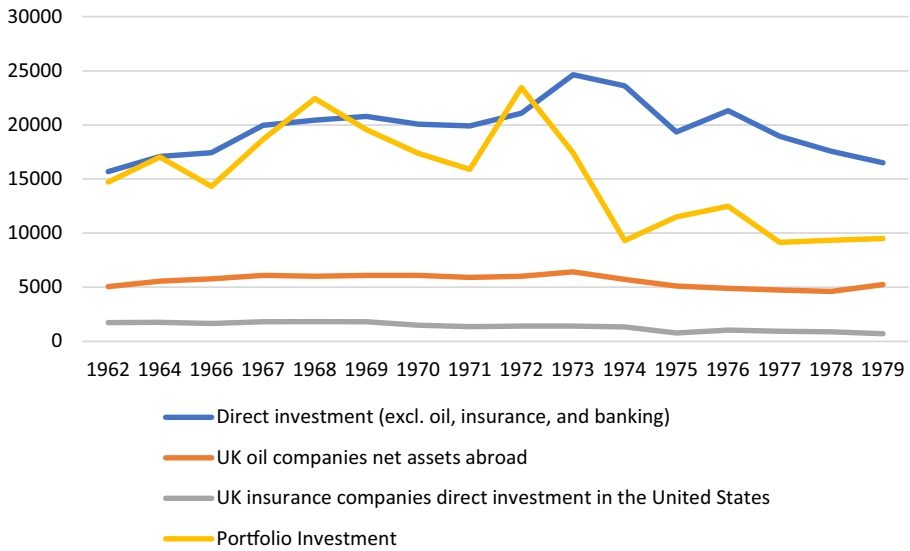


Figure 2. UK Foreign Direct Investment and Portfolio Investment, 1962–1979 (£ million; 1979 prices).

Sources: 1962, 1964, 1966–1969 from “An Inventory of UK External Assets and liabilities: end-1969,” *Bank of England Quarterly Bulletin*, 1970, Q3, 308–319; 1970 and 1971 from “An Inventory of UK External Assets and Liabilities: end-1971,” *Bank of England Quarterly Bulletin*, 1972, Q2, 213–219; 1970 and 1971 from “An Inventory of UK External Assets and Liabilities: end-1971,” *Bank of England Quarterly Bulletin*, 1972, Q2, 213–219; 1972–1974 from “An inventory of UK external assets and liabilities: end-1974,” *Bank of England Quarterly Bulletin*, 1975, Q2, 182–187; 1975–1978 from “An Inventory of external assets and liabilities: end-1978,” *Bank of England Quarterly Bulletin*, 1979, Q2, 160–166; 1979 from “An inventory of UK external assets and liabilities: end-1979,” *Bank of England Quarterly Bulletin*, 1980, Q2, 166–172.

the architecture of international finance in the early phases of the period of financialization (i.e., the primacy of financial interests in business, economy, and society) that gathered pace towards the end of the century.⁷⁰

However, the question of the order of magnitude of capital moving to tax havens is somewhat conjectural because of the secrecy under which banks and other financial institutions operate. Indeed, both the Bank of England and the UK Inland Revenue were themselves

70. For a general overview of financialization see Krippner, Greta. 2005. “The Financialization of the American Economy.” *Socio-Economic Review*, 3 (2): 173–208, and Sawyer, Malcolm. 2013. “What Is Financialization?” *International Journal of Political Economy*, 42 (4): 5–18. Within business history and financial history financialization is recognised as a significant influence as the post-war period progressed. See Hamilton, Shane. 2019. “Crop Insurance and the New Deal Roots of Agricultural Financialization in the United States.” *Enterprise and Society*, 2020;21(3):648–680; Hansen, Per. 2012. “From Finance Capitalism to Financialization: A Cultural and Narrative Perspective on 150 Years of Financial History 1.” *Enterprise & Society*, 15 (4): 605–42; Mollan, Simon, and Randal Michie. 2012. “The City of London as an International Commercial and Financial Center since 1900.” *Enterprise and Society*, 13 (3): 538–87; Schenk, Catherine. 2020. Regulatory Foundations of Financialisation: May Day, Big Bang and International Banking, 1975–1990. *Financial History Review*, 27(3), 397–417; and Vanatta, Sean H. 2018. “Charge Account Banking: A Study of Financial Innovation in the 1950s.” *Enterprise and Society*, 19 (2): 352–90.

contemporarily unable to produce accurate figures.⁷¹ One Bank of England memo indicated that the figure might be “£5-10 million a year,” based on balance of payments data.⁷² Board of Trade data available to the Bank of England indicated that “direct investment” (i.e., outward foreign direct investment) had been £11.3 million in 1965 and £12.1 million in 1966, while portfolio investment was estimated at only £0.1 million in 1965, minus £1.5 million in 1966 (as a consequence of disinvestment), £0.1 million in 1967, and £2.1 million in 1968.⁷³ In 1969 the Bank of England thought that the annual outflow of funds from the UK might be as much as £20 million per annum.⁷⁴ While these figures do not look large in and of themselves, they are annual figures of the flow of capital. Estimates given anecdotally to the Bank of England by the Vice-Chairman of the Trust Corporation of the Bahamas at this time indicated that “his own Corporation administered Sterling Area assets of the order of £350 million to £450 million in value,” noting that as the Trust Corporation was the largest of all of the trust companies in the Bahamas the overall total of assets under the combined control of all the trusts in existence was likely to be slightly greater than the amount under the Trust Corporation’s control. This would put the overall level of sterling area assets under trust control in the Bahamas alone at somewhere between £700 million and £1 billion, in 1969.⁷⁵ Of this, perhaps as much as half would have been assets that were located in the UK itself. ⁷⁶ The Bank of England further estimated that the equivalent assets in Bermuda might be one-quarter of those in the Bahamas, possibly indicating that the overall level of trust-held assets might be as high as £1.25 billion, of which potentially £600 million might be located in the UK. ⁷⁷ Another Bank of England estimate of overseas sterling area portfolio investment was that the value of corporate securities (both equities and bonds) was “about £950m” in 1969.⁷⁸ It was thought that pension funds were held in tax havens (for example, Shell were thought to have located a large fund in the Bahamas), and these might be held in tax havens for financial advantage. Trading companies might benefit from holding their liquid balances in tax havens, something that tended to rise at times of higher taxation.⁷⁹

This creates a puzzle in relation to how to think about the nature of the investments that were moved to tax havens. There were two basic divisions: between direct and portfolio investment; and a second division, between home (UK) and overseas investment. As the Bank of England observed:

It is well recognised that ... the greater part of the funds handled by the territories simply pass through the books of the companies or institutions concerned and are invested elsewhere. Indeed, it is believed that in many cases the funds used never leave their country of origin.

71. BOE OV 121/22, ‘Caribbean Tax Havens’, 6 January 1969.

72. BOE OV 121/22, ‘Tax havens’, 14 January 1969.

73. BOE OV 121/22, ‘Tax havens’, 14 January 1969.

74. BOE OV 121/22, ‘Tax Havens’, July 1969, p.9.

75. BOE OV 121/22, ‘Bahamas/Bermuda Private non-bank holdings of Sterling’, 14 January 1969.

76. BOE OV 121/22, ‘Bahamas/Bermuda Private non-bank holdings of Sterling’, 14 January 1969.

77. BOE OV 121/22, ‘Bahamas/Bermuda Private non-bank holdings of Sterling’, 14 January 1969.

78. BOE OV 121/22, ‘Bermuda/Bahamas portfolio investment in UK 1969’.

79. BOE OV 121/22, ‘Bahamas/Bermuda Private non-bank holdings of Sterling’, 14 January 1969. In relation to the retention of cash in a business, see Billings and Oats, “Innovation and Pragmatism in Tax Design: Excess Profits Duty in the UK during the First World War.”

In the Bahamas and Bermuda trusts and companies are estimated to be handling funds which in total amount to something of the order of £1,000 million, all of which is invested elsewhere.⁸⁰

This meant that there might be a significant difference between the gross outflow, and the net real outflow, with substantial funds effectively reinvested in the UK.⁸¹ However, the Bank worried that this would lead to a “steady build up of a general United Kingdom liability to trusts and companies in these territories” [i.e., in tax havens], so eroding the position of the UK as a net creditor nation, and damaging the integrity of the sterling area by allowing capital to flow out freely in contradiction to exchange control policy at this time.⁸² The risk that was posed by the control of these assets moving to tax havens was that the “brass plate and offshore companies could seek to invest sterling funds in NSA [non-Sterling Area] markets.”⁸³ For example, real estate could be purchased by UK residents in a tax haven and then sold to non-sterling area residents for settlement in a third currency.⁸⁴ In this way, individuals could avoid the exchange controls that were designed to stop them from moving capital outside of the sterling area. Real estate development was a significant part of the development of the island tax havens, and adverts for investment opportunities were placed, for example, in *The Economist*.⁸⁵ At first sight, this would have been for the development of the tourism industry, but a second function seems to have been to allow wealthy UK individuals to expatriate capital. Substantial land speculation “where there is strong American and Canadian interest” provided “a ready market for this kind of deal.”⁸⁶ This further adds to the importance of the island nature of the tax havens; beachside hotels, resorts, casinos and housing were an important feature of one mechanism that explains the flow of funds into, and thereafter out of, the tax havens.⁸⁷

Another mechanism that was used involved the sale of property in the UK to an overseas registered company for the purpose of moving capital out of the UK. In 1973, the Inland Revenue reported that UK property was being sold to Bahamas registered trust companies for a price below the prevailing market value.⁸⁸ A chain of Bahamas-registered companies would then buy and sell the property between themselves until it matched the true market value. The original property owner would then repurchase the property from the Bahamas registered company for its real market value. If the original property vendor owned the trust companies or held beneficial rights in them, then they would then control the amount of capital that was moved (i.e., the higher later repurchase price, minus the initial sale price) outside the UK, while continuing to own the property in the UK. In this way, capital could be

80. BOE OV 121/22, ‘Tax Havens’, July 1969, p.1.

81. BOE OV 121/22, ‘Tax Havens’, 21 January 1969.

82. BOE OV 121/22, ‘Tax Havens’, July 1969, p.3.

83. BOE OV 121/22, ‘Tax Havens’, July 1969, p.4.

84. BOE OV 121/22, ‘Tax Havens’, July 1969, p.4.

85. “Bolton, Tremblay & Co.” *Economist*, 26 June 1965, p. 1584.

86. BOE OV 121/22, ‘Tax Havens’, July 1969, p.4.

87. TNA IR 40/16338, Leon O. Stock, ‘Chapter XII: The Use of Bahamian Facilities’, *Taxation and Operations Abroad*. Princeton: Tax Institute, 1960, 161-169.

88. See TNA IR 40/16338, “Payments to Non-Residents for Property in the UK”, 9 August 1973; TNA IR 40/16338 “Payments to Non-Residents for Property in the UK”, 10 August 1973.

moved out of the UK without incurring exchange controls, and without triggering capital gains tax on the sale of the property in the first instance.⁸⁹

The Bank of England considered the risk of leakage out of the sterling area via the tax haven to be “quite high,” though it also noted that there also existed “other more important leaks and embarrassments” including the Persian Gulf States and Hong Kong.⁹⁰ Indeed, the tax haven system was part of a broader infrastructure and repertoire of techniques used by businesses and individuals for avoidance, evasion, regulatory arbitrage, reporting opacity, and so on.⁹¹

To further complicate matters there has been an ongoing debate about the extent to which UK overseas investment, especially when it was at its greatest, was either direct or portfolio in nature. This directly relates to the conceptualization and theorization of the firms that were invested in. While economic historians have tended to see Free-Standing Companies as being of a portfolio nature⁹², some business historians looking at specific sectors have challenged this, indicating that the head office in London was a meaningful site of management. While there might be an agreement that, say, utility companies in South America were managed and directed locally (the investment, therefore, being of a portfolio nature), this does not apply to some other investments where there is increasing evidence that they were meaningfully managed at a strategic level from the head office in London.⁹³ A further complicating factor is the location of the investors themselves, whether they were based in the UK, elsewhere in the sterling area, or outside the sterling area. This was a policy concern for the Bank of England in seeking to limit leakages of capital out of the sterling area.⁹⁴ There are no easy solutions to these conceptual and evidential problems, primarily because of a lack of detailed data, but also because the incorporated vehicles that investments were wrapped in were becoming increasingly complex. There were several corporate reregistrations of corporate domicile away from London to a third country in this period that may also provide part of the explanation, as might the absorption of British-registered overseas companies into multinational conglomerates

89. See TNA IR 40/16338, “Payments to Non-Residents for Property in the UK”, 9 August 1973; TNA IR 40/16338 “Payments to Non-Residents for Property in the UK”, 10 August 1973.

90. BOE OV 121/22, ‘Tax Havens’, July 1969, p.6; p.19.

91. See: Mollan, Simon and Kristine Sævd. 2021. ‘Loophole capitalism and tax havens: why practice matters more than place’, *Journal of Brief Ideas*. <https://zenodo.org/record/5805587>

92. Platt, “British Portfolio Investment Overseas before 1870: Some Doubts”; William N. Goetzmann and Andrey D. Ukhov, “British Investment Overseas 1870–1913: A Modern Portfolio Theory Approach*,” *Review of Finance* 10, no. 2 (June 2006): 261–300; Irving Stone, “British Direct and Portfolio Investment in Latin America before 1914,” *The Journal of Economic History* 37, no. 3 (1977): 690–722; Mira Wilkins, “The Free-standing Company, 1870-1914: An Important Type of British Foreign Direct Investment,” *The Economic History Review* 41, no. 2 (1988): 259–82; Mark Casson, “Institutional Diversity in Overseas Enterprise: Explaining the Free-Standing Company,” *Business History* 36, no. 4 (1994): 95–108.

93. In particular see Kevin Tennent, “Owned, Monitored, but Not Always Controlled: Understanding the Success and Failure of Scottish Free-Standing Companies, 1862-1910” (London School of Economics, 2009); Kevin Tennent, “Management and the Free-Standing Company: The New Zealand and Australia Land Company c.1866-1900,” *The Journal of Imperial and Commonwealth History* 41, no. 1 (2013): 81–97.

94. Schenk, *The Decline of Sterling: Managing the Retreat of an International Currency, 1945–1992*, passim; Tomlinson, *Managing the Economy, Managing the People: Narratives of Economic Life in Britain from Beveridge to Brexit*, 206–28; Forrest Capie, *The Bank of England: 1950s to 1979* (Cambridge: Cambridge University Press, 2010), 707–72.

already domiciled overseas.⁹⁵ The habit of reconstituting Free-Standing Companies, which involved the practice of separating and combining assets into new corporations, was well known in the history of overseas mining companies in particular but becomes even more complicated with reference to nesting corporations or shares in companies within trusts. The extent to which this involved trading company structures, trusts, or shell/holding companies located in tax havens remains an open question that itself demands further research. Given what we know about the contemporary business environment and use of such vehicles in tax havens, the question is not whether it occurred, but how business historians can excavate that history from the opacity of the havens themselves.

Banking and Commercial Services in Tax Havens

One legacy of Britain's role as an imperial power was the widespread presence of British banks across the world. Some, such as the Hong Kong and Shanghai Banking Corporation (HSBC) were formed in colonies themselves, while others, such as Standard Chartered, were formed in London to provide banking services overseas.⁹⁶ The UK domestic retail banks also developed international banking capabilities, either by having bespoke international banking departments (as was the case with Lloyds and the Midland) or by creating a separate banking vehicle to undertake that kind of banking, as was the case with Barclays Dominion, Colonial, and Overseas (Barclays DCO), that became Barclays International in 1971.⁹⁷

Banks were essential in the development of the island tax havens. Their function was to offer banking services to clients, in terms of supplying credit, holding deposits, facilitating transactions, and transferring information between nodes in the international network of banks.⁹⁸ The architecture of this banking network was centered on the major financial centers—notably London and New York—but was supported by correspondent banking relationships that linked banks from all over the world to the centers, and so to each other.⁹⁹ While the development of the Euromarkets in London in the late 1950s and 1960s created a substantial

95. Mollan, Frank, and Tennent, “Changing Corporate Domicile: The Case of the Rhodesian Selection Trust Companies.”

96. David Kynaston and Richard Roberts, *The Lion Wakes: A Modern History of HSBC* (Profile Books, 2015); Duncan Campbell-Smith, *Crossing Continents: A History of Standard Chartered Bank* (Penguin Books Limited, 2016).

97. J. R. Winton, *Lloyds Banks, 1918-1969* (Oxford: Oxford University Press, 1982); Anthony Ralph Holmes and Edwin Green, *Midland: 150 Years of Banking Business* (London: Batsford, 1986); Margaret Ackrill and Leslie Hannah, *Barclays: The Business of Banking, 1690-1996* (Cambridge: Cambridge University Press, 2001); Richard Phelps and Christine Moore, eds., *The Bankers' Almanac Register of Bank Name Changes & Liquidations* (East Grinstead: Reed Information Services, 1992), 86.

98. Battilossi, “Financial Innovation and the Golden Ages of International Banking: 1890–1931 and 1958–81”; Battilossi and Cassis, *European Banks and the American Challenge: Competition and Cooperation in International Banking under Bretton Woods*; Randall Germain, “Governing Global Finance and Banking,” *Review of International Political Economy* 19, no. 4 (October 1, 2012): 530–35; Youssef Cassis and Philip L. Cottrell, “Instruments, Institutions, Centres, and Networks,” in *Private Banking in Europe* (Oxford University Press, 2015), 7–38.

99. Merrett, “Global Reach by Australian Banks: Correspondent Banking Networks, 1830–1960”; Mollan, “International Banking and Asia: Some Evidence from Correspondent Banking Links”; Panza and Merrett, “Hidden in Plain Sight: Correspondent Banking in the 1930s.”

offshore financial market in the City, banks continued to maintain a physical presence overseas via branches and agencies. For example, the Bank of London and South America (BOLSA) under the leadership of George Bolton had pioneered the development of the Eurodollar market in London and created the Bank of London and Montreal (BOLAM) in 1958 as a joint venture with a Canadian bank, the Bank of Montreal. BOLAM was headquartered in Nassau, in the Bahamas, and concentrated in both the Caribbean region and Central America.¹⁰⁰ Barclays DCO opened a branch in Cayman in 1953 and was followed a decade later by the Canadian banks.¹⁰¹ British retail banks also took opaque or unreported equity stakes in island banks. For example, in the early 1970s, the Midland had an interest in the Bank of Bermuda, while National Westminster provided the top management for Butterfields, a Bermudian bank that was founded in 1758, and is still in existence.¹⁰² Banks in Nassau, Bahamas also included RoyWest (a joint venture formed by the Westminster Bank and the Royal Bank of Canada) Bank of Nova Scotia, Barclays DCO, Chase Manhattan, the Sassoon Group, and the Royal Bank of Canada—as well as the Bahamas International Trust Company (BITCO). Howard Revington, the manager of BITCO said of the Bahamas, “[w]e like to think of ourselves as the future Zurich of the Western world.”¹⁰³ A sense of the business done by Barclays DCO in the Cayman Islands, for example, can be seen in a report from October 1968. In it, he notes that between March and October 1968, some £2m had been received in deposits from the mining conglomerate the TANKS Group, half of which was funneled through CITCO, a trust company based in the Cayman Islands (discussed further below).¹⁰⁴

Tax planning was at the heart of the business that these banks cultivated in the tax havens. For example, in considering establishing a local bank in the Bahamas, Barclays noted that “the [Bahamian] Government appreciates the importance of having strong international banks for Foreign business ... [a] local company would, of course, have tax advantages (we could presumably keep profits out of the UK and use elsewhere free of tax)—but there are pros and cons.”¹⁰⁵ Barclays DCO/International offered company management services in Montserrat, the British Virgin Islands (BVI), and Barbados at the end of the 1960s. The costs of company formation were low, ranging from £125—£150. The bank’s annual fee for management of the “brass plate” was EC\$550 per year, with a \$1 charge for any entry to their books. In the case of investment companies this was “negligible,” but for trading companies would depend on the number of invoices the bank had to handle.¹⁰⁶ The cost of forming trusts was even lower, at just £25, with the bank making money on a percentage of the scale of the assets transferred. The first \$25,000 cost 1 percent; the next \$100,000 cost 0.75 percent, the next

100. Phelps and Moore, *The Bankers’ Almanac Register of Bank Name Changes & Liquidations*, 56; David Joslin, *A Century of Banking in Latin America: To Commemorate the Centenary in 1962 of the Bank of London & South America Limited* (Oxford: Oxford University Press, 1963).

101. BGA 80/5398, ‘Grand Cayman’, 18-19 October 1968, p.2

102. BGA 80/5398, Visit to Bermuda, New York, and Boston by Mr S.G. Mogford, 11-14 June 1973, p.1; “Our History: The Butterfield Group,” Butterfield, 2021, <https://www.butterfieldgroup.com/About/Pages/history.aspx>.

103. “Bahamas: the tax-free haven.” *Sunday Times*, 23 October 1966, p. 27.

104. BGA 80/5398, ‘Grand Cayman’, 18-19 October 1968, p.2.

105. BGA 80/5399, ‘Visit to Bahamas’, 9-11 February 1974, p.5.

106. BGA 80/5398, ‘Barbados. International Business Companies’, 1968, p.2.

\$125,000 at 0.5 percent and then anything above \$250,000 was charged at 0.25 percent.¹⁰⁷ Trusts incurred an annual management fee of only \$50, but there was also a withdrawal fee of 1 percent of the amount withdrawn.¹⁰⁸

The Barclays International branch on St Thomas, one of the American Virgin Islands, had been used principally as a means of funneling dollars into the London-based Euromarkets, “operating as a legal way to export dollars without infringing US Exchange Control Regulations, the branch accepting dollar deposits and deploying them in London at a turn.”¹⁰⁹ US dollars circulated freely on all Caribbean tax havens, but were legal tender in the British Virgin Islands, which also enjoyed a double taxation agreement with the United States.¹¹⁰ The Bank of England regarded the BVI as being *de facto* in the dollar area.¹¹¹ With reference to Bermuda, which joined the dollar zone in 1972, a Barclays International report in 1973 observed that since the break with Sterling “international tax haven business was on a plateau and I cannot see it increasing, which is not to say that the Euro-currency business of existing companies will not grow.”¹¹² This indicates an important feature of some island tax havens, perhaps especially those that were in the dollar zone, was as a conduit for dollars to flow out of the United States and into the Eurodollar market in London from where the funds could be recycled. As the Bank of England observed, the “growth in tax havens has tended to be concentrated in areas adjacent to the USA because it is from there that the greater amount of new business emanates.”¹¹³

In addition to banking there was also the presence of accounting firms, such as Price Waterhouse, who were engaged in advising island governments how to arrange their legal and regulatory regimes to maximize business as a tax haven.¹¹⁴ Cayman, for example, was home to offices of some of the major accounting firms—Peat Marwick, Cooper Brothers, Price Waterhouse, and Panell Fitzpatrick—who provided the domicile for some twenty companies by 1968.¹¹⁵ Between and 1968 and 1969 the number of expatriate legal and accounting firms based on the Cayman islands grew from three to seventeen, indicative of the burgeoning business to be done.¹¹⁶ Accounting firms and banks offered similar services to clients, as did a particular form of trust management company such as the Bahamas International Trust Company (BITCO) and the Cayman Islands International Trust Company (CITCO). These international trust companies were established by consortia of banks to provide local registration services. For example, CITCO was established in 1966 “to conduct trust and banking business”:

The company offers a full range of management, secretarial, trust and executorship services to companies and individuals from outside the Islands as well as to residents. The company is

107. BGA 80/5398, ‘Barbados. International Business Companies’, 1968, p.2.

108. BGA 80/5398, ‘Barbados. International Business Companies’, 1968, p.3.

109. BGA 80/5399, ‘Mr T.H. Bevan’s Visit to West Indies, Jamaica, Virgin Islands’, 20 January – 2 February 1974, p.6.

110. BOE OV 121/22, ‘Tax Havens’, July 1969, p.7; p.10; BOE 3A 152/16 ‘British Virgin Islands’ 11 November 1970.

111. BOE OV 121/22, ‘Tax Havens’, July 1969, p.10.

112. BGA 80/5398, Visit to Bermuda, New York, and Boston by Mr S.G. Mogford, 11-14 June 1973, p.1.

113. BOE OV 121-22, ‘Tax havens Part 1’, July 1969, p.2.

114. BOE 3A 152/16 ‘Leeward Islands: Montserrat’, 11 November 1970.

115. BGA 80/5398, ‘Grand Cayman’, 18-19 October 1968, p.3.

116. BOE OV 121/22, ‘Tax Havens’, July 1969, p.11.

sponsored by a group of leading banks, including Barclays DCO, trust companies, and other financial institutions on both sides of the Atlantic and is designed to serve those individuals and corporations who require first-class financial service.”¹¹⁷

On foundation CITCO was a flimsy organization, employing one employee in a single-room office, with a part-time secretary. Nevertheless, it had obtained the “management” of ten companies in its first six months of operations.¹¹⁸ There was clearly no capacity for active management to be undertaken, and its sole function was to be the nominal domicile of brass plates, replicating the function that had previously been common in the City of London, especially before 1914.¹¹⁹ Barclays DCO did, however, believe that the international business via CITCO would increase, and contemplated moving an income tax specialist to Cayman to build up the international side of the business.¹²⁰

Such trust companies were initially fed business by the banks that took shares in them.¹²¹ This was not always successful. In the early 1970s, the parent banks of the International Trust Company of Bermuda (ITCOB) had failed to supply it with enough business, and it was making a loss.¹²² Unable to garner new business on its own, Barclays International sought simply use it to maintain the brass plate trusts and other companies that already used its services. Around the same time as this, Anthony Tuke, the Chairman of Barclays, was critical of CITCO on a similar basis:

CITCO themselves are not a very inspiring organization ... it is rather a pity that CITCO is regarded by the BITCO directors as a poor relation, and although they have a board meeting held there from time to time it is a rarity for the top Directors to attend. With the benefit of hindsight we should, of course, have had our own Trust company, but we are in CITCO now and we must make the best of it. I have never understood what prompted us to put all these mortgages to CITCO, thus in effect handing over 75% of the profit to Hambros, Rothschilds etc.¹²³

In fact, Barclays did not set up its own trust company on legal advice. S.G. Mogford, the Vice-Chairman of Barclays International, explained that this was to distribute control for client preference. “In practice we have not only aimed at achieving a spread between different companies to avoid one controlling company, but also as regards the overall shareholding in order to ensure that no one ‘country’ had control,” he wrote, adding that “a number of our BITCO customers have laid great emphasis on this.”¹²⁴ CITCO was set up “as a complement to our local banking operations, as in the early days, there was virtually no trustee business,” noting that the mortgage business Tuke had questioned was a deliberate subsidy to support the business.¹²⁵ As we know with hindsight the tax havens registration business, including Cayman, expanded rapidly. By 1975, there were more than 170 banks and trust companies located there, up from

117. Barclays Bank DCO (1971), *The Cayman Islands* (London: Barclays Bank DCO), 22-23.

118. BGA 80/5398, ‘Grand Cayman’, 18-19 October 1968, p.3.

119. BGA 80/5398, ‘Grand Cayman’, 18-19 October 1968, p.3.

120. BGA 80/5398, ‘Grand Cayman’, 18-19 October 1968, 3-4.

121. BGA 80/5398, Visit to Bermuda, New York, and Boston by Mr S.G. Mogford, 11-14 June 1973, p.5.

122. BGA 80/5398, Visit to Bermuda, New York, and Boston by Mr S.G. Mogford, 11-14 June 1973, p.5.

123. BGA 80/5398, Notes re Visit to USA, Caymans, and Jamaica, 13-30 January 1973, p.3.

124. BGA 80/5398, S.G. Mogford, ‘Note for Mr Tuke’, 12 February 1973, p.1.

125. BGA 80/5398, S.G. Mogford, ‘Note for Mr Tuke’, 12 February 1973, p.2.

just over twenty only five years before.¹²⁶ Similarly, BITCO also enjoyed success, continuing to trade alongside dozens of other Eurocurrency oriented banking institutions with branches in the Bahamas by the end of the period covered here.¹²⁷ The number of trust companies established in tax havens mushroomed, so that by the 1970s there were often dozens in each tax haven.¹²⁸

Company management by BITCO and other trust companies was founded on opacity; they might have no knowledge of the identity of the beneficial owners of the companies they incorporated.¹²⁹ Where BITCO supplied board members (in over seventy percent of companies in 1960—see Table 1), those directors would only act on the direct instruction of the beneficial owner...¹³⁰

By 1960 the number of companies managed by BITCO was 156 (see Table 1). Investment companies, mainly consisting of investment trusts, made up two-thirds (sixty-seven percent) of the total, while trading companies made up one-quarter (twenty-five percent). Of those twenty-six companies which were not designed as being either an investment or a trading company by BITCO, three were shipping companies, five were insurance companies, five were likely property management companies, one was a public relations company (Inter American Public Relations Ltd), one was a bank (the Bank of London and Montreal Ltd), and the remainder appear to be investment trust companies, holding companies, or shell companies. The insurance companies were mostly captive insurers (i.e., wholly owned subsidiaries formed to insure the business itself). General Overseas Insurance, for example, was a “house company” of the US petroleum company Mobil Socony, while Central Caribbean Insurance Company Ltd handled “only Tate and Lyle business.”¹³²

Table 1. Companies managed by BITCO in 1960¹³¹

	Total number of companies	BITCO representation on the board of directors	Company bank account held by bank			
			Empire Trust	Barclays DCO	Hambros	No bank listed
Investment company	89	74	23	36	3	27
Trading company	42	28	27	10	2	7
Unlisted company type	26	9	1	0	1	24
Total	156	111	51	46	6	58

126. Penn, Stanley. “Collapse Spawns Fears for Future of Tax Haven.” *The Guardian*, 4 February 1975, p.17.

127. “Bahamas International Trust Company Limited.” Caribbean Banking: Financial Times Survey. *Financial Times*, 3 Jan. 1975, p. 26; “Multiple Classified Advertising Items.” Bahamas: Financial Times Survey. *Financial Times*, 22 July 1980, p. 30; Kelly, Nicki. “Islands’ Stability Attracts the Banking Community.” Bahamas: Financial Times Survey. *Financial Times*, 22 July 1980, p. 30.

128. ‘Offshore Investment Centres Annual Review’, *The Banker*, May 1973, 512-518.

129. BGA 0011-1605 Letter from K.A.M Cookson, BITCO to J.F. Cade, Barclays DCO, 18 March 1960.

130. BGA 0011-1605 Letter from K.A.M Cookson, BITCO to J.F. Cade, Barclays DCO, 18 March 1960.

131. BGA 0011-1605 ‘Appendix E’ to ‘Mr Cade’s Confidential Report on his visit to the Bahamas International Trust Company’, April 1960. One company was listed as both an investment company and a trading company which is why the total number of companies is 156 rather than 157.

132. BGA 0011-1605 ‘Mr Cade’s Confidential Report in His Visit to the Bahamas Trust Company Limited, April 1960’.

BITCO was directly represented on the board over seventy percent of the companies to which they provided managerial services in 1960, but proportionately had greater representation on investment company boards (eighty-three percent) than trading company boards (sixty-seven percent). A similar pattern can be seen in relation to who the bankers were of the different companies. Barclays DCO held the bank accounts of forty percent of investment companies and twenty-three percent of trading companies, while Empire Trust held the accounts of twenty-five percent of investment companies, but sixty-four of trading companies. Overall, Empire Trust in New York were the bankers for fifty-one of all companies, compared to forty-six for Barclays DCO. This reflects that by 1960 a substantial amount of BITCO's company management business was coming via the Empire Trust rather than from Barclays DCO, and much of it was American owned corporations either transferring assets to BITCO managed companies, or relocating subsidiaries to the Bahamas.¹³³ This was caused by the "deterioration [of political conditions] in places like Panama, Cuba, Venezuela and other South American countries and the worsening of their relations with the USA," Barclays DCO reported, going on to state:

American off-shore companies no longer wish to go to such countries, and tend to leave them if there already. Citizens or companies of those countries are looking for a safer place to which to move their affairs, and they are finding it with BITCO under the Empire Trust "checking accounts" system."¹³⁴

Empire Trust provided check clearing and deposit services in New York for corporations managed by BITCO, so allowing them to access the US financial system, and to transfer money from New York to Nassau—a potentially important service for US corporations seeking to move business to Nassau. BITCO itself kept an account with Empire Trust of US\$1 million.¹³⁵

The issue of political instability leading to capital flight, changes of domicile and relocation of beneficial ownership of assets was clearly seen by BITCO as an opportunity that included "Indians and others in East Africa who are in present unsettled conditions are contemplating moving their funds elsewhere, are looking for safe haven," as well as Hong Kong and Singapore that, in retrospect, turned out to be more stable and became tax havens themselves.¹³⁶ The preponderance of corporations with Empire Trust bank accounts, however, appears to indicate that the US corporations were more important in developing the company management business for BITCO in the early 1960s, with Barclays DCO noting that following "attacks on such companies in places such as Panama, Venezuela, Cuba etc and these companies are looking for a safer haven for their funds."¹³⁷ "By far the largest number of our clients originate from the United States of America," one BITCO executive wrote, going to explain that the UK

133. BGA 0011-1605 'Mr Cade's Special Report on the Present BITCO Set-up', 26 April 1960.

134. BGA 0011-1605 'Mr Cade's Special Report on the Present BITCO Set-up', 26 April 1960.

135. BGA 0011-1605 'Mr Cade's Confidential Report in His Visit to the Bahamas Trust Company Limited, April 1960'.

136. BGA 0011-1605 'Mr Cade's Confidential Report in His Visit to the Bahamas Trust Company Limited, April 1960'.

137. BGA 0011-1605 'Mr Cade's Confidential Report in His Visit to the Bahamas Trust Company Limited, April 1960'.

provided “relatively few” clients because of financial regulations preventing capital movement.¹³⁸ However, in other correspondence BITCO indicated that “[t]he falling off of Trust Business emanating from the United Kingdom has resulted almost directly from the result of the [1959] General Election ... [t]his trend might well, however, be reversed in a year or two’s time if the fear of capital taxation were renewed in the United Kingdom.”¹³⁹ The 1959 election had been won by the Conservative Party with a large majority. However, in the preceding years the Labour Party had held substantial leads in opinion polls for most of the preceding parliament.¹⁴⁰ This implies that domestic UK concerns about the willingness of the Labour Party to tax capital owned by UK residents (whether overseas or in the UK) was contributory to the early development of the company management business by BITCO. This supports the view that the primary clientele of BITCO were corporations engaging in tax planning and seeking a reduction in taxation on overseas capital, though private individuals also had a role to play in transferring beneficial ownership of assets from one jurisdiction to another.¹⁴¹ BITCO was candid that the function of moving to the Bahamas was to “obtain maximum tax benefits.”¹⁴²

Business Activity in Tax Havens

From the 1950s onwards firms from a range of sectors including were registering in tax havens with the burden of UK taxation widely cited as a reason.¹⁴³ In this section we outline the business activities in tax havens by shipping companies, trading companies, and investment holding companies.

Shipping Companies

The first corporations to move to tax havens were shipping companies. In the 1950s *The Economist* reported that the burden of taxation in the UK “was excessive for an international business like shipping.”¹⁴⁴ Rising shipbuilding costs meant that profit was difficult. It concluded that “British shipping becomes a shrinking fraction of world tonnage, and the fleets that set sail under flags of convenience—the flags of Panama, Liberia and Costa Rica—are ... a rising proportion.”¹⁴⁵ British shipping owners looked to find a flag of convenience within the sterling area, often looking to Bermuda, though the statistics on flag registration indicate that the flags themselves were registered in Panama and Liberia, with the companies formed

138. BGA 0011-1605 Letter from K.A.M Cookson, BITCO to J.F. Cade, Barclays DCO, 18 March 1960.

139. BGA 0011-1605 “Memorandum to Mr Cade: Trustee Statistics”, April 1960

140. Wikipedia contributors. 2023. “Opinion Polling for the 1959 United Kingdom General Election.” Wikipedia, The Free Encyclopaedia. September 17, 2023. https://en.wikipedia.org/w/index.php?title=Opinion_polling_for_the_1959_United_Kingdom_general_election&oldid=1175800334.

141. BGA 0011-1605 Letter from K.A.M Cookson, BITCO to J.F. Cade, Barclays DCO, 18 March 1960.

142. BGA 0011-1605 Letter from K.A.M Cookson, BITCO to J.F. Cade, Barclays DCO, 18 March 1960.

143. “Ticket to Bermuda.” *Economist*, 15 September 1956, 899-900; BOE OV 121/22, ‘Tax Havens’, July 1969, p.10.

144. “Ticket to Bermuda.” *Economist*, 15 September 1956, 899-900.

145. “Ticket to Bermuda.” *Economist*, 15 September 1956, 899-900.

elsewhere.¹⁴⁶ Shipping companies with Bermudian registrations already existing by the mid-1950s included Shell, London and Overseas Freighters, Stanhope Steamship, and Silver Line. These took the form of co-owned companies, with no more than fifty percent ownership, that were not considered as subsidiaries.¹⁴⁷ It is clear that avoiding taxation was a causal factor. For example, the Anglo-American Shipping Company was incorporated in Bermuda in 1959 and was a subsidiary of Norness Shipping Incorporated. It had a capital of £7.5m with £2.5m in shares and £5m in loan stock, indicating that it was financed using thin capitalization. The IPO was organized by London merchant bank Montagu Samuel and Co. The company was originally to be registered in London but... “in order to secure the help of the two American institutions it was decided to register the company, whose ships are registered in London, in Bermuda ... since there is no income tax in Bermuda (and the company has secured an undertaking from the Government that even if income tax is introduced, it will be exempt from it until at least 1986) the American institutions will receive their interest payments free of tax. The reason for American participation was that it was impossible to raise all the necessary funds on the London market.”¹⁴⁸ In the longer-run tax havens became the main source of maritime “flags of convenience.”¹⁴⁹

Trading Companies

Trading companies might undertake operations in the tax havens, or overseas—and in practice there is ambiguity as to what might be considered a trading company, a holding company, or an investment company. The UK Treasury was concerned that corporations nominally set up under a tax-free basis in order to undertake development work (such as building port facilities, hotels, or developing real estate—which would be classed as trading companies) were in reality established to create “brass plate companies ... set up to enable tax to be avoided in other countries.”¹⁵⁰ The Bank of England believed that many companies registered in Cayman were dormant branches of companies already registered in other tax havens, and as such were “insurance against possible introduction of inhibiting regulations in those havens.”¹⁵¹ The governance structure of the brass plates was to have companies registered in the name of number of nominee shareholders, so disguising ownership. Whether nested within trading companies, investment companies, corporate shells, or simply registered with

146. “Ticket to Bermuda.” *Economist*, 15 September 1956, 899-900.

147. “Ticket to Bermuda.” *Economist*, 15 September 1956, 899-900; “Any More for Bermuda?” *Economist*, 24 November 1956, p. 718; “Investors Fancy Bermuda.” *Economist*, 15 December 1956, p. 995; “Stanhope Steamship.” *Economist*, 27 April 1957, p. 355; “Court Line as a Test Case?” *Financial Times*, 19 November 1956, p. 1.

148. “Anglo-American Shipping.” *Economist*, 14 November 1959, 671-672.

149. See Thomas West, “Outflagging and Second Ship Registers: Their Impact on Manning and Employment,” *Social Affairs* (European Parliament, 1999); Jessica K. Ferrell, “Controlling Flags of Convenience: One Measure to Stop Overfishing,” *Environmental Law* 35, no. 2 (2005): 323-90; Victor Galaz et al., “Tax Havens and Global Environmental Degradation,” *Nature Ecology and Evolution* 2, no. 9 (2018): 1352-57; Sang Man Kim and Jongho Kim, “Flags of Convenience in the Context of the OECD BEPS Package,” *Journal of Maritime Law and Commerce* 49, no. 2 (2018): 221-38.

150. TNA T295/588 ‘Agreements with the Developers and Other Commercial Organizations – Guidance on General Principles’, 13 June 1969.

151. BOE 3A 152/16 ‘Cayman Islands’, 11 November 1970.

a “brass plate” at an address in a tax haven, this poses a significant research difficulty; the very opacity of reporting that made registration on the tax havens attractive to corporations acts as a barrier to knowledge about them.

Indeed, this was also a problem for the British government at that time. In the case of the Bahamas, for example, it was reported that “there is no way [of knowing about the firms] save by direct enquiry of the nominees (or their employees) or by chance leads.”¹⁵² According to the view of the Commonwealth Office, and presumably also the Inland Revenue, there was “no legal means of piercing this vale of anonymity ... [the] Government is entitled to no more information about these companies than any ordinary person who cares to pay the prescribed fee to inspect the register of shareholders in the company’s local office.” Moreover, the Bahamas authorities could not distinguish between firms that had British, American, or Canadian origins, and the Inland Revenue were informed that Sir Ralph Grey, Governor of the Bahamas, was equally unable to tell the British government “how many are registered in consequence of a genuine surge in any part of the Bahamian economy and how many are ‘shells’ for some activity undesired by the Inland Revenue,” for the simple reason that he did not know and could not easily find out.¹⁵³

Nevertheless, it is possible to reconstruct a sense of the ways in which these firms were constituted in this period. Offshore trading companies operated, in theory, as follows:

An American company that exports, say, tractors to underdeveloped countries, at a good profit, will export them at a price that is reasonable by American domestic standards but well below the actual selling-price. But it will, in theory, export them to its trading company in Monaco or Bermuda (the company won’t get the tractors, but it will get the invoices, bills of lading, and so on) and the deal, which contains the additional profit will pass through the Monegasque company’s books. The company will retain the profits—untaxed—and the American tax people will have lost a handsome chunk of revenue.¹⁵⁴

This then would leave the profit located in the tax haven. If companies wished to repatriate profits they would then take advantage of tax treaties between the haven and the home country to do so without having to pay taxation on profits earned overseas. Alternatively, capital could then be used within the tax-havened economic system. This is what one source referred to as “re-invoicing” so that “such part of the profit derived from selling in the international market that need not be attributed to manufacturing or handling within the United States can be earned by the Bahamian Company”; i.e., realized in the tax haven.¹⁵⁵ The Bank of England acknowledged that there was “no effective control over the operations’ of such companies located in tax havens.¹⁵⁶ The transfer of corporate assets was facilitated the creation of shell

152. TNA IR40/16743 Confidential Memo from A.N. Galsworthy, Commonwealth Office, to Sir Alexander Johnson, Inland Revenue, 16 November 1967.

153. TNA IR40/16743 Confidential Memo from A.N. Galsworthy, Commonwealth Office, to Sir Alexander Johnson, Inland Revenue, 16 November 1967.

154. “The Geography of Tax Havens.” *The Observer*, 28 October 1962, p.6.

155. BGA 0011-1605 Letter from K.A.M Cookson, BITCO to J.F. Cade, Barclays DCO, 18 March 1960.

156. BOE OV 121/22, ‘Tax Havens’, July 1969, p.10. The example cited in the report was the British Virgin Islands.

companies that were ready for off the shelf usage. Examples from the BITCO records in the Barclays Group Archive include companies with meaningless names, such as Prospero Limited, Queen Limited, Ragbag Limited, Salmon Limited and Swan Limited.¹⁵⁷ These companies were designed to be used in an emergency or with immediate effect “for someone who wants to move quickly,” and also to avoid American tax regulations that required new overseas companies to file with the Inland Revenue Service because “[t]he sale of an existing company –i.e, a shell–is not deemed to be the ‘formation of a foreign corporation.’”¹⁵⁸ In this way, a US owned corporation overseas could transfer assets into the shell for tax shielding or other benefits, or a business set up to undertake activities in the US could avoid US taxation.

Tax havens therefore became part of the internationalization strategies of businesses in this period. For example, the US oil conglomerate Mobil Socony registered various companies as subsidiaries of General Overseas Insurance (mentioned earlier). These included Mobil Transport (Bahamas) Limited, Mobil Holdings (Bahamas) Limited, Mobil Sales (International) Limited, Mobil Chemical Investments Inc. Mobil Investments S.A., and Mobil Trade Carrier Company.¹⁵⁹ Similarly, Lotus—a famous UK-based international motor racing team in the 1960s and 1970s—registered Team Lotus (Overseas) Limited in the Bahamas with BITCO in 1963 to facilitate international activities. They also registered a sister company called Lotus Indianapolis Project Limited, which presumably was engaged with American motor racing.¹⁶⁰

Tax havens were also used by mining-investment houses to incorporate companies that were used to control mining assets. The history of this kind of company in colonial contexts is well known in the international business historiography, with the incorporation and reconstruction of mining companies being a common element of the organization international mining conglomerates.¹⁶¹ Mining companies organized this way have often been categorized as “Free-Standing Companies.”¹⁶² Evidence of the existence of this this type of company is

157. BGA 0011-1605 ‘Appendix E’ to ‘Mr Cade’s Confidential Report on his visit to the Bahamas International Trust Company’, April 1960; Letter from Andreae & Fingland, Chartered Accountants, Nassau, to Directors of BITCO, 9 February 1960.

158. BGA 0011-1605 ‘Mr Cade’s Confidential Report in His Visit to the Bahamas Trust Company Limited, April 1960’.

159. BGA 0011-1510 Minutes of the Management Committee of the Bahamas International Trust Co. Ltd. 26 August 1964; BGA 0011-1513 Minutes of the Management Committee of the Bahamas International Trust Co. Ltd, 30 July 1962.

160. BGA 0011-1513 Minutes of the Management Committee of the Bahamas International Trust Co. Ltd, 3 September 1963.

161. For example, the case of Lonrho: Uche, Chibuike. 2015. “Lonrho in Africa: The Unacceptable Face of Capitalism or the Ugly Face of Neo-Colonialism?” *Enterprise & Society* 16 (2): 354–80; and more generally Frankel, Herbert. 1967. *Investment and the Return to Equity Capital in the South African Gold Mining Industry*. Oxford: Basil Blackwell.

162. See, for example, Simon Mollan. 2009. “Business Failure, Capital Investment and Information: Mining Companies in the Anglo-Egyptian Sudan, 1900–13.” *The Journal of Imperial and Commonwealth History* 37 (2): 229–48; Simon Mollan, Billy Frank, and Kevin Tennent. 2020. “Changing Corporate Domicile: The Case of the Rhodesian Selection Trust Companies.” *Business History* 69 (4): 1600–1622; Simon Mollan, “The Free-Standing Company: A ‘zombie’ Theory of International Business History?,” *Journal of Management History* 22, no. 2 (2018): 156–73; Simon Mollan. 2024. “‘Witch-Hunt in Washington’: Ronald Prain, Robert F. Kennedy, the McClellan Committee, and the Investigation of International Business in the Cold War.” *Enterprise and Society* 25 (1): 248–80.

also present in the registers of companies that incorporate in tax havens, where they exist, and where there is access to them. Two examples of such registers are the Panama Papers and the register of defunct companies held by the Isle of Man Record Office. Both of these sources reveal company registrations for businesses that held assets overseas. To take two illustrative examples from these registers, International Minerals Ltd formed in the Isle of Man in 1968, and Overseas Mining Investments Ltd formed in the Bahamas in 1970, are both likely to have been vehicles for international investment in mining.¹⁶³ Similarly, from the BITCO archives, we find that in 1964 Tanganyika Concessions, the central component of the Tanks Group conglomerate, moved its corporate domicile from Southern Rhodesia to the Bahamas (having previously moved its corporate domicile from the United Kingdom to Southern Rhodesia in 1950). BITCO provided Tanks with corporate services and its official head office. The minutes of BITCO's management committee noted that three of its officers had become directors of Tanks, and BITCO had become the secretary to the company. The reported reason for the move was to avoid political uncertainty in Southern Rhodesia, and also "to safeguard the freedom to remit home funds." The Tanks Group's stated motivation for the move was to "to retain freedom to dispose at will of its international securities and earnings." There was also a marginal taxation advantage. Given that the majority of shareholders were based in Europe, and only about ten percent of Tanganyika Concessions investments were in Southern Rhodesia, this was the key feature (the majority of investments were in Congo and Angola, mainly invested in Union Minere, and Beuguela Railways, respectively).¹⁶⁴ What Tanks sought was to safeguard "its remission of funds to the UK."¹⁶⁵ This reveals a key feature of tax havens, which was to enable corporations to move funds, and disperse profits, without being subject to either restriction or higher levels of taxation. It also underscores that the actual capital investment remained where it had previously been located. What changed was where the corporation profits were liable to taxation. Similarly, the British-South African mining conglomerate Anglo-American also used BITCO to incorporate mining related companies. In 1965, Anglo-American sponsored the formation the Mining and Construction Engineering (International) Limited. It had a capital of £50,000. The purpose of the company was to provide finance and included "technical know-how for engineering and construction on contracts on a world-wide basis." Also formed in 1965 and associated with Anglo-American, the Boart (International) Company had an authorized capital of £2 million, and was formed in the Bahamas "as a medium for the provision of finance to a number of enterprises in various countries."¹⁶⁶

163. "Paradise Papers - Bahamas Corporate Registry Entity: Overseas Mining Investments Limited," International Consortium of Investigative Journalists Offshore Leaks Database, accessed May 14, 2021, <https://offshoreleaks.icij.org/nodes/30016949>; "Registered Dissolved Company Files 1865-1993" (2015), Douglas, Isle of Man, Isle of Man Public Record Office, <https://www.gov.im/media/1349817/s2.pdf>.

164. BGA 0011-1510 Minutes of the Management Committee of the Bahamas International Trust Co. Ltd, 9 December 1964; "'Tanks' Leaves Rhodesia for the Bahamas." *Financial Times*, 19 Nov. 1964, p.1; "'Tanks' Goes to the Bahamas." *Financial Times*, 19 Nov. 1964, p. 17.

165. Our Mining Editor. "Shadows over Golds: Base-Metals Steady." *Financial Times*, 21 Nov. 1964, p. 5.

166. BGA 0011-1510 Minutes of the Management Committee of the Bahamas International Trust Co. Ltd, 11 November 1965.

Investment Holding Companies

It is known that wealthy individuals relocated themselves to tax havens to avoid paying tax, and that there are reported cases where business remuneration was paid via accounts in tax havens to reduce liability to taxation, and that there was a substantial flow of private funds to tax havens, usually placed in investment holding companies (also referred to as investment trusts).¹⁶⁷ Relatedly, Ogle claims that private individuals transferring money abroad was causative of tax havens.¹⁶⁸ Client files in financial archives are usually not accessible, if they have been retained at all. This is also the case for BITCO. However, some files have survived that relate to enquiries made by potential clients in relation to using BITCO services. These examples give a substantial insight into how BITCO operated to facilitate tax avoidance / tax planning.

The first example, from 1959, is that of J.C. Bamford, the owner of J.C. Bamford (Excavators) Ltd and Rocester Services Ltd who were in earth moving and machinery servicing business in Uttoxeter, England. Bamford sought advice on whether BITCO could establish a company in the Bahamas, ostensibly for the charting of yachts and shipping. Barclays would not be drawn on the legality of such an arrangement. Instead, questions of legality and liability to taxation were deflected to the client and their legal and accounting advisors, in this case Norton Rose, and Horton and Company.¹⁶⁹ This kind of deflection was important in establishing the arm-length approach of BITCO (and Barclays) in the company management business in tax havens, discussed further below.

The second example, from 1965, is that of Samuel Bailey Wright, who owned Hey Engineering in Coventry in England. This firm had become “an engineering-cum-investment holding company,” whereby the profits of the firm had been invested in securities that Wright intended for his own benefit.¹⁷⁰ However, with the onset of Corporation Tax and Capital Gains Tax in 1965, Wright faced the possibility of a substantial UK tax liability on the assets. Wright had sought advice from legal counsel on “the advisability of forming a Bahamas company ... not with the idea of avoiding any tax whatsoever but merely to hold what can be considered his private fortune in the way of stocks and shares, leaving the engineering company to take care of that side of the business.”¹⁷¹ He planned to eventually retire to the Bahamas. In response, Barclays DCO wrote to the Coventry branch of Barclays Bank for a confidential report on Wright’s “character, means and standing.”¹⁷² The branch manager of Barclays Bank in Coventry then contacted the local branch of Westminster Bank with whom Wright banked

167. “The Geography of Tax Havens.” *The Observer*, 28 October 1962, p.6; “Tory Attacks Tax Havens.” 16 April 1974, p.6; “Questions Over ‘Tax Haven’.” *The Guardian*. 12 June 1973, p.8.

168. Ogle, Vanessa. 2020. “‘Funk Money’: The End of Empires, the Expansion of Tax Havens, and Decolonization as an Economic and Financial Event.” *Past & Present* 249 (1): 213–49.

169. BGA 0011-1521, Letter from S.G. Mogford, Barclays DCO, to Messrs. Horton and Co., 10 March 1959; Letter from S.G. Mogford, Barclays DCO, to Messrs. Horton and Co., 16 March 1959; Letter from S.G. Mogford, Barclays DCO, to J.E. Norton, Norton Rose 25 March 1959; Letter from J.E. Norton, Norton Rose, to S.G. Mogford, Barclays DCO, 26 March 1959.

170. BGA 0011-1509, ‘Memorandum: Enquiries - BITCO: S.B. Wright Leamington Spa’, 7 January 1965; H. Hammond, Manager of Barclays, Coventry, to G.I. Paul, Barclays DCO, 16 March, 1965.

171. BGA 0011-1509, ‘Memorandum: Enquiries - BITCO: S.B. Wright Leamington Spa’, 7 January 1965.

172. BGA 0011-15099, GI Paul, Barclays DCO to The Manager Barclays Bank, High Street Coventry, 10 March 1965.

to inquire about his standing, the outcome being that Wright was deemed “highly respectable and considered most trustworthy for his business engagements ... [and] is highly regarded in machine tool circles.”¹⁷³ This appears to have been adequate for Barclays DCO to open an account in their Nassau branch with a £10,000 deposit from Wright.¹⁷⁴ Wright then liquidated Hey Engineering, resulting in £200,000 in cash and securities, and was liquidating other assets that would result in net proceeds of between £400,000 and £500,000. Taken with the proceeds of the sale of his firm, it would mean total assets that would be worth somewhere between £12.3 million and £14.4 million in today’s prices.¹⁷⁵

Of interest in this case is that Wright himself proposed a scheme to Barclays DCO and BITCO that would have involved Wright being given a £400,000 overdraft facility in London, and remitting the money to his Nassau account as a hedge against future exchange or capital controls. The overdraft would be liquidated by deposits to the Barclays DCO Gracechurch Branch, meaning that Wright would have access to liquid funds to the equivalent amount in Nassau.¹⁷⁶ BITCO wrote to Barclays DCO, stating that “the scheme you outline (if it could be worked) would prove very remunerative, and therefore merits careful study - especially as there are probably other people who are concerned lest the UK introduce restrictions of funds to other sterling area points,” but went on to say that “in the (unlikely) event of the United Kingdom introducing such restrictions, residence of the UK would be precluded from making payments to UK banks for credit to the accounts of non-residents in the UK.”¹⁷⁷ Consequently, BITCO concluded that the scheme was “fraught with difficulties,” Barclays DCO were “not enamoured of this devious method,” and the Bank of England opposed it.¹⁷⁸ Barclays DCO worried that the scheme might result in the Bank of England blocking transfers of Sterling to the Bahamas and elsewhere in the sterling area as a consequence. This “would presumably prohibit transfers of in Sterling to any other part of the world, which would place in jeopardy the millions of pounds owned by “foreigners” in the UK, including South Africa, Australia and all other points in the sterling area, and could even result in all our overseas investments similarly being blocked,” they wrote. BITCO had also advised DCO that “it could lead to Mr Wright divulging all the facts of the case,” something that DCO deemed “not desirable.”¹⁷⁹ Samuel Wright eventually dropped the scheme, though continued to move substantial deposits from London to Nassau throughout April 1966, after which no further information is present in the Barclays sources consulted.¹⁸⁰

173. BGA 0011-1509, H. Hammond, Manager of Barclays, Coventry, to G.I. Paul, Barclays DCO, 16 March, 1965.

174. BGA 0011-1509, G.I. Paul, Barclays DCO, to S.B. Wright, 17 March 1965.

175. “Five Ways to Compute the Relative Value of a UK Pound Amount, 1270 to Present,” *MeasuringWorth*, 2024. Calculated using the real price measure at 2022 prices.

176. BGA 0011-1509, G.I. Paul, Barclays DCO to D.H. A. Wright, BITCO, 16 March 1966; G.I. Paul, Barclays DCO, ‘Memorandum to the General Managers re S.B. Wright’, 16 March 1966.

177. BGA 0011-1509, D.H.A. Wright, BITCO to G.I. Paul, Barclays DCO, 23 March 1966.

178. BGA 0011-1509, G.I. Paul, Barclays DCO, ‘Memorandum to the General Managers re S.B. Wright’, 16 March 1966; see also handwritten note appended to this letter.

179. BGA 0011-1509 ‘Note for File: S.B. Wright’ by G.I. Paul, Barclays DCO, 28 March 1966.

180. BGA 0011-1509 Letter from G.I. Paul, Barclays DCO to D.H.A. Wright, BITCO, 29 March 1966; Letter from G.I. Paul, Barclays DCO to S.B. Wright, 5 April 1966; Letter from S.B. Wright to G.I. Paul, Barclays DCO, 11 April 1966; Letter from G.I. Paul, Barclays DCO to S.B. Wright, 13 April 1966.

What these first two examples indicate are the complex ways in which the different actors interacted to facilitate tax avoidance through tax havens. The avoidance schemes appear largely devised by lawyers and accountants, responsibility for their legality was undertaken by the client, and BITCO and Barclays DCO ostensibly only provided corporate and banking services respectively. Barclays and BITCO were keen to deflect any sense that they would be responsible for any breach of the exchange control regulations (“the position must be made quite clear [emphasis in original] to Mr Wright,” one source stated).¹⁸¹ Second, there is a clear sense of the importance of opacity and secrecy, whereby more complex (and potentially profitable) avoidance measures were not undertaken in order that the broader structure of tax minimization remained unnoticed.

The third example, which stands in contrast to the first two, is that of Peter Ballenden, who in 1965 was the Chairman of the Swaziland Electricity Board. In April 1965, Barclays DCO in Johannesburg referred Ballenden to BITCO in order to establish an investment holding company. The motivation was as to avoid losing control over his personal assets when moving from Swaziland to South Africa, as he planned to do.¹⁸² Barclays DCO contacted the City of London stockbroking firm Strauss, Turnbull and Company to advise on investments. “By reason of the fact that the beneficial owner of the company lives in Africa, the investment that this company makes will be in the nature of a nest egg, and it is hoped that the income will more or less pay for the expense of managing the company in Nassau,” Barclays wrote, going on to state that “UK sources should be kept to a minimum and to think in terms of a small holding in foreign US dollar bonds - tax free to a holder resident outside the USA,” as well as Canadian, South African and Hong Kong based securities, citing Jardine Matheson and the Hongkong and Shanghai Banking Corporation as examples.¹⁸³ Strauss, Turnbull and Company wrote back to say that US dollar bonds, and stocks in Canada, South Africa, and Hong Kong would “provide a good spread of interests throughout industry together with a fairly wide geographical diversification.”¹⁸⁴ An investment company called Kingsland Trust was subsequently established for Ballenden in May 1965, but the levels of investment eventually routed through it were relatively modest, amounting to only a few thousand pounds.¹⁸⁵ Nonetheless, this case indicates how clients could be directed from DCO to BITCO, how the corporate structures were set up to enable investment with low taxation, and how investment took place through close collaboration between Barclays DCO, Strauss, Turnbull and Company, and BITCO.

181. BGA 0011-1509 G.I. Paul, Barclays DCO, ‘Memorandum to the General Managers re S.B. Wright’, 16 March 1966.

182. BGA 0011-1508 Bahamas International Trust Company Ltd: Kingsland Holdings Ltd: Letter from Barclays DCO Johannesburg to SG Mogford, Barclays DCO Lombard Street, 7 April 1965; Letter from Barclays DCO Johannesburg to F. Seebohm, Barclays DCO Lombard Street, 7 April 1965; Letter from Peter St Clair Ballenden to Barclays DCO Oceanic House branch, 15 April 1965; Memorandum: BITCO Enquiries - Peter St Clair Ballenden, OBE, BSc, 15 April 1965.

183. BGA 0011-1508 Bahamas International Trust Company Ltd: Kingsland Holdings Ltd: Letter from G.I. Paul, Barclays DCO, to Julius Strauss, Messrs Strauss, Turnbull, and Co., 15 April 1965.

184. BGA 0011-1508 Bahamas International Trust Company Ltd: Kingsland Holdings Ltd: Letter from Strauss Turnbull and Co to G.I. Paul, Barclays DCO, Lombard Street, 21 April 1965.

185. BGA 0011-1508 Bahamas International Trust Company Ltd: Kingsland Holdings Ltd: Letter from Ballenden to GI Paul, Barclays DCO, 7 February 1966; G.I. Paul, Barclays DCO to The General Manager, BITCO, 22 July 1966; J.G. Pilcher, Barclays DCO Head Office, Lombard Street to G.I Paul and others, 26 July 1966.

It also is explicit in noting that the function of the corporate vehicle that was established was to control and locate the beneficial ownership of securities in tax havens, where the securities themselves were located elsewhere around the world. In this case, the initial movement of capital from Swaziland was along the lines suggested by Ogle in that the motive was to avoid the constraints that would be imposed when Ballenden moved to South Africa from Swaziland. However, it is not clear that value of the investments confirms whether there was a “money panic” of the kind intuited by Ogle. Furthermore, the investment of some of the funds in companies in South Africa and Hong Kong indicates that this was not about taking capital out of the declining British Empire per se, but rather obtaining low taxation and greater control over capital while Ballenden remained both living and working within the British Empire (Ballenden went on to become a director at the Johannesburg office of Hill, Samuel, and Company, a London merchant bank).¹⁸⁶

Further evidence of the types of assets held by investment holding companies in tax havens is provided from a “sample” audit that BITCO carried out into one of its investment holding companies (called “D.1.07” in the sources) in 1960. This company contained two types of assets: sovereign debt (i.e., government bonds) and unit trusts (i.e., managed funds). The total of bonds owned by D.1.07 was £11,950 on purchase, or £1.14 million in 2022 prices (adjusted as a share of relative output; i.e., gross domestic product).¹⁸⁷ The company also owned 600 units of the Crosby Unit Trust (an investment fund organized by the merchant bank Robert Fleming and listed in London) trading at 14s 9d in January 1960. This would have been worth £443 in total, or £42,120 at 2022 prices.¹⁸⁸ What is salient here is the underlying capital assets in this company were already financially disintermediated in the form of unit trusts and debt. Though we do not know who the beneficial owner of D.1.07 was, or where they were based, the underlying assets remained unchanged, trading in public markets in London and elsewhere. The capital “movement” in this case—if it can be called that—would be in relation to where beneficial ownership was realized, rather than the underlying asset. Beneficial ownership is mentioned frequently in the sources and is of critical importance in understanding how tax havens shaped the structure of capital ownership.

Conclusions

In 1956, as the tax haven phenomenon began accelerating, *The Economist* observed of Bermuda:

“There is no income tax, profits tax, or capital gains tax. There are no taxes on dividends. There is no estate duty.” How long can this El Dorado last?¹⁸⁹

186. BGA 0011-1508 Letter from W.B. Caldwell, Comptroller, BITCO to G. Paul, Barclays DCO, 4 May 1965.

187. BGS 0011-1605 “Memorandum: Control and Nominal Value Bookkeeping”, 1960. Relative values calculated as ‘relative output’ to indicate relative value of wealth. See “Measuring Worth - Purchase Power of the Pound.” n.d. Accessed 20 May 2024. <https://www.measuringworth.com/calculators/ukcompare/relativevalue.php>.

188. “Unit Trusts.” *Financial Times*, 7 Jan. 1960, p. 19.

189. “Ticket to Bermuda.” *Economist*, 15 September 1956, 899-900.

From our retrospective vantage point some seven decades later, we now know that the tax havens that were being created in the 1950s, 1960s, and 1970s were to become a permanent feature of the international business environment, and a permanent problem for nation-states in the form of taxes for which payment has been avoided. Tax havens have arguably become the “private empires” that the Bank of England anxiously worried about in the late 1960s—domains of economic activity beyond the realm of the institutions of global governance to control, demonstrating enduring intent by business and finance to shape the business environment, and the international political economy, to their own ends. Understanding how these conditions were historically constructed is of importance both to contemporary international political economy and the historiography of international business.

This article makes the following contributions to this endeavor. First, in the context of the political and economic upheaval associated with decolonization (and political instability more generally), alongside increases to taxation within already industrialized nations, we have demonstrated that the development of tax havens was the product of radical financial and business innovation that sought to retain control of capital and realize its profits with minimal or no taxation. In so doing they carved out a space in the international political economy that recreated the conditions that had existed more generally before 1914. Finance and business owed no allegiance to the increasingly moribund vestiges of the British imperial system in the postwar period, and sought to benefit from its demise.

Second, we have shown that the institutional structures required to operate a tax haven were replicated from tax haven to tax haven, an isomorphic process that created similar regimes of law and regulation, as well as the provision of comparable commercial and financial services in the form of the branches of well-known banks, “international trust companies” that provided brass-plate commercial services including company registration and domicile, and access to both legal and accounting firms. This indicates that the creation of the tax havens was intentional, the product of a combination of actors seeking to create preferential conditions within which to own and control capital.

Third, with reference to emerging debates about the causes of capital outflow to tax havens (in particular the positions articulated by Ogle and Farquet), we have been able to provide data that indicates that the capital outflow to tax havens was substantial, clearly indicative of significant change in the patterns of international investment. Ogle’s claim of a “money panic” whereby individuals from the decolonizing colonies moved money in sufficient volume to achieve this is, however, somewhat questionable. We present evidence (consistent with Farquet’s position) that the United States was an important source of capital movement to tax havens, in part triggered by political instability in Latin America. Similarly, corporations rather than individuals were a significant source of capital outflow to tax havens. And, while there are examples of colonial individuals moving assets to tax havens in the sources consistent with Ogle’s position, there are also examples of individuals based in the UK doing the same thing. Perhaps unsurprisingly, we therefore conclude that capital outflow to tax havens was multicausal and geographically diverse.

An additional contribution we make in this area is a better understanding how the ownership of assets domiciled in tax havens were structured, and the importance thereof of “guinea pig” or nominal directors associated with international trust companies and legal firms acting for beneficial owners, who could be located anywhere in the world. The beneficial owners of

assets that were moved to the nominal ownership of corporations domiciled in tax havens were able to realize profits without taxation and in secret, even where the underlying capital was itself not mobile. This was a fundamental restructuring of capital ownership within the international economy that allowed corporations and wealthy individuals to avoid tax while retaining control of capital, wherever the underlying assets were located. In some cases, this was a reaction to the possible loss of control of capital caused by decolonization or other political upheaval, rather than a direct flight of capital from the region that was experiencing upheaval. In other cases, it was simply naked tax avoidance.

Fourth, and related to the above, we have also substantively contributed to the historiography of the business history of tax havens by observing—albeit through fragmentary and partial evidence—the kind of businesses that moved to, or were formed in, tax havens, and the kind of business activities that they engaged in. The supplementary presence of freeports, real estate development, and a nascent tourist industry provided investment opportunities and mechanisms to move capital freely around the world, while avoiding taxation. We have been able to point to the role of the tax havens in facilitating the movement of capital out of the sterling area and, in counterpoint, the movement of dollars out of the dollar zone into the Euromarkets that, in London, were an offshore haven of a different kind. Tax havens are therefore not just static “havens” as stores for capital, but part of the dynamic structure of capital mobility that has characterized the international political economy of recent decades. Related, tax havens may also have been a factor in the disappearance of the “Free-Standing Company.” Many companies registered in tax havens appear to be structurally similar to classical FSCs—nominally single unit corporate vehicles controlling assets elsewhere. By playing a role in the restructuring of international business that occurred in this period, tax havens may have facilitated the absorption of FSCs into larger multinational enterprises as subsidiaries. Or, alternatively, a historiographically intriguing possibility is that the low tax environment and opacity of tax havens may have provided a kind of continuity for the FSC corporate form, long after similar kinds of company ceased to have their domiciles in the City of London, Edinburgh and Dundee, the chief cities of corporate registration period before 1914.¹⁹⁰

Yet this barely scratches the surface of what might yet be known, and further research is required. It is a significant problem that documentary records of businesses operating out of tax havens are so sparse. Indeed, given the opacity of tax havens by design, it is not surprising that business-level archival records are hard to access. This said, the detailed information in the Panama/Paradise Papers might provide answers, but at the time of writing access to their treasure trove of information is largely confined to the International Consortium of Investigative Journalists, whose massive online database is not particularly suited to historical research, and unfortunately reveals no corporate level data, even though they possess corporate level primary sources on which their database draws.¹⁹¹ Additionally, there is a need for

190. See Simon Mollan and Ranald Michie, “The City of London as an International Commercial and Financial Center since 1900,” *Enterprise and Society* 13, no. 3 (January 27, 2012): 538–87; and Kevin Tennent, “Owned, Monitored, but Not Always Controlled: Understanding the Success and Failure of Scottish Free-Standing Companies, 1862-1910.” London School of Economics, 2009.

191. ICIJ, “The Panama Papers: Exposing the Rogue Offshore Finance Industry,” International Consortium of Investigative Journalists, April 3, 2016, <https://www.icij.org/investigations/panama-papers/>.

much better historical quantitative data in relation to international investment and capital movement in the postwar period, as well as a more acute understanding of how the investment companies in tax havens worked, what assets were on their balance sheets and how portfolios were managed, as well as how multinational corporations, international banks, and insurance and shipping companies, integrated the “offshore world” into their business operations and organizational strategies.

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