

‘FUNK MONEY’: THE END OF EMPIRES, THE EXPANSION OF TAX HAVENS, AND DECOLONIZATION AS AN ECONOMIC AND FINANCIAL EVENT★

What happened to European-owned assets when Europeans left the colonial world during the end of empires? European settlers, businessmen and officials owned houses and farms, ran businesses, operated plants. Metropolitan citizens owned shares in companies heavily invested in the empire. Others had subscribed to colonial loan issues. Such and other activity and economic involvement in empire only increased towards the concluding years of European overseas rule and, in certain areas, Euro-American informal empire. In many colonies across empires, the final decades of European rule had seen accelerated efforts at improving economic and social conditions through, for instance, increased grants and Welfare Acts in the British case, the politics of *mise en valeur* (development and so-called improvement) in the French empire, and corresponding programmes in other settings.¹ Often overlooked, private investment capital was lured into the imperial world as part of such efforts. All in all, compared to earlier decades the 1920s–

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¹ For a recent synthesis of the literature on development efforts under late colonial rule in European empires, see Corinna R. Unger, *International Development: A Postwar History* (London, 2018), 34–43.

1950s marked a period of intensified capital flows, both public and private, to the late colonial world.²

Yet, as business historians of decolonization have shown, the subsequent end of European rule during the 1950s and 1960s was often accompanied by a liquidation and removal of European assets.³ Distrustful of newly independent governments and non-white rule, fearing resentment, increased taxation or possibly even nationalization, Euro-American businesses active in the colonial world divested from empire. Many Europeans, moreover, held deep-seated racist convictions about the absence of business acumen among native populations and simply could not imagine economic life continuing in regular form after independence. Following decolonization, many low-income countries therefore desperately needed foreign capital to start a process of industrialization and growth promotion. Furthermore, the European withdrawal created a training problem in many post-colonial economic sectors as whites had held management and higher-ranking positions in industries without providing adequate training opportunities for local leadership: hence the quest for expertise and technical advisers. Decolonization, conceived in economic and financial terms, thus marked a transitory period during which old capital was in part removed, and during and after which new capital had to be mobilized to arrive in the form of official aid and private investment alike.

² As one example of such flows, see United Nations, *Review of Economic Activity in Africa, 1950 to 1954: Supplement to World Economic Report, 1953–1954* (New York, 1955), 2.

³ The slender historical literature on the economic history of decolonization focuses on the business history side of the European withdrawal, exploring the fate of specific, often well-known bigger enterprises (such as the United Africa Company, a subsidiary of Unilever) or certain business sectors (for example, banking) in specific countries, or focusing on single countries and examples. See, for example, on Unilever, D. K. Fieldhouse, *Merchant Capital and Economic Decolonization: The United Africa Company, 1929–1987* (Oxford, 1994); on business in the Gold Coast, Sarah Stockwell, *The Business of Decolonization: British Business Strategies in the Gold Coast* (Oxford, 2000). A great survey of the state of the business history of decolonization is Nicholas J. White, 'Imperial Business Interests, Decolonization, and Post-Colonial Diversification', in Martin Thomas and Andrew Thompson (eds.), *Oxford Handbook of the Ends of Empire* (Oxford, 2018). For an exception to the business history focus with more emphasis on the politics of nationalizations and land in Egypt, Kenya and Nigeria, see Robert L. Tignor, *Capitalism and Nationalism at the End of Empire: State and Business in Decolonizing Egypt, Nigeria, and Kenya, 1945–1963* (Princeton, 1998).

The departure of European capital and know-how in periods of uncertainty and political upheaval during decolonization set up newly independent countries for the complicated relationship these countries would maintain with both official development aid and expertise (from governments, international organizations such as the United Nations, and non-governmental organizations and churches, among others) and private capital investments (by multinational corporations and other foreign investors) for several decades after the end of empires. Highly dependent on the flow of official aid, expertise and private investment, governments in what was now termed 'developing countries' resented the potential for interference and influence that came attached to aid and foreign investment alike.⁴

The history of American and European politics of development and modernization in the so-called Third World following decolonization has flourished in the past decade or so, and has become one of the most vibrant subfields of the history of political economy and of US and other foreign policy during the global Cold War, as well as the history of international organizations.⁵ Historians have examined ideas behind modernization and development discourses, the manifold aid programmes and technical expertise dispatched to the Third World, and how such efforts were implemented and received in the so-called developing world, often in conjunction with international organizations such as the United Nations and its various affiliates. But, in examining

⁴ The distinction adopted here between public or official capital flows (government loans, foreign aid) and private ones follows the classifications adopted in United Nations and Organization for Economic Co-operation and Development (OECD) publications in the 1950s and 1960s. On developing countries' struggles over the role of foreign investment, see Vanessa Ogle, 'State Rights against Private Capital: The "New International Economic Order" and the Struggle over Aid, Trade, and Foreign Investment, 1962–1980', *Humanity*, v, 2 (2014).

⁵ The literature on such efforts has become too comprehensive to list. For a very helpful synthesis of the historiography and known history to date, see Unger, *International Development*. Some paradigmatic early examples are Nick Cullather, 'Development? It's History', *Diplomatic History*, xxiv, 4 (2000); Nick Cullather, *The Hungry World: America's Cold War Battle against Poverty in Asia* (Cambridge, Mass., 2010); Nils Gilman, *Mandarins of the Future: Modernization Theory in Cold War America* (Baltimore, 2003); David Ekbladh, *The Great American Mission: Modernization and the Construction of an American World Order* (Princeton, 2010); David C. Engerman and Corinna Unger, 'Introduction: Towards a Global History of Modernization', *Diplomatic History*, xxx, 3 (2009); Bradley R. Simpson, *Economists with Guns: Authoritarian Development and U.S.–Indonesian Relations, 1960–1968* (Stanford, 2008).

such programmes, historians start with the absence of capital and investments in the developing world, and, accordingly, the need to disburse official aid and attract private foreign investment. The removal of capital that unfolded during decolonization (and, in other cases, the withdrawal of European or American informal empire) should be integrated into that story. What happened to capital previously invested in and now removed from the colonial world set the stage for important developments in the post-colonial world and beyond.

What course of action did smaller and less well-known companies and businesses pursue once it was clear that the days of white rule were numbered? More difficult to research but equally importantly: What measures did white settlers, businessmen and officials take in order to assure the safety of their assets? To what degree was it possible to liquidate assets in the often chaotic circumstances that accompanied the eventual European withdrawal? What consequences did the outflow of capital from the colonial world have both for newly independent countries and for European metropolitan countries, and, most importantly, where did such money go, and what were the consequences for the history of capitalism and political economy in the coming decades? This article explores a number of instances in which European capital fled the colonial world upon decolonization, providing initial answers to some of the questions laid out above. It also raises new questions about the connections between decolonization and the onset of development aid and modernization politics in the Third World, as well as the history of capitalism in Europe and the United States. The goal is to sketch out a research agenda that casts the immediate process of decolonization as an economic and financial event.

In the years following the Second World War, the end of empire and the concomitant departure of colonial officials, settlers and businessmen from the colonial world cascaded from site to site. From Asia to North Africa, sub-Saharan Africa, the Caribbean and elsewhere, Europeans gradually and reluctantly ceded power. During the forty-year period following the Second World War, between 5.4 and 6.8 million people arrived in western Europe from the former colonial world, with roughly 3.3 to 4 million being Europeans and Eurasians; 1.5 million

arrived from French North Africa alone between the early 1950s and the mid 1960s, the vast majority from Algeria.⁶ What is less well understood is that many other Europeans departed sites of anti-colonial independence struggles but remained overseas, seeking ways to perpetuate a colonial existence for as long as possible. Everywhere the eventual departure of people was followed by the liquidation and removal of assets and the departure of money. To be sure, some of these funds were withdrawn not by returnees but by metropolitan residents and companies who had invested in the empire.⁷ Moreover, not everything was safely moved. Even for individuals with more liquid assets, some instances of decolonization unfolded too quickly to react swiftly: the chaos of departures from Algeria, the Belgian Congo and the Portuguese colonies in Africa left many, especially poorer and less well-connected, returnees stranded and unable to relocate assets. Big business, particularly in sectors with substantial fixed capital, found it harder to pack up and leave. Here, investors often sought accommodation with new governments. Yet all in all, decolonization, it is argued here, created a money panic of sorts, leading to a withdrawal of funds by individuals, private companies and mixed, public-private enterprises. In contemporary English-language sources, money that flowed out of the late colonial and post-colonial world was sometimes termed 'funk money', to denote the scare character of such developments.⁸

Where did funds go upon leaving the colonial world? Some money returned to metropolitan contexts, if only temporarily, awaiting new opportunities. More importantly for the story outlined here, a significant share of funds was moved to an emerging system of offshore tax havens. Low-tax jurisdictions offering opportunities to avoid and evade taxation in countries with regular higher tax rates were not new at this point, but, owing to the influx of funds from the imperial and colonial world, expanded significantly during the years of decolonization. Recently, tax havens have made the news for a number of reasons, including growing concerns about the fact that many

⁶ Elizabeth Buettner, *Europe after Empire: Decolonization, Society, and Culture* (Cambridge, 2016), 214.

⁷ For an overview, see White, 'Imperial Business Interests, Decolonization, and Post-Colonial Diversification'.

⁸ I owe the term 'money panic' to Richard Drayton.

notorious tax shelters continue to be British dependent territories, artificial accounting and booking techniques deployed by US multinational corporations in order to accumulate profits in low-tax countries, growing inequality in high-income countries of the global North, and the leakage and release of documents revealing the owners of assets in tax havens, such as the Panama and the Paradise Papers.⁹ Tax havens are commonly understood to be jurisdictions with zero or very low tax rates for corporations and/or individuals as well as certain secrecy provisions that guarantee the anonymity of those wishing to conceal assets from the eyes of prying taxmen.¹⁰ The history of the offshore economy and the emergence of tax havens maps onto the history of progressive income taxes in the North Atlantic world. The first such havens emerged in Europe during and after the First World War, especially following the

⁹ Protocols of the directors' meetings, meeting of 19 Oct. 1961, 1977–8: Archives of the Swiss National Bank (hereafter SNBA); 'UK and Territories Are "Greatest Enabler" of Tax Avoidance, Study Says', *Guardian*, 28 May 2019, <<https://www.theguardian.com/world/2019/may/28/uk-and-territories-are-greatest-enabler-of-tax-avoidance-study-says>> (accessed 16 Nov. 2019); 'Amazon Ordered to Repay €250m by EU over "Illegal Tax Advantages"' <<https://www.theguardian.com/technology/2017/oct/04/amazon-eu-tax-irish-government-apple>> (accessed 16 Nov. 2019).

¹⁰ For an overview on the history of tax havens and the offshore world more broadly, see Vanessa Ogle, 'Archipelago Capitalism: Tax Havens, Offshore Money, and the State, 1950s–1970s', *American Historical Review*, cxvii, 5 (Dec. 2017). The vast majority of works on tax havens is by political scientists or writers for a broader, popular audience. In this literature, historical developments are normally addressed as background introduction. Some particularly helpful examples are Nicholas Shaxson, *Treasure Islands: Uncovering the Damage of Offshore Banking and Tax Havens* (New York, 2011); Ronen Palan, *The Offshore World: Sovereign Markets, Virtual Places, and Nomad Millionaires* (Ithaca, 2003); R. A. Johns, *Tax Havens and Offshore Finance: A Study in Transnational Economic Development* (New York, 1983); Mark P. Hampton, *The Offshore Interface: Tax Havens in the Global Economy* (Basingstoke, 1996); J. C. Sharman, *Havens in a Storm: The Struggle for Global Tax Regulation* (Ithaca, 2006); William Vlcek, *Offshore Finance and Small States: Sovereignty, Size and Money* (Basingstoke, 2008); Hilton McCann, *Offshore Finance* (Cambridge, 2006). An extremely well-executed contemporary survey is Tony Daggart and Caroline Vouëte, *Tax Havens and Offshore Funds*, QER Special No. 8 (London, 1971). Archivally researched work by historians on tax havens still barely exists. Christophe Farquet's books on Switzerland as a tax haven in the inter-war period and Switzerland as a financial centre in the twentieth century are notable exceptions: see *La Défense du paradis fiscal suisse avant la Seconde Guerre mondiale: une histoire internationale. Analyse de la politique helvétique dans les négociations sur la double imposition et l'évasion fiscale durant l'entre-deux-guerres* (Neuchâtel, 2016); *Histoire du paradis fiscal suisse: expansion et relations internationales du centre offshore suisse au XX^e siècle* (Paris, 2018).

introduction of mass-based income taxes during that war. In these decades, savvy lawyers and bankers discovered Switzerland, Liechtenstein, Luxembourg, the British Channel Islands and, for the United States, the Bahamas and Bermuda, for the purpose of registering companies and trusts, or just depositing funds in bank accounts in order to benefit from zero or very low tax rates.¹¹

After the Second World War, this existing landscape of tax havens grew dramatically following another expansion of progressive income taxes, now coinciding with decolonization. A significant number of new and growing havens were now located in former or persisting dependent territories of the British empire: the Cayman Islands, the British Virgin Islands, Hong Kong, Singapore and Malta, among others; independently of Britain, Panama and Beirut further diversified the second generation of major tax shelters. During a third phase of expansion, tax havens and the business of tax evasion and avoidance would grow again in the 1970s and 1980s as a result of the end of the Bretton Woods system and the removal of capital controls. Yet the 1950s and 1960s marked an important phase for the proliferation and growth of established and newly emerging havens.

One of the biggest waves of money movements out of the colonial and post-colonial world occurred in the Middle East, North Africa and Egypt. These money migrations were directly linked to an expansion of tax evasion business at their destination. In this case, the money that left the region fuelled the expansion of an existing tax haven rather than the emergence of a new centre of activity. Throughout the 1950s and early 1960s, several countries in the region achieved independence: Tunisia beginning in 1954 and leading up to independence in 1956, Morocco in 1956, and Algeria during the protracted war of independence from 1954 to 1962. In addition, the Suez Canal crisis of 1956–7 resulted in a sharp deterioration of circumstances for the remaining foreigners in Egypt and in a struggle over foreign-owned assets in the country. Algeria and Tunisia had been settler colonies with a large European presence and investments. Decolonization in this part of the world in the

¹¹ Leo Wulfsohn and Gabriel Wernlé, *L'Évasion des capitaux allemands* (Paris, 1923).

second half of the 1950s was therefore accompanied by a departure of people and assets on a large scale. One city in North Africa was at the centre of money movements away from the shores of the Mediterranean: Tangier.

Tangier had held a curious status over the past decades. When European imperial interests in the western Mediterranean clashed over Morocco at the beginning of the twentieth century, France and Spain could not agree over who would control Tangier. In 1912 the city was therefore placed under the governance of an international multi-power consortium made up of European powers and the United States. In this vacuum of sorts with the absence of more stringent controls and rules, already in the inter-war period and increasingly after the Second World War the International Zone of Tangier had become a haven for all sorts of licit and illicit business, happily accommodating a motley crew of spies, smugglers, currency hagglers, gold traders and more. Following the Second World War, Tangier thus was a place of increasingly uncommon economic liberty. The International Zone quickly began to attract capital from the Middle East and North Africa and Europe alike. 'The division of authority and responsibility has left Tangier one of the few remaining citadels of financial laissez-faire in a world of controlled currencies, planned economies and socialized taxation', the *New York Times* wrote. Tangier came to be known as the 'haven of four freedoms — freedom from taxes, freedom to exchange the world's currencies, freedom from customs duties on goods in transit, and freedom to incorporate and operate in secrecy', the *Wall Street Journal* observed. Banks had taken advantage of this regime and flocked to the city in the past decades. 'Tangier is a banker's haven. There are no restrictions, no controls, books do not have to be submitted to see if they balance, records of transactions need not be produced, or even kept'.¹² At the height of Tangier's boom, roughly 145 banks were said to be operating in a city of about 110,000 European and 30,000 Moroccan inhabitants. Tangier

¹² 'Morocco Seeking Tangier Solution', *New York Times*, 20 Oct. 1956, 38; 'Tangier Turmoil', *Wall Street Journal*, 12 Apr. 1956, 1; 'International City Grows as Trader's Stronghold', *Christian Science Monitor*, 10 June 1952, 9.

also greatly facilitated the registration of companies. On average, three hundred new companies were incorporated annually in Tangier in the years following the Second World War.¹³ Around 1956, six thousand such corporations were said to exist. 'It is estimated that eight out of ten have been formed to hide the real identity of persons who have taken capital illegally out of Europe'. Such corporations 'have been set up, usually for tax evasion purposes, to effect unauthorized capital transfers and to camouflage the true ownership of gold, securities, real estate or other assets held here'.¹⁴

Tax advantages were perhaps Tangier's biggest asset. 'Tangier does not tax personal or corporate incomes, gifts, inheritances, capital gains on excess or undistributed profits', the *New York Times* reported.¹⁵ Take the example of 'Jonathan', the Far Eastern representative of a 'big U.S. beverage company', as a newspaper described him. 'Jonathan' had his salary paid into a Tangier corporation that 'held' his money, which in turn was invested in American securities without incurring capital gains tax. Halle & Stieglitz, a traditional Wall Street brokerage firm with a sixty-year history and an office in Tangier since 1949, helped with such investments in the United States.¹⁶ Against the backdrop of such opportunities to dodge taxes, 'Ninety per cent of Europeans who have taken up residence in Tangier since 1945 are known as "flight population"'.¹⁷

Tangier was a vestige of an older world order that had tolerated a legal pluriverse of jurisdictions. As one American observer described such sites when reflecting on Tangier in 1957,

By 1900 a collection of special zones, international settlements, leasehold ports and fortified islands garlanded the major trade routes of the world like a brilliant colonial necklace: from Panama to Suez, passing by Guantanamo and Gibraltar and continuing on to Aden, Zanzibar, Goa, Pondicherry, Singapore, Macao, Hong Kong, Shanghai, Tsingtao, Weihaiwei, the Liaotung Peninsula and Port Arthur, to name only the more important.¹⁸

¹³ 'Tangier Strives for New Future', *New York Times*, 22 Sept. 1957, 26.

¹⁴ 'Morocco Seeking Tangier Solution'; 'Cinderella City', *Wall Street Journal*, 24 Dec. 1951, 1.

¹⁵ 'Morocco Seeking Tangier Solution'.

¹⁶ 'Tangier Turmoil'.

¹⁷ 'International City Grows as Trader's Stronghold'.

¹⁸ American Universities Field Staff, *The Royal City of Tangier: A Letter from Charles F. Gallagher, Tangier*, 26 Oct. 1957 (New York, 1957), 1.

But such jurisdictional heterogeneity was not to stay in a new environment of more homogeneous, centralized nation states. When Morocco became independent in 1956, the new nation announced an end to Tangier's peculiar regime. Within a year, the city would be incorporated into the new Moroccan state, subject to the same laws, regulations, currency controls and taxation that might apply throughout the remainder of the country.

When Moroccan independence and Tangier's changing status coincided with the Suez Crisis in 1956–7, money began to leave North Africa on an unprecedented scale. Tangier's fortunes as the haven of four freedoms were clearly fading. 'Planes are rushing out the last few tons of the Free Zone's gold', it was reported. 'Contents of secret numbered bank accounts are being transferred to another anonymity in Switzerland. . . . Banks and trading companies are getting set for quick moves to new bases of operation in Latin America, Monte Carlo, Beirut'. Gold deposits were reduced to 30.7 tons in 1955 and to only 7.1 tons the following year.¹⁹ The end of Tangier prompted a frenzied search for ersatz havens. It was known to observers at the time that the tax haven of Monaco took off in the second half of the 1950s thanks to the relocation of funds from North Africa and Tangier in particular, after modest activity during the inter-war years.²⁰

Yet it was Switzerland that stood to gain most from the late colonial money panic that had descended on North Africa and Tangier in the 1950s. Switzerland was one of the oldest tax havens, having flourished during the inter-war years when political and economic instability as well as newly introduced income taxes sent German, Italian, French and other money to bank accounts and holding companies in Switzerland. For wealthy French citizens, Switzerland had always been the tax haven of choice. It is fitting, then, that as a result of such older ties, French and other Europeans looking to move assets out of

¹⁹ 'Tangier Strives for New Future'; 'Tangier Turmoil'.

²⁰ French Embassy to Secretary General of the Republic, 20 Oct. 1960; Raoul Chenevez, délégué des Français de Monaco, 'Note d'information relative à la principauté de Monaco', 3: both Archives Nationales Françaises, 5 AG1 701, Côtes et documents de 1959 à 1962; Alain Vernay, *Les Paradis fiscaux* (Paris, 1968), 37; 'L'Âge d'or sur un plateau d'argent', *Le Monde*, 29 Jan. 1962; Ogle, 'Archipelago Capitalism', 1439.

French North Africa and the Middle East chose to rely on the time-honoured services offered by Swiss lawyers and bankers.

In the second half of the 1950s, the directors of the Swiss National Bank (the Swiss central bank) became aware of an unusually large number of foreign banks opening in the country. Observations about foreign banks soon featured prominently at the central bankers' meetings, where any sort of notable development was discussed. These banks shared a common tell-tale feature revealing the reasons behind the unusual proliferation of new establishments. The new banks mostly hailed from countries in North Africa and the Middle East, or occasionally from sub-Saharan Africa and other parts of the colonial world. Among these banks were the *Banque de l'Indochine*, *Banque Pariente* and *Banque Hassan* from Morocco, the Ottoman Bank (a joint Franco-British bank with a big presence in the Middle East) and *Crédit Foncier d'Algérie et de Tunisie*: the Middle East–North Africa arm of the French bank *Crédit Foncier*, it maintained a network of 177 branches in Algeria, Tunisia, Morocco, Libya, Lebanon, Egypt and Syria. When asked about the motivations for seeking representation in Switzerland, the bank stated: 'the fact of not being represented in our country [Switzerland] risks, it seems, sending numerous clients in North Africa and the Middle East into the arms of other foreign banks that have established themselves in Switzerland in these past years in order to take care of this clientele'.²¹ These 'clients' were Europeans leaving newly independent countries as well as local elites fearing for the safety of their assets under new regimes. Apart from banks opening in Switzerland with the intention of moving money out of North Africa and the Middle East, central bankers also noted unusual inflows of capital, often in the form of banknotes. In January 1962 alone, 148 million French francs arrived in the country. The Swiss central bankers quickly pointed to the likely source of these funds: Algeria, where, with an impending referendum on its colonial status, the situation was increasingly pointing towards the irreversible end of French rule and an uncertain future for European undertakings in the region.²²

²¹ Swiss National Bank, Geneva branch, to head of the General Directorate of the Swiss National Bank, Geneva, 28 Apr. 1961: SNBA, box 4290, folder 421.2.

²² Protocols of the directors' meetings, 16 Feb. 1961, 336; 1 Feb. 1962, 271: both SNBA.

The problem of capital inflow and bank openings from the decolonizing world eventually became a major concern among Swiss authorities. The banks that had regularly provided the Swiss National Bank with detailed semi-annual balance sheets had held foreign funds of 3,252 million Swiss francs in late 1953. By late 1954, the amount had grown by 142 million to 3,394 million. By late 1955, it had grown by another 434 million to reach 3,828 million Swiss francs.²³ Such figures, and the opening of foreign banks, prompted a member of the Geneva office of the Swiss National Bank to look into the origins of such funds. 'It is mainly from Morocco, Tunisia, Algeria, and especially Tangier that capital has been, in these past months, transferred to Switzerland', often through 'illegal channels', the banker reported. 'Regulations in the countries under concern are deliberately ignored by specialists charged with the exportation of capital'. It is important to emphasize the material nature of such transfers of funds: the strategic relocation of assets and the evasion of taxes very often involved actual physical transfers of large amounts of banknotes and gold. 'Capitalists residing in North Africa succeed in obtaining French francs', the letter explained, going on to say: 'Often, these French francs serve to purchase banknotes and gold, and such money, entrusted to professional smugglers, penetrates our borders'. This traffic had been 'so important recently that French authorities have, during the past days, proceeded with wide-ranging control measures' including searching cars at the border. 'This extraordinary surveillance measure has immediately made itself palpable on the ground, where during the past few days French franc notes have become rarer'.²⁴

As awareness of the inflow of funds from the former colonial world mounted, Swiss bankers grew increasingly worried about the impact of such developments on the domestic economy: potentially general overheating and excess liquidity. In 1956 the Swiss National Bank therefore made private banks in the country abide by a so-called Gentlemen's Agreement intended

²³ Protocols from the Conference of the Directorate of the Swiss National Bank with representatives of the banks, 4 May 1956: SNBA, box 2188, Gentlemen's Agreement 1956.

²⁴ Swiss National Bank, Geneva Branch, to Director-General of the Swiss National Bank, 2 May 1956: SNBA, box 2188, Gentlemen's Agreement 1956.

to make the flow of funds into Switzerland as undesirable as possible through a number of measures. Most Swiss banks, as well as the branches and subsidiaries of foreign banks, subscribed to the agreement.²⁵ It was not the first time that Swiss banks had entered into such an agreement: the first instance had been in 1937–9, when the growing threat of war sent European money to safety in neutral Switzerland. Similar measures were adopted again in 1950–1, when the Korean War caused Europeans to fear the Continent would be overrun by communism. The third agreement, lasting from 1956 to 1958, was propelled primarily by the inflow of funds from the former colonial world and related bank establishments. A few years later, in 1960, the agreement was renewed once again and extended several times until 1963, with developments in Algeria and the Belgian Congo playing an important role.²⁶

In assessing the effects and implications of capital outflow from the decolonizing world, it is necessary to distinguish between different types of disinvestment. When Swiss central bankers grew concerned about large amounts of French francs flowing into the country within just a few months, they most certainly looked at major investors and big enterprises withdrawing such funds in search of safer assets: possibly large landholders involved in cash crop agriculture, or one might think of big food and raw materials exporters. Such amounts likely did not stem solely from the accumulated fortunes of individual settlers and small businesses leaving Algeria. But individuals shepherding relatively smaller savings, investments and liquidated assets into the safety of a Swiss bank account still mattered, as they contributed to the expansion of foreign banks in Switzerland specializing in attracting capital from the colonial world. These banks with ties to the former empire, and their new Swiss establishments, contributed to the renewed internationalization of Switzerland as a banking centre after the

²⁵ 'Swiss Can't Keep "Hot" Money Out', *Financial Times*, 26 Feb. 1957, 3; 'Now It Is the Swiss', *Financial Times*, 18 Aug. 1960, 8.

²⁶ The agreement of the early 1960s, while clearly a reaction to events in North Africa and sub-Saharan Africa, was in part also a consequence of inflow from Italy and France during these years as well as dollars from the United States in reaction to increased currency controls since 1963: Swiss National Bank to Association of Swiss Bankers, 13 Aug. 1963: Schweizerisches Bundesarchiv (hereafter SBA), E6100 B-0, 1984/59, 51; 'Swiss Banks Renew Pact to Keep Out "Hot" Money', *Times*, 18 Aug. 1961, 8.

Second World War and thus influenced the reputation and outlook of Swiss banking in the coming decades.

The 1950s and 1960s saw repeated instances of late colonial and post-colonial money panics and removal of investments from the former colonial and semi-colonial world, among them China (to Hong Kong, mostly, and beginning in the years leading up to 1948), Malaya, South Africa, the Belgian Congo and Angola.²⁷ The problem of 'capital flight' from the late colonial and post-colonial world was perceived as serious enough to prompt development economists at the International Monetary Fund (IMF) to seek to record and quantify these flows. At a moment when multilateral institutions such as the IMF, the World Bank, the United Nations and the Organization for Economic Co-operation and Development (OECD) were carefully documenting the inflow of capital to developing countries as part of their efforts to foster economic growth, the inverse flow of capital out of the colonial and recently post-colonial and post-imperial world was cause for concern. The result was a paper published in 1965 that used balance of payments information to identify the extent of the problem, while acknowledging the incomplete and potentially inaccurate nature of such data. The paper found significant outflows to have occurred from Algeria and, less well documented, from certain Latin American countries.²⁸

In search of new havens for capital, investors and returnees from French North Africa followed colonial bankers to Switzerland. In the British imperial world, settlers and others cutting ties with places where potentially hostile non-white rule was on the horizon found themselves lured to some of the newly expanding tax havens still safely within the fold of the British empire. One such place was the Bahamas. As one contemporary observer noted in the *Washington Post* in 1964, 'When Britain's numerous African colonies folded, much uninvested or

²⁷ 'Hot Money's Role', *Economist*, 3 Sept. 1960, 915; 'London: Centre of the Euro-Dollar', *Times*, 24 Oct. 1960, p. viii; 'The Belgian Scare', *Economist*, 17 Jan. 1959, 246; 'How Hong Kong Does It', *Economist*, 14 Nov. 1964, 725; 'Flight of Capital from Angola', *Financial Times*, 30 Jan. 1962, 4; 'Capital Flight from Angola', *Financial Times*, 16 Jan. 1964, 7.

²⁸ Poul Host-Madsen, 'How Much Capital Flight from Developing Countries?', *Fund and Bank Review: Finance and Development*, ii, 1 (Mar. 1965), 28, 30. See also 'The Problem of Capital Flight from Developing Countries', *Financial Times*, 19 Mar. 1965, 15.

liquidated capital was sent quietly into Nassau's banks'.²⁹ British decolonization and the departure of funds from parts of the empire helped to propel the growth of one of the most important tax havens over the coming decades in the Caribbean. While the Bahamas had first attracted tax dodgers in the 1930s as a result of increased taxation in the United States (as part of the New Deal) and newly introduced income taxes in Europe, it was after the Second World War and in the second half of the 1950s that the Bahamas experienced a true expansion of business. The Bahamas not only became a quantitatively important centre of tax haven activities but also served as a base from which tax haven business moved to other sites in the Caribbean, such as the Cayman Islands, the British Virgin Islands and Antigua, often promoted by the same lawyers and bankers who had started out in the Bahamas.

It was one region above others that contributed to the expansion of the Bahamas as a tax haven: East Africa, and the British settler colonies of Kenya and Southern Rhodesia in particular. As Dane Kennedy has shown, settlers in Kenya often came from 'gentlemanly' backgrounds. Previously, this class had experienced the agricultural depression of the late nineteenth century and the concomitant decline in land values as well as the rise of meritocratic ideals. Kennedy writes:

The rising rate and progressive bent of income taxes and death duties, the declining number and increasing expense of servants [as well as a set of other factors meant that] ... for ex-officers, for retired civil and colonial servants, for public school boys, for the sons of country squires and parsons, and for others of similar ilk, Britain seemed more and more unwelcoming.³⁰

East Africa, on the other hand, had much to offer gentlemanly settlers in terms of both status and class as well as materially. When Rhodesia's white supremacist settler regime fell into a deepening crisis in the early 1970s and British officials were contemplating how to persuade the less radical elements among the white settlers to emigrate, they summed up the advantages that territories such as Rhodesia and Kenya offered to certain settlers as follows: 'Given the remarkable comforts of European

²⁹ *Washington Post*, 28 Jan. 1964, 21.

³⁰ Dane Kennedy, *Islands of White: Settler Society and Culture in Kenya and Southern Rhodesia, 1890–1939* (Durham, NC, 1987), 71.

life in Rhodesia, the weather, the servants, the low taxes, and the lack of inflation, where could one get Rhodesians to go?³¹

Many, especially wealthier, Kenyan settlers owned large amounts of farmland and related assets. With the end of white rule in the Congo in 1960 and fresh memories of the anti-colonial Mau Mau rising in Kenya, beginning around 1960, settlers sought to move money out of the East African territories. The attempts to withdraw and move assets led to a local banking crisis in the latter half of 1960. Three smaller local banks threatened to become illiquid and unable to meet demands for withdrawal owing to a run on banks, to the point of seriously considering a moratorium.³² Aware of the general climate of uncertainty and fear among settlers, two early Bahamian trust companies systematically targeted East Africa as an area of business recruitment. One was Arawak, the other was the Bahamas International Trust Company (BITCO). Both were among the earliest jointly organized bank and trust companies active in the tax haven business in Nassau, setting up their respective enterprises as early as 1957–8. Arawak was of mostly North American background and was set up by American, Canadian and British interests, among them Bank of America, the Canadian Imperial Bank of Commerce and the British merchant bank Kleinwort Benson & Co. Arawak was said to be the brainchild of John Adams, a scion of the American Adams family whose ties to US corporate circles served the trust company well in the initial years. BITCO was the joint creation of Barclays Bank DCO (the company in the Barclays group that maintained Barclays' widely cast network of foreign bank branches in the colonies and dominions), the Royal Bank of Canada, Empire Finance (an American investment bank), E. D. Sassoon Banking and, as of 1962, Rothschild.

The move out of Kenya began to intensify in 1960. *The Times* reported that from February to April about £3.4 million had left the territory.³³ In this climate, banks eager to sell their newly

³¹ 'Prospect of Encouraging European Migration from Rhodesia', memorandum, 20 Dec. 1972: The National Archives (hereafter TNA), FCO 36/1299.

³² Parsons, Bank of England, to Bank of England Overseas Office, note, 'East Africa: Building Societies', 16 Nov. 1960: Bank of England Archive (hereafter BEA), OV 78/3; Mr Hayes to H. S. Lee, 19 July 1960; P. Renison, Kenya, to Secretary of State for the Colonies, telegram, 13 Aug. 1960: both TNA, T 236/6456.

³³ 'Capital Outflow from Kenya', *Times*, 22 June 1960, 19.

developed tax haven products sensed an opportunity. In the early 1960s, Kleinwort Benson's bankers in the Bahamas reflected on attracting new business to the recently launched trust company Arawak:

As a result of political developments in the above-mentioned countries [Kenya and the West Indies], and possibly others, it is suggested that Arawak should give consideration to sending a knowledgeable representative to such areas with a view to getting business in the trust field as there seems to be an obvious need for residents of such areas to take some sort of evasive action against future legislation in their countries of residence in order to preserve their foreign assets.³⁴

Newly independent governments could resort to various instruments and measures to assume control over capital and foreign exchange: ordering private banks to hand over gold and foreign currencies, forcing banks to register the full details of funds and securities held in banks abroad; requiring residents to exchange all foreign currencies, gold bars and negotiables in their possession for the new official currency.³⁵ In addition to restricting the movement of capital, governments could take steps to highly regulate or even circumvent the liquidation of direct investments in the form of factories, companies and the like. Other than to refuse outright to grant liquidation permissions, new governments could exercise power over assets by way of applying capital controls on the remittance of liquidation proceedings and uninvested profits still held in a country.³⁶

For their Kenyan clients, the bankers at Kleinwort accordingly recommended a Bahamian discretionary trust as a method of holding assets. A discretionary trust, often in combination with a holding company, was the preferred method for individuals to avoid taxes and remove assets from the reach of potentially hostile governments. 'Discretionary' meant that the control over the trust lay with the bank behind the trust company, or rather the nominee company that the bank had created for the purpose of providing 'owners', and, in the case of companies, nominee directors. Discretionary trusts, moreover, had a multitude of beneficiaries (the person standing to receive the trust) normally

³⁴ Memorandum, 1 June 1962: London Metropolitan Archives (hereafter LMA), Kleinwort Benson collection, CLC/B/140/KB02/27/012.

³⁵ 'China Puts Bank Officials on Spot', *Los Angeles Times*, 8 Sept. 1948, 8.

³⁶ Draft advertising brochure for Arawak, minutes of meeting of directors, 28 May 1958: LMA, Kleinwort Benson collection, CLC/B/140/KB02/27/009.

drawn from the trust company or the nominee company, and, importantly, not involving the person setting up the trust (the settlor). The trust as well as related companies were thus legally far enough removed from the actual owner of the assets (located anywhere in the world in territories with various taxes) so as not to become liable to taxes on the income that the trust earned (by investing said assets, for instance), since the nominal owner was located in the tax haven of the Bahamas. At the same time, because the actual owner could claim to have no legal control over the trust, he or she could not be forced by a government to hand over assets held abroad.³⁷ Owing to the flexibility of the legal instruments of a holding company, an investment company and a trust, these vehicles could serve to fulfil all kinds of tasks geared towards shielding assets: they could acquire funds previously held in a Kenyan (or other) company, including real estate; could hold the shares of a Kenyan company engaged in farming; and could receive as a gift securities of UK residents that would be exempt from estate tax if the beneficial owner (the Bahamas company) was domiciled outside the United Kingdom.³⁸

Individuals from the decolonizing British empire eagerly explored such tax haven opportunities and others while making plans to exchange their current place of residence for a new home. There was a 'gentleman' living in the West Indies but currently temporarily residing in the United Kingdom and likely to be fully living in the UK soon; a husband and his wife placing £30,000 and £40,000 in a trust respectively, with the view of avoiding estate tax should they end up living in the UK; the Bahamas company that was set up to receive the roughly £350,000 worth of assets of a Kenyan company when said company was likely to be liquidated in the near future; the resident of Jamaica settling £50,000 in a trust as she (*sic*) was likely to be living in the UK or Canada soon, among other examples.³⁹

³⁷ R. H. Pringle to Sir Roland Robinson, memorandum, 3 Dec. 1963: LMA, Kleinwort Benson collection, CLC/B/140/KB02/27/012.

³⁸ Management committee meetings, 4 July 1962, 8 Jan., 13 Mar. 1963: Barclays Group Archives (hereafter BGA), 0011-1510.

³⁹ Management committee meetings, 11 Oct. 1960, 16 Feb. 1961: BGA, 0011-1514; 24 Apr. 1963: BGA, 0011-1510.

With the help of an unusual set of archival documents derived from one of the trust companies operating in the Bahamas, it is possible to construct a rough quantitative estimate of the origins of people and corporations looking to set up (subsidiary) companies or trusts in the Bahamas through BITCO. For a limited number of years, the protocols of BITCO's management committee meetings, held at regular intervals, listed newly acquired business in both the trust and the company category. In some but not all cases, these verbal proceedings indicate the nationality or residence of the new customer. From 1958 to 1960, immediately after the foundation of BITCO, business was generally slow and consisted mainly of American and occasionally Canadian and UK interests. But beginning in 1960, imperial dwellers appear as a significant share of the newly recruited business. References to the origin and residence of clients of BITCO for the years 1958–63 paint a striking picture of their distribution.⁴⁰

East Africa (mostly Kenya and Rhodesia)	58
'West Indies'	39
Bahamas, Barbados, Bermuda, Leeward Islands, Jamaica, Trinidad	25
Other sites in the (former) British empire	10
(Hong Kong, Ghana, India, Mauritius, Malaya, Singapore)	
South Africa	5
(Total clients from sites with British empire connection, excluding Australia, Canada 137)	
United States	76
United Kingdom	33
Canada	21
Cuba	5
No discernible indication of citizenship or residence	55
Other (from various European countries, Australia, South America, Israel)	24
Total references made to new clients	351

These figures very clearly illustrate the importance of empire, of old and ongoing imperial ties for the early expansion of trust and company business in the Bahamas.

⁴⁰ Compiled from BITCO management committee meetings, 1958–63: BGA, 0011-1510; 0011-1513–16. The verbal notes taken at the management committee meetings are available as a qualitative rather than quantitative source. Numbers and indications of nationality or origin are therefore sometimes ambivalent and subject to interpretation. Some of the clients referred to were, moreover, repeat clients who were adding to already existing business, and at times it is hard to tell whether a reference is new or for an existing customer.

Such intra-imperial connections can also be gleaned from the occasional description of circumstances that the protocol notes provide for individual cases. Take, for example, the case of a 'West Indian family' setting up a Bahamas company that would acquire a substantial interest in a West Indian company when the latter was liquidated. Planning had been complicated by the fact that the family had left the West Indies and the principal owner was now in South Africa.⁴¹ The imperial ties visible in such arrangements formed part of a broader pattern behind tax avoidance and the use of tax havens. Take, further, the career of a man working initially for various UK authorities in colonial settings and later moved to the private sector as one example of such a pattern: having served as a head of public works in Lesotho in the 1950s, the man subsequently worked in a leading position at the Swaziland Electricity Board (both Lesotho and Swaziland were under British rule at that time), and in the early 1960s, changed jobs and started working for the British private bank Hill Samuel in Johannesburg. When preparing his move to Johannesburg, he contacted Barclays and BITCO to set up a private holding company in the Bahamas that would own the proceeds of the sales of his house in Swaziland and also a small pension he stood to receive.⁴² Or consider the case of a woman resident in Johannesburg and likely a member of a very prominent South African family of mining entrepreneurs, who in December 1960 was taking steps to relocate to the United Kingdom but who would continue to receive income from an unspecified South African source. If she were to remit said funds to the UK, she would incur UK tax on these assets. Her lawyer was thus contemplating setting up an account on her behalf in Gibraltar through Barclays. Gibraltar was becoming a tax haven itself during these years.⁴³ The woman from Johannesburg and the man moving from Swaziland to Johannesburg had a common goal: despite their ties to the UK (taking up residence there in the case of the woman, likely ties to the UK despite several years abroad in the case of the man), they

⁴¹ Management committee meeting, 5 June 1961: BGA, 0011-1514.

⁴² Johannesburg client to G. I. Paul, Barclays DCO, London, 7 Sept. 1965; BITCO, Nassau, to Barclays DCO, London, 8 June 1965: both BGA, 0011-1508.

⁴³ G. I. Paul to F. J. Ridsdale, 7 Mar. 1961; F. J. Ridsdale to Mr Mogford, memorandum, 16 Dec. 1960: both BGA, 0011-1621.

wished to keep their taxable income concealed behind the imperial fiscal frontier. In the final decades of the British empire, after some colonies had already become independent, people with ties to Britain and its empire found themselves in a position of potentially now residing in countries with income taxes (the UK, South Africa) but having incomes and streams of revenue that had been earned abroad (pensions, other assets) during former colonial careers or business ventures, often under much more favourable tax circumstances. A reader of the *Financial Times* writing for advice to the paper's 'Your Business Problems' section in 1962 described such a situation. The question read:

I have some accumulated income earned in West Africa. The funds are now in Jersey [the Channel Islands]. I want to invest this money and will appreciate your advice as to whether such investment can be made in U.K. domiciled companies without the Inland Revenue claiming that such investment constitutes a bringing home of funds.⁴⁴

Banks clearly understood the problems such constituencies faced. In 1963 a banker at Hambros Bank, besides Kleinwort Benson another leading British merchant bank and newly a member of BITCO, sent a circular to other members of the joint trust company. Hambros offered the following proposal to BITCO's other shareholders:

We have for some time felt that an investment medium should be set up for the many people resident in the West Indies, Mediterranean, Africa, Far East, etc., who are either of British origin or who look to London for their financial arrangements, but do not wish to become involved in British income-tax or estate-duty liabilities.

Wealthy individuals, the letter continued, were obviously able to set up their own arrangements through Nassau or Switzerland. But such measures could be expensive: 'There are a great number of less wealthy individuals who cannot afford such arrangements, and for whom investment in a well-spread international portfolio of securities, without becoming involved in taxation liabilities, entails an undue amount of work and trouble'. Such people would welcome the opportunity to invest in such a fund, under BITCO's management, while receiving dividends without deduction of tax and without being liable to UK estate tax for a person not resident in the UK.⁴⁵ The

⁴⁴ 'A Remittance', *Financial Times*, 17 Jan. 1962, 13.

⁴⁵ Hambros Bank to Standard Chartered Bank, 12 Sept. 1963: LMA, Standard Chartered Bank collection, CLC/B/207/CH03/01/11/1963/25.

attempt to keep assets beyond the grasp of the UK tax authorities stashed away in other parts of the remaining empire was related to a peculiarity of the British tax system. Since the beginning of the twentieth century, as a consequence of mobility within the British empire, the British tax system had differentiated between residence and domicile, with the latter being a place where taxpayers would claim to be 'actually' at home according to a person's background and lifelong affiliations, while their residence in the UK was only temporary and related to work. Such non-domiciled-status individuals ('non-doms' as they are called to this day) did not incur UK tax on income earned overseas, as long as such income was not brought to the UK.⁴⁶

Aside from white settlers, colonial officials and businessmen, a second group actively removing assets from the late colonial and post-colonial world consisted of ethnic and religious minorities. At times, these were members of ethnic trading diasporas; one may think of the Syro-Lebanese community in West Africa, for instance. Other examples would be Arab Christians in the eastern Mediterranean, many of whom had previously closely associated themselves with different European consular powers by functioning as brokers and translators for these powers in exchange for receiving European citizenship and consular 'protection'. Indians in East Africa were another such group. In 1963 a member of Arawak visited branches of the Bank of India in Nairobi, Mombasa, Dar es Salaam, Kampala and Jinja in an attempt to drum up interest in Arawak's services. He returned and contacted the manager of the Bank of India's branch in London, reporting that he had found 'a considerable atmosphere of uncertainty among the Indian population in the three African territories of Tanganyika, Uganda, and Kenya'. Many customers, he found, had 'already transferred their liquid assets out of Africa to London in the majority of cases', but 'in several cases . . . The customer had made arrangements of a trust and holding company nature either in Bermuda or in the Channel Islands, and, in a few instances, in the Bahamas'. He went on to promote the schemes sold by Arawak among Bank

⁴⁶ Finance Bill, 23 July 1914: *House of Commons Debates*, 5th ser., lxxv, col. 681.

of India branch managers in East Africa.⁴⁷ A similar development had likely been taking place earlier in the eastern Mediterranean and North Africa: two of the expanding and newly established banks in Switzerland in the second half of the 1950s, Banque Pariente and Banque Hassan, were owned by North African Jews.

Residents of European empires who eventually left the imperial world had for the past decades enjoyed favourable tax circumstances.⁴⁸ As a rule of thumb, income tax rates on whites in the British (and French, for that matter) empire were low and hard to enforce. When development thinking and the politics of economic aid began to dominate discussions among officials in the 1940s and 1950s, the question of revenue raised within colonies themselves (Kenya, specifically) came up. If colonies were receiving aid, then it ought to be ensured that every effort was made simultaneously to raise as much revenue as possible within territories themselves.⁴⁹ Colonies had traditionally relied on tariffs as well as direct taxes on native populations to raise revenue, and in many territories progressive income taxes had only been introduced recently: in Kenya in 1937, Uganda, Tanganyika and Zanzibar in 1940, in the West African colonies between 1940 and 1944. Income taxes were reintroduced in Hong Kong and Malaya in 1947 and 1948 after they had been

⁴⁷ S. L. Kothari, manager, Bank of India, to H. R. Pringle, Arawak, memorandum on visit to East Africa, 26 Nov. 1963; Arawak, New York, to H. R. Pringle, New York, 14 Oct. 1963: both LMA, Kleinwort Benson collection, CLC/B/140/KB02/27/013.

⁴⁸ Colonial taxation is insufficiently understood when it comes to white settlers and other non-natives as well as businesses. While the often brutal enforcement of hut taxes and other direct levies on native populations has been studied as part of colonial histories, tax rates and tax enforcement on non-native populations remain largely unexplored. Economic historians have primarily examined colonial taxation with regard to the colonial state's 'extractiveness' and general state-building capacity, prompted by the work of Daron Acemoglu and James Robinson. For an introduction to the extraction literature, see Ewout Frankema, 'Raising Revenue in the British Empire, 1870–1940: How "Extractive" Were Colonial Taxes?', *Journal of Global History*, v, 3 (2010). See also Leigh A. Gardner, *Taxing Colonial Africa: The Political Economy of British Imperialism* (Oxford, 2012).

⁴⁹ On the history of British foreign aid, see James Tomlinson, 'The Commonwealth, the Balance of Payments and the Politics of International Poverty: British Aid Policy, 1958–1971', *Contemporary European History*, xii, 4 (2003); Barrie Iretton, *Britain's International Development Policies: A History of DFID and Overseas Aid* (Basingstoke, 2013).

introduced previously as part of the war effort.⁵⁰ In the late 1940s, when British officials in London started to look into colonial taxation in Kenya and beyond, they could hardly conceal their surprise. The minister of state found that 'There must be in many Colonies a great deal of taxable wealth lying about ... and ... some means ought to be found to tap it'.⁵¹

Tax brackets were extremely uneven across colonies, but perhaps the most striking realization arose from a comparison of colonial tax rates with UK taxes: 'The main points which seem to emerge from the state of these figures are that with a few exceptions in most Colonies rates of taxation on higher levels of income are quite extraordinarily low when compared to ours'.⁵² Moreover, evasion of income taxes in colonies was widespread, and tax morale was notoriously low. As a result of enforcement problems, the West African colonies were said to be looking at roughly £600,000 of arrears in tax payments and collection. White settlers and officials who populated legislative assemblies in different colonies had opposed and delayed income taxes vehemently for as long as possible. Once such taxes came, colonial and imperial dwellers showed little inclination to pay and much inventiveness in getting round them.⁵³

⁵⁰ 'Rates of Direct Taxation in Colonial Dependencies', memorandum, n.d.: TNA, CO 537/6980; Anthony B. Atkinson, 'The Colonial Legacy: Income Inequality in Former British African Colonies', WIDER Working Paper 2014/045 (Feb. 2014): <<https://www.wider.unu.edu/sites/default/files/wp2014-045.pdf>> (accessed 16 Nov. 2019). Income taxes in the French empire were generally introduced roughly around the same time in the 1930s and 1940s: Facundo Alvaredo, Denis Cogneau and Thomas Piketty, *Income Inequality under Colonial Rule: Evidence from French Algeria, Cameroon, Indochina and Tunisia, 1920–1960* (Dec. 2017), <<http://wid.world/wp-content/uploads/2017/12/118-Alvaredo-Cogneau-Piketty.pdf>> (accessed 18 Nov. 2019).

⁵¹ Mr Bourdillon, circular note, 6 Apr. 1951: TNA, CO 537/6980.

⁵² Minister of state, circular note, 14 June 1951: TNA, CO 537/6980. See also 'Earnings in the Colonial Service', *Financial Times*, 17 July 1954, 4; Government of India, *A Report on Southern Rhodesia, Northern Rhodesia, Nyasaland and Kenya* (Simla, 1936), 21.

⁵³ Mr Cohen, circular note, 25 Jan. 1951; 'Rates of Direct Taxation in Colonial Dependencies', H.T.B., circular note, 14 June 1950: all TNA, CO 537/6980. The preceding remarks on colonial taxation refer primarily to tax rates on individuals, not corporations. In the British context, differences in corporate tax rates between colonies and metropolitan Britain were often much less pronounced, owing primarily to the so-called double taxation agreements that many colonies had concluded with Britain. Under such agreements, companies that stood to incur taxes in both a colony as well as Britain owing to the particular way the company operated in different locations would receive a credit for taxes paid in the colony when paying British income tax. This relief gave colonies less

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The colonial legacies of low white tax morale in part help to explain the movement of funds to tax havens such as Switzerland and the Bahamas. But a general reluctance to accept taxes was compounded by circumstances in the metropole: since the Second World War and with the expansion thereafter of the welfare state (and the legacies of the New Deal in the case of the United States), income taxes had reached rates higher than ever before. From the 1940s to the 1970s, corporate and individual taxes in the North Atlantic world, especially at the very top, reached the high rates associated with declining inequality during these decades.⁵⁴ Where capital gains taxes existed, such income was taxed at lower rates, but when taxpayers were faced with a decision to pay some 24 per cent capital gains tax or zero tax in a tax haven such as Switzerland and the Bahamas, that rate likely still seemed high. Additionally, fears about the capital controls that now applied in many countries of the North Atlantic world served as a further deterrent for capital repatriation and instead encouraged the sending of funds to tax havens. In some instances, funds appear to have been moved to metropolitan countries like France first (not least because of previously established connections and vehicles for moving money), but they then quickly and illegally wound up in the tax havens of Switzerland, the Bahamas and the Channel Islands as a second step.

The level of taxation in both former empires and the North Atlantic world after 1945 may help to explain why, in some instances, returnees from empire chose not just to retain their assets abroad in low-tax jurisdictions, but to move their entire life to such destinations. Aside from Switzerland and the Bahamas, the Channel Islands and Malta were two further tax havens to flourish as a result of late colonial money panics. The Channel Islands had already served as a tax haven during and

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incentive to keep corporate tax rates low as a means of competition or as a way to attract business, as the UK relief would be granted anyway, regardless of the amount of tax paid to the colony. In cases where no double taxation agreement existed, corporations could opt for the status of overseas trade corporation and, as such, were able to avoid taxes on profits that were not remitted to Britain and instead opted to pay tax locally. This scheme existed from 1957 to 1965. On overseas trade corporations, see Sarah Stockwell, 'Trade, Empire, and the Fiscal Context of Imperial Business during Decolonization', *Economic History Review*, lvii, 1 (Feb. 2004).

⁵⁴ Facundo Alvaredo *et al.*, 'The Top 1 Per Cent in International Historical Perspective', *Journal of Economic Perspectives*, xxvii, 3 (Summer 2013), 7.

immediately after the First World War and in the inter-war period, but it was in the early 1960s that banks systematically opened branches there with the goal of attracting tax haven business. However, Jersey and, to a lesser degree, Guernsey soon attracted not only the money of former imperial dwellers but also empire's returnees themselves. For those accustomed to life in the empire, moving from one colony to another or a place like the Channel Islands was often the more natural choice than returning 'home' to a Britain they had left long since or possibly never set foot in at all. Elizabeth Buettner has shown that some 'empire families', as she terms them, scattered across other parts of the empire upon retirement from service in British India.⁵⁵ In the early 1960s, the emerging tax haven industry in the Channel Islands deliberately began to target returnees from empire simultaneously as depositors of funds and as settlers. Bankers and officials in Jersey recall the inflow of migrants from the empire in search of mild climates and low taxes during these years as the beginning of the tax haven industry.⁵⁶ The newcomer tax haven of Malta took a similar, even more strategic, path. In 1959, while Malta was still a British colony, its governor began to pursue an economic development plan for the island consisting of promoting tourism and turning the island into a tax haven. With several other tax havens already competing for business, the Maltese model focused on attracting retired settlers. New settlers meeting a certain income threshold were taxed on income from pensions, royalties and dividends at very low rates. To this day, these settlers are referred to as 'sixpenny settlers' for the (low) rate of taxes they paid (expressed as pennies in the pound). After 1967 Malta saw a large inflow of Britons from Rhodesia.⁵⁷

⁵⁵ Elizabeth Buettner, *Empire Families: Britons and Late Imperial India* (Oxford, 2004). Apart from Buettner's work, little is known about intra-imperial migrations at the end of empire. For intra-imperial connections and movements in earlier periods, see James Belich, *Replenishing the Earth: The Settler Revolution and the Rise of the Anglo-World, 1783–1939* (Oxford, 2009); Gary B. Magee and Andrew S. Thompson, *Empire and Globalisation: Networks of People, Goods and Capital in the British World, c.1850–1914* (Cambridge, 2010).

⁵⁶ Interview with Colin Powell, adviser to the States of Jersey on economic and financial matters 1969–96, conducted by me, St Helier, Jersey, 7 July 2016.

⁵⁷ 'Avoidance through Tax Havens: A Note by the Inland Revenue', report received at the Bank of England, 3 Aug. 1971, 4: BEA, OV121/23; Anthony M. Warnes and Guy Patterson, 'British Retirees in Malta: Components of the Cross-National Relationship', *International Journal of Population Geography*, iv, 2 (1998), 115.

Such intra-imperial movements at the end of empire suggest a broader, poorly understood migration of people within empires. Much more has been written about emigration from Europe to various places in the imperial world, and more recently on the impact of migration from the empire back to the metropole, than on migrations from one colony to others. Based on sources consulted here, white settlers in Kenya appear to have moved first to Rhodesia, then to South Africa when Kenya and later Rhodesia became independent, chasing the fleeting fortunes of white racial supremacy. Previously Kenya itself had served as a resettlement destination. The colony was a favoured place of retirement for officers who had served in the army, often in colonial contexts. After the First World War, former Indian Army officers were settled in Kenya and Rhodesia as part of a government-organized scheme. Some of the trust arrangements detailed above for individuals residing in East Africa and the Caribbean provide more examples of people migrating between (former) dependencies rather than returning to Britain: from Lesotho to Swaziland to South Africa; from the West Indies to South Africa.

Jersey, Malta, the Bahamas, Switzerland and Monaco, among others, received early tax haven business from imperial returnees and, sometimes, new settlers. Arguably the most important impact of late colonial money panics and resulting capital outflows lay in the fuel such funds provided for banks looking to build their early tax haven business. This expansion came at a crucial moment. It meant that in the late 1960s and 1970s, when tax haven business truly took off, havens were ready to serve a growing number of eager tax dodgers. Without the early experiments created by Barclays, Kleinwort, Hambros and others jointly organizing offshore trust companies and thus attracting other elements of the offshore ecosystem such as law firms and accountants, this take-off is difficult to imagine.

As another lasting and related effect of the removal of assets from the decolonizing world, tax havens would soon cause economic problems in the very same developing countries where some of the initial tax haven funds had come from. While European countries and the United States could certainly have collected more taxes if Europeans had mostly repatriated funds from the colonial world and subsequently retained money in the

metropole, the main burden of the late colonial withdrawal of assets fell not on Europe but on newly independent countries. It did not take long for elites in former colonies to discover the advantages of a Swiss bank account. In the years following decolonization, Swiss concerns about negative publicity and public opinion led to an investigation by Swiss authorities into the role of Swiss banks in facilitating capital flight from developing countries, as the world was increasingly pointing to Switzerland as a haven for the money of unsavoury autocrats, often those who had been ousted from power but had previously looted their countries' coffers. The investigation confirmed the existence of funds for figures such as the former Egyptian king Farouk, the Argentine dictator Juan Perón, the Cuban dictator Batista, the Indonesian dictator Sukarno, and Chiang Kai-shek, as well as the fortune of the dictator of the Dominican Republic Rafael Trujillo and his son; gold stolen from Congolese mines, fortunes from Sudan, capital flight and illicit movements of Nigerian banknotes; and the millions that the leader of the Algerian National Liberation Front Muhammad Khidr had deposited in Switzerland and that his rival, the increasingly dictatorial leader of post-independence Algeria, Ahmed Ben Bella, was seeking to seize after Khidr's assassination.⁵⁸

While this specific inquiry focused on heads of state rather than elites more generally, wealthy locals in newly independent countries quickly availed themselves of the same avoidance opportunities that Europeans had previously promoted and used. In 1956 Crédit Suisse dispatched one of its bankers to Beirut in order to recruit business. Beyond their importance for Lebanon, Beirut banks functioned as a financial conduit for other countries in the Middle East. In addition to selling products locally, therefore, Swiss banks could potentially tap other regional markets through Lebanese intermediaries. Against the backdrop of the Suez Crisis, owners of capital in the

⁵⁸ See, for example, SBA, E2001 E, 1978/84, 1273, Fluchtgeldler 1964–7; E2001 E-01, 1988/16, 1171, Kapitalflucht aus Rhodesien 76–8; E2001 E, 1976/17, 879, Fluchtgeldler 1963; E2001 E, 1980/83, 683, Fluchtgeldler 1969. On investigations into capital removal from Cuba, Guatemala, Egypt and others, see SNBA, box 1.4/1142. On Swiss concerns about public opinion, see Peter Hug, 'Steuerflucht und Legende vom antinazistischen Ursprung des Bankgeheimnisses: Funktion und Risiko der moralischen Überhöhung des Finanzplatzes Schweiz', in Jakob Tanner and Sigrid Weigel (eds.), *Gedächtnis, Geld und Gesetz: vom Umgang mit der Vergangenheit des Zweiten Weltkrieges* (Zurich, 2002), 272–7.

region were looking to relocate their dollar deposits to Switzerland, and Crédit Suisse was forced to report: 'owing to the lack of any sort of agreement with us . . . [such deposits] were funnelled to other Swiss banks'. Crédit Suisse therefore began to place advertisements praising the advantages of Swiss secret numbered accounts in the newspaper *L'Orient du Jour* (a paper close to Lebanese Christian interests, and thus to local business elites) and also circulated recruitment letters to potential clients.⁵⁹ Antoine Jutz, Crédit Suisse's man in Beirut, subsequently held information sessions at the luxury Hôtel St Georges on the Corniche, informing potential customers about 'opening private accounts in Switzerland'.⁶⁰ From today's perspective, tax evasion, offshore wealth and elite corruption are ongoing, severe problems dogging many low-income countries from the global South.⁶¹

Another potential legacy of the European departure of funds concerned the fate of these assets once Europeans and Americans no longer owned them. When farms were sold, businesses liquidated, factories dismantled, it normally required buyers at the other end. This raises the question, Who in societies on the verge of independence was in a position to benefit from such opportunities? The archives consulted here do not provide information on this angle of the liquidation of Euro-American assets, but this might be a question that historians of post-colonial African countries, the Middle East and Asia could explore more explicitly from the vantage point of post-independence national histories. It is easy to imagine a scenario in which those in a position to benefit from opportunities left behind by departing Europeans were elites close to power, and that elite access to economic advantages thus contributed to the

⁵⁹ Crédit Suisse to Director of the Federal Political Department, 29 Nov. 1957: SNBA, box 2188, Gentlemen's Agreement 1957.

⁶⁰ Protocols of the directors' meetings, 28 Nov. 1957, 1966: SNBA.

⁶¹ On illicit capital removal from low-income countries in recent years, see United Nations Development Programme, *Illicit Financial Flows from the Least Developed Countries, 1990–2008*, Discussion Paper (May 2011), <https://secureser.vercdn.net/45.40.149.159/34n.8bd.myftpupload.com/wp-content/uploads/2014/05/IFFs_from_LDCs_web.pdf?time1576152230> (accessed 18 Nov. 2019); Gabriel Zucman, *The Hidden Wealth of Nations: The Scourge of Tax Havens*, trans. Teresa Lavender Fagan (Chicago, 2015). For additional information, see Annette Alstadsæter, Niels Johannesen and Gabriel Zucman, *Who Owns the Wealth in Tax Havens? Macro Evidence and Implications for Global Inequality*, NBER Working Paper No. 23805 (Sept. 2017).

high rates of inequality that characterize many societies in the developing world to this day.⁶²

What happened to the funds that left the world of empire in the 1950s and 1960s, once they arrived in the Bahamas and Switzerland? At the time, Swiss central bankers, for one, were eager but unable to answer this question fully for their own investigative purposes. Even a careful interpretation of the banks' semi-annual balance sheets did not yield sufficient information to reconstruct such money flows adequately and accurately. Circumstantial evidence seems to indicate that Swiss bankers suggested that some of the capital withdrawn during independence struggles returned to the same now independent countries, albeit in different form and under different circumstances.⁶³

Such restructuring of investments was potentially not without effects for the economies of developing countries. By the 1960s and 1970s, many Western multinationals had become adept at using artificial accounting devices to reroute and book profits earned in developing countries as if they had occurred in tax havens, just as multinational corporations today seemingly earn much of their profits from sales all over the world in tiny tax haven countries with minuscule populations. By artificially reducing earnings in low-income countries, such companies thus deprived newly independent economies of much needed tax revenue. The famous Cambridge economist Nicholas Kaldor pointed out such abuses as early as 1963.⁶⁴ The perceived advantages of restructuring a business presence and thinking

⁶² According to a United Nations Development Programme report from 2017, ten of the nineteen most unequal countries in the world are in sub-Saharan Africa: Dhruv Gandhi, *Figures of the Week: Diverging Trends on Income Inequality in Sub-Saharan Africa* (28 Sept. 2017), <<https://www.brookings.edu/blog/africa-in-focus/2017/09/28/figures-of-the-week-diverging-trends-on-income-inequality-in-sub-saharan-africa>> (accessed 18 Nov. 2019).

⁶³ Memorandum Entwurf zu einer Orientierung der schweizerischen Auslandsvertretungen über Fragen des Geld- und Kapitalmarktes, 12 Feb. 1960, 2, SNBA, box 4290, folder 421.2.

⁶⁴ Nicholas Kaldor, 'Taxation for Economic Development', *Journal of Modern African Studies*, i, 1 (Mar. 1963), 20–1. On the possibilities of maximizing profits by avoiding taxes through corporate restructuring as well as transfer pricing, see Detlev F. Vagts, 'The Multinational Enterprise: A New Challenge for Transnational Law', *Harvard Law Review*, lxxxi, 4 (Feb. 1970), 765–7; Louis T. Wells, 'The Multinational Business Enterprise: What Kind of International Organization?', and Raymond Vernon, 'Multinational Business and National Economic Goals', both in *International Organization*, xxv, 3 (Summer 1971).

carefully about the form to choose (whether as a partnership or as a corporation; or locally incorporated as a subsidiary; or as a fully owned branch; or using a licensing agreement with an existing local firm, among others) in large part lay in legal protections for investments.⁶⁵ Investors small and large could repackage assets in more secured forms to protect against governments forcing them to hand over ownings. According to Swiss bankers, many investors now favoured simply going through a company or a bank subsidiary incorporated in Switzerland and operating under Swiss laws over using banks or companies registered locally in newly independent countries.⁶⁶

It should be noted that, during and immediately after the Second World War, the older nineteenth-century regime for the protection of foreign investments, under which metropolitan bondholders had often successfully clamoured for armed foreign intervention in cases of loan defaults and which had often entailed the seizing of tax and customs revenue by imperial powers to cover the losses incurred through the default, was coming to an end. Yet for several years after the war up until the main years of decolonization, it was not clear what, if any, sort of multilateral or bilateral legal protections for foreign investors against nationalization or default would replace the old imperialistic ways of gunboat diplomacy.⁶⁷ Such uncertainty made jittery investors covet the supposed safety of Swiss law for a corporate presence.

The return of some of these investments to the newly decolonized world in different, now increasingly Swiss or other Euro-American legal form was partially tied to the politics of modernization and development. The move of European assets out of the colonial world and subsequent partial return illustrates how much remains unknown about the history of private capital in colonial contexts and, equally importantly, post-independence. Inspired by a turn to transnational and international history in the field of history overall, the history of

⁶⁵ On some legal opportunities for corporate restructuring, see Richard D. Farman, 'Swiss Tax Decree Limits Advantages of Base Companies in Switzerland', *Stanford Law Review*, xvi, 2 (Mar. 1964).

⁶⁶ Federal Politics Department to General Directorate of the Swiss National Bank, 8 Feb. 1960: SNBA, box 4290, folder 421.2.

⁶⁷ Vanessa Ogle, 'Global Capitalist Infrastructure and US Power', in *Cambridge History of America and the World*, iv, ed. David Engerman, Max Paul Friedman and Melani McAlister (forthcoming).

development and modernization politics began, among other things, as a new approach to studying traditional US diplomatic history by taking seriously actors such as aid agencies, technical experts and international organizations as agents of foreign policy. This has led the field to an exclusive focus on official capital flows. Yet private capital and private investments were always (and were always meant to be) part of the development project, often entangled with official funds.⁶⁸ Already during the late colonial period, governments in the British and French empires promoted the establishment of so-called development corporations, organized jointly by private business and the state, to foster economic growth in colonies. In the private sector, big banks such as Barclays set up their own development banks designed to promote lending to clients in the colonial and recently post-colonial world. Private banks, moreover, were involved in World Bank loans.⁶⁹ Even aid work as part of official government development efforts often had to be contracted to private companies carrying out the projects that the US Agency for International Development and others financed. This 'mixed economy' of late colonialism and the early independence period is largely unstudied. The removal of private capital from the decolonizing world and its partial return in different form during the following decades is a reminder that private companies, investors and banks, among others, were integral to the politics of economic development and modernization.⁷⁰ The history of

⁶⁸ As part of their economic development missions, the United Nations and the Organization for European Economic Co-operation (OEEC, renamed the OECD in 1961) actively monitored, documented and sought to promote the flow of private capital to the developing world. For examples of such efforts, see United Nations Economic and Social Council, *Financing of Economic Development: The International Flow of Private Capital, 1953–1955: Report by the Secretary-General*, UN Document E/2901 (New York, 1956); United Nations Economic and Social Council, *Financing of Economic Development: The International Flow of Private Capital, 1956. Report by the Secretary-General*, UN Document E/3021 (New York, 1957); United Nations Economic and Social Council, *The Promotion of the International Flow of Private Capital, 1960*, UN Document E/3325 (New York, 1960); OEEC, *The Flow of Financial Resources to Countries in Course of Economic Development, 1956–1959* (Paris, 1961).

⁶⁹ On joint public-private investments and the World Bank-affiliated International Finance Corporation as one such example, see United Nations Economic and Social Council, *Promotion of the International Flow of Private Capital*, 34, 38; United Nations, *Review of Economic Activity in Africa*, 103.

⁷⁰ United Nations, *Review of Economic Activity in Africa*, 119.

modernization projects and development efforts should start to investigate the role of private business as part of the same story.

Exactly how much money left the colonial world with the onset of decolonization is impossible to state and will never be known. Piecing together the information presented here, especially involving the role of banks, is detective work often relying on a few materials miraculously overlooked in the sanitization that most bank archives certainly underwent prior to being opened to the public. In fact, the vast majority of the archives of extant private banks in the United States, Canada and, to a slightly lesser degree, the United Kingdom either are not open to researchers at all or have been heavily sorted and redacted, down to making mostly advertising material and published reports available that could just as well be consulted in any better library. What is more, comprehensive, detailed balance of payments statistics on capital inflows and outflows were not yet available when national income accounting was still in its infancy, especially in the 1950s. Multilateral institutions such as the United Nations and the OECD, eager to promote and document the flow of both official and private capital to the developing world to create economic growth, frequently noted the incomplete and, to a certain degree, inaccurate and incomparable data they had to contend with on private capital movements in particular.⁷¹ Many instances of capital removal were, moreover, illegally undertaken, thus further undermining the accuracy of official data.

The figures available on capital flows to the developing and, in part, the remaining colonial world roughly paint the following picture: during the first half of the 1950s, private investment flows exceeded official bilateral and multilateral aid capital. Around 1957, private and official capital stood at approximately similar levels. But after 1957 the flow of private capital declined steadily. Private foreign (direct) investment in low-income countries that continued to register in statistics throughout these years consisted, in the majority of cases, of the reinvested profits of existing undertakings. From 1957 to 1976, private flows were, without exception, smaller than official aid flows. It was only in the 1970s that private and official flows reached roughly equal

⁷¹ For remarks about the inaccurate and incomplete nature of available data, see *ibid.*, 118; OEEC, *Flow of Financial Resources to Countries in Course of Economic Development*, 28, 30, 57.

levels again, but, on the private side, they were now propelled by commercial bank lending and the recycling of petrodollars and, thus, portfolio rather than direct investment in productive facilities. Within the category of private flows, direct investment fell from roughly 80 per cent in the 1950s to a mere 20 per cent in the second half of the 1970s and the 1980s.⁷²

The withdrawal of funds from the colonial world and the spectre of independence potentially contributed to the declining numbers of private capital investments after 1957. Despite the difficulties in data collection, official sources occasionally did note this outflow of capital in the process of decolonization. In assessing the progress of foreign aid and development politics, the United Nations Conference on Trade and Development (UNCTAD) concluded in 1964 that the inflow of capital for development purposes had been 'offset throughout the postwar years by a steady outflow of short-term funds from the developing countries'. Hence, efforts by international and multilateral organizations to encourage private and official capital flows to the developing world were in part neutralized through the simultaneous withdrawal of investments during the upheavals of decolonization. As one example, UNCTAD researchers stated, large unrecorded flows from the overseas franc area to metropolitan France 'reflected primarily transfers by French residents in Algeria and elsewhere in Africa'. UNCTAD estimated about 4 billion French francs to have left the French colonial world for metropolitan France between 1957 and 1961, with another large outflow following in 1962. It mentioned considerable difficulties in ascertaining the exact magnitude of this outflow, and even acknowledged that the volume of flight capital might be considerably larger owing to these uncertainties: much of it had either not passed through official channels 'or has been in a form which renders identification difficult'.⁷³ UNCTAD's assessment, while lacking

⁷² Robert E. Wood, *From Marshall Plan to Debt Crisis: Foreign Aid and Development Choices in the World Economy* (Berkeley, 1986), 70, 78, 83 (table 7). See also Ogle, 'State Rights against Private Capital'.

⁷³ United Nations Conference on Trade and Development, *Proceedings of the United Nations Conference on Trade and Development, Geneva, 23 March–16 June 1964*, 8 vols. (New York, 1964), v, 27–8. OECD investigations noted a reduction in the flow of private capital between about 1958 and 1962 when compared to 1956 and 1957 levels: OEEC, *Flow of Financial Resources to Countries in Course of Economic Development*, 28, 30. See also the aforementioned IMF investigation and

(cont. on p. 247)

specifics and unable to identify tax havens as the partial recipients of such capital withdrawals, accords with the story of disinvestment and often clandestine money movements during the late colonial money panics in French North Africa and elsewhere.

Beyond the developing world, the withdrawal of funds from the late colonial world also affected the subsequent trajectory of portfolio investment and financialization: the rise of finance and services in the North Atlantic world since the 1970s. Individuals and smaller businesses often chose options for the fate of their assets following removal from the colonial world that were different from those of major corporate investors. These smaller clients did not return their assets to the former colonial world in different legal guise, as major investors appear at times to have done. Instead, such individuals relied on the Swiss-based banks with colonial connections that had helped them to remove assets in the process of decolonization now to invest money in US securities on their behalf.⁷⁴ This investment strategy conformed to Swiss interests and was thus eagerly followed by Swiss bankers. When Swiss-based banks were made to sign the Gentlemen's Agreement concerning the handling of foreign funds, one of the stipulations read that banks should under no circumstances invest money flowing into Switzerland from various foreign sources in Swiss securities or real estate.⁷⁵ Redirected to the United States, these investments in US securities may arguably have helped to propel the stock market boom at moments during the 1960s. Swiss banks, moreover, were an important source of international lending during the 1960s, funds that the Swiss economy alone likely would not have been able to generate. Foreign money contributed to making Switzerland a major source of liquidity.⁷⁶

(n. 73 cont.)

publication in 1965 on capital flight from Latin America and from former French colonies: Host-Madsen, 'How Much Capital Flight from Developing Countries?'

⁷⁴ For example, Federal Administration of Finances to Federal Commission of Banking, 18 Apr. 1958; Semi-Annual Balance Sheet, Banque Pariente, Geneva, 6 July 1959; excerpt from protocols of the directors' meetings, session of 23 Aug. 1956: all SNBA, box 4290, folder 421.2; 'These Days: Tax Havens', *Washington Post*, 22 Feb. 1961, 19.

⁷⁵ Swiss National Bank to Association of Swiss Bankers, 'Gentlemen's Agreement über die Auslandsgelder', 13 Aug. 1963: SBA, E6100 B-01, 1984/59, 51; 'Swiss Can't Keep "Hot" Money Out'; 'Now It Is the Swiss'.

⁷⁶ Ronald C. Michie, *The Global Securities Market: A History* (Oxford, 2006), 219, 222.

Arguably, the liquidation of assets in the colonial world and the subsequent investment in securities was part of a very gradual but ultimately transformative development in which investments in bricks and mortar assets, especially in the Third World, were increasingly replaced by portfolio investment, assets held primarily as stocks and bonds. The argument for this transformation is backed by the figures presented above on the changing composition of private capital flows, where direct investment initially dominated but eventually fell back significantly behind portfolio investment.⁷⁷ Tax havens offered a special platform for new varieties of global portfolio investment. Archival sources indicate that, beginning in the 1960s, a number of tax havens became favoured locations for registering offshore hedge and mutual funds.⁷⁸ In some instances, Swiss-based banks with colonial ties invested their clients' money in Panama-based funds after moving assets out of colonies. The offshore world, and Panama in particular, was an increasingly popular place for registering various investment funds owing to tax and regulatory advantages. Together with changes in supply chain management as well as other structural reorganizations, portfolio investment was part of a much broader transformation in ownership structures that allowed multinational corporations in particular to avoid the political risks that came with direct ownership of production abroad, and with managing potentially restive workers and their unions.⁷⁹

⁷⁷ For numbers on rising portfolio investment, see Wood, *From Marshall Plan to Debt Crisis*, 83 (table 7).

⁷⁸ Ogle, 'Archipelago Capitalism', 1454. For statistics on mutual funds during the twentieth century, see William J. Baumol *et al.*, *The Economics of Mutual Fund Markets: Competition versus Regulation* (Boston, 1990), 28. For an account written by an industry insider, see Matthew P. Fink, *The Rise of Mutual Funds: An Insider's View*, 2nd edn (Oxford, 2011). On funds in offshore tax havens, see Foreign and Commonwealth Office, 'Tax Havens and Tax Concessions in the Dependent Territories', note, 25 Mar. 1969: TNA, IR 40/16744; 'Arguments for Going Offshore', *Financial Times*, 20 Jan. 1969, 32; 'Mutual Funds: The Glitter in the Stock Market Boom', *Financial Times*, 8 Apr. 1969, 16. On Panama as a hedge fund destination, see 'Caribbean Havens for Investors', *Financial Times*, 27 Dec. 1967: TNA, IR 40/16337; 'Yo, Ho, for the Offshore Fund', *Economist*, 1 Feb. 1969, 60; 'The Pros and Cons of Offshore Funds', *Financial Times*, 14 Feb. 1970, 3; 'Unit Trusts: Getting around the Dollar Premium', *Financial Times*, 13 July 1968, 5.

⁷⁹ On the shift from manufacturing and trade to finance more broadly, see Judith Stein, *Pivotal Decade: How the United States Traded Factories for Finance in the Seventies* (New Haven, 2010). See also Greta R. Krippner, *Capitalizing on Crisis: The Political Origins of the Rise of Finance* (Cambridge, Mass., 2011).

Exploring the fate of Euro-American investments in the colonial and informal imperial world during and after the end of empires opens up an array of areas affected by the consequences of economic and financial decolonization. These topics inviting and requiring further enquiry range from the expansion of tax havens as a result of late colonial money panics, the movement of people within empires, the extent of private capital outflows and subsequent returns to the now independent developing world, the role of private capital in the politics of modernization and development, the rise of portfolio investment and, by extension, the rise of finance. In this perspective, decolonization emerges as an economic and financial event of the first order, the contours and borders of which are only beginning to appear.

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