



The Emergence and Expansion of Tax Havens, 1850–2000: Insights from a New Dataset

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This contribution aims to answer the following question: How and why does a country become a tax haven?¹ Despite being major economic actors, little is known about the historical origins of tax havens. The overall picture is as follows: at the beginning of the twentieth century, a small number of modern income taxes were introduced around the world. At this time, a similarly small number of countries were providing offshore services for tax or secrecy purposes. One century later, almost all countries in the world have introduced income taxes and we can count at least forty tax havens, representing around one-fifth of all countries and dependent

¹ This contribution is based on Laffitte (2022). It proposes to discuss its foundations and describes some preliminary results.

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territories (see Table 1.4, p. 41 in Palan et al. 2010 for a comparison of different lists of tax havens).

Tax havens are important actors of today's globalisation. They are a particular type of territory that commercialises their state sovereignty, *id est* their capacity to write laws.² Among countries and territories participating in an aggressive regulatory competition, tax havens are probably the most well-known.³ I adopt here a broad definition of tax havens. I define them as countries that deliberately set up a specific fiscal, legal, and administrative environment in order to attract assets and revenues that have been generated in other countries. This environment is generally characterised by low tax rates on offshore revenues and increased secrecy. Tax havens can target both individuals and corporations. All these countries and territories have their own specialisations in the variety of tax havens' services that they may offer. It is important to note that tax havens are not just countries with a low tax rate: to become a tax haven, a country has to develop a legal technology that allows its users to move their revenues and assets from other countries. This technology allows the conversion of 'onshore' revenues to offshore revenues. This point is crucial to my analysis and will be developed later in this contribution. According to this definition, tax havens encompass different types of countries—from small Crown dependencies in the Caribbean to large sovereign states such as Ireland or Switzerland.

Recent research has described the various uses of tax havens. First, some works have pointed out their role in eroding corporate tax revenues (see, for instance, Janský and Palanský 2019, or Torslov et al. 2021). Substantial amounts of profits, at least \$300 billion, are shifted each year from the places where they have been generated (and therefore the places that can claim a taxing right on it) to tax havens. This use of tax havens is generally described as tax avoidance (as opposed to tax evasion) because it involves practices that are not necessarily illegal but that may lie in a grey zone. The collection of individual taxes is also affected by the use of tax havens. Alstadsæter et al. (2018) estimate that 10% of the world's GDP is held in tax havens, this average number hiding large heterogeneities. Tax havens are also used as hosts or conduits of illicit

² The expression 'the commercialization of state sovereignty' is from Palan (2002).

³ So-called 'pollution havens' (see for instance Levinson and Taylor 2008) are, for instance, another example.

trade flows and financial flows (see, for instance, the review of Cobham and Janský 2020). All these activities, on top of their real effects on public finance, also affect the measurement of key statistical aggregates, thereby biasing public statistics (see, for instance, Zucman 2013 on balance of payments or Guvenen et al. 2018 on productivity).

My paper aims to provide a global picture of the emergence of tax havens in the twentieth century. For this purpose, I will first underline the important role played by legal reforms in the making of modern tax havens. This conceptual discussion will guide the construction of a new database on tax havens' history. Using specialised sources written by tax experts and a large variety of secondary sources, I develop a dataset that traces back the offshore legal history of tax havens until the mid-nineteenth century. For all countries now recognised as tax havens, I collect the year and purpose of each legal reform that aimed at making them tax havens or aimed at reinforcing this status. Then, I offer descriptive evidence about the emergence of tax havens in the twentieth century. This global picture of the expansion of the offshore world reveals geographical heterogeneities in the expansion of tax havens over time. I discuss plausible determinants of these historical and geographic trends. In particular, I put into perspective the increase in the supply of tax havens' services along the course of the twentieth century with the increase of demand for tax havens, proxied by the taxation in high-tax countries. I propose viewing the expansion of the tax havens' world in the twentieth century as the expansion of the international tax avoidance and evasion market. I then discuss the determinants that, together with increasing demand, participated in the emergence of the offshore world.

In this contribution and in the associated paper (Laffitte 2022), I provide a quantitative analysis of tax havens. By quantitative, I mean that my work aims at illustrating and discussing the global trends of the history of tax havens by using quantitative tools. Such work allows better visual evidence to be provided on the rise of tax havens in the twentieth century. It helps to highlight different trends that would not be observable by focusing on a qualitative analysis. It also allows comparison of these different trends and discussions of the differences and similarities between them. In future work, it will allow a quantitative study of the causes and consequences of the emergence of modern tax havens, complementing the qualitative analysis. It will help in making a comparison of the

different narratives and in providing an assessment of their relative importance. It can also serve, again as a complement of qualitative history, to test some hypotheses made in previous works.

In the first section, I describe the construction of the dataset. I provide a general picture of the emergence of tax havens in the twentieth century in section ‘[The Development of Tax Havens](#)’, and I discuss its determinants in section ‘[Determinants](#)’. The last section concludes.

THE CONSTRUCTION OF A DATASET ON TAX HAVENS’ HISTORY

In order to guide my work, I build a dataset about the history of tax havens. I first highlight the crucial role of legal reforms in making tax havens. Based on this analysis, I describe how I collected data on the legal reforms in tax havens in order to build my dataset.

The Role of Legal Reforms

In order to guide the data collection, it is necessary to understand what makes a country a tax haven. An important part of tax havens’ activities consists of ‘offering’ regulations to foreign firms and individuals that will allow them to pay less taxes or to shield their revenues from foreign governments. It is then important to note that a low tax rate is not a sufficient condition for being a tax haven. The example of New Caledonia in the 1960s illustrates this. While it was a tax-free French territory, it was not possible to move offshore revenues there, because the law did not allow it (see Rawlings [2004](#)): there was no will to turn this country into a tax haven. As a consequence, being a tax haven is rather a matter of legal features. The following definition of tax havens insists on this feature: a tax haven is an area with a “composite tax structure established deliberately to take advantage of, and exploit, a worldwide demand for opportunities to engage in tax avoidance.” (Powell, cited by Bennedsen and Zeume [2018](#)). This definition highlights that being a tax haven is not only a matter of tax rate but also of “composite tax structure.” More generally, to become a tax haven a country has to put in place a “legal architecture” (Ogle, [2017](#)) that is compatible with hosting offshore revenues. As shown by Pistor ([2019](#)), the legal coding of capital is what allows asset holders to shield their assets from taxes: “Capital is inextricably linked to

law and state power, because in its absence, the legal privileges capital enjoys would not be respected by others” (Pistor 2019, p. 205).

As long as a firm or an individual has some latitude in the choice of their legal environment (by moving their assets or opening affiliate companies, for instance), this may create regulatory competition between jurisdictions. Some countries may change their legislation in order to attract foreign assets and (potentially) obtain benefits from it. This process has been described as a result of “the law market” (see Ribstein and O’Hara 2009). In this special market, the demand can be seen as the fact that firms and individuals may be willing to avoid the regulations of a country in which they conduct their activities. In the case of taxation, they demand laws that can offer them lower tax rates than the country in which they primarily pay taxes. The supply can be seen as the enactment by some countries of new laws that aim at attracting these firms and individuals. In the case of taxation, it consists of enacting laws that will allow offshore revenues to be located in the country and shielded from foreign authorities (through bank secrecy or trust structures, for instance). We see tax havens partly as a result of these forces. This view about tax havens also has the consequence that not only does the law of tax havens matter but so does the law of the country from which revenues and assets are moved. Indeed, if it is a legal matter, it can be possible to design regulations to limit the possibility of tax avoidance and tax evasion by increasing tax enforcement. However, this aspect will not be studied here and is left for future research.

We can also note that the legal architecture of tax havens varies according to the specific tax haven considered. Tax havens generally specialise in certain types of offshore activities. The legal instruments are numerous and are generally combined by tax havens. This goes from hosting the offshore revenues of individuals through reinforced banking secrecy (in Switzerland, for instance), to firm-level tax rulings (in Luxembourg, for instance: see the Lux Leaks), a low-tax environment for insurance activities (in Bermuda, for instance) or banking activities, an attractive network of tax treaties to allow for treaty shopping (this is, for instance, the case in Mauritius; see also Hong [2018] for a global analysis of the phenomenon), an aggressive trust regulation, or a combination of all these activities.

The data collection is therefore based on the idea that tax havens are primarily the consequence of legal reforms. By collecting the data and purpose of relevant legal reforms for each country now recognised as a

tax haven I can proxy the supply of laws that makes countries tax havens. I explain in the next section how I identify the relevant legal reforms in tax havens. My approach may have the limit of only relying on the legislative environment to identify and describe the emergence of tax havens, but the collection of such data also answers to a practical constraint. Unfortunately, more precise data on assets and revenues located in tax havens does not also allow an important temporal and geographic coverage, while the objective of this project is to cover the maximum number of countries possible along the course of the twentieth century. The construction of such a dataset then faces a trade-off between the level of detail and the coverage. Using more detailed data is crucial to describe some parts of tax havens' activity, but it does not allow the description of long-term trends at the world level.

One may also argue that the supply of tax havens' services by tax havens may not be intermediated through new legislation, or that my data collection may miss some laws. Firstly, it is true that law cannot completely explain the supply of services by tax havens. This is the case, for instance, if a country writes an inefficient law, the country will not be used as a tax haven while it has enacted such a law. However, despite being of low quality, such a law would still correspond to the objective of supplying tax havens' services. It is then important to record it in the database. It is also possible that some laws are not observable in my sources, and that I miss some of them. This is especially true for countries that have a long and complex offshore history. This problem also occurs when tracking legislations in federal countries, where tax evasion/avoidance legislation can be enacted at subnational levels (see, for instance, the case of Switzerland, described in Guex 2021).⁴ In this case, one advantage of my approach which can alleviate this bias is that it will rely on reports written by fiscal lawyers that advise potential users of tax havens. This allows inclusion in my sample of only laws that are perceived by their users to be the most relevant if one wants to use a tax haven. Specifically, this means that the laws not reported might not be that important in the building of the legal structure of the country.

Another potential downside of this approach is that it only records the laws and not the practices of the tax authorities. In particular, some tax authorities might be lax when assessing a tax situation that is not

⁴ Note that my main source discusses the laws in Switzerland at the level of the canton.

yet observable in law. This is the case, for instance, when tax authorities sign private tax rulings with companies, allowing them to benefit from lower effective tax rates than the statutory rate.⁵ However, the law generally comes to validate or complement these practices. It seems hard to imagine a tax haven that will only rely on discretionary practices, in particular, because it would provide an uncertain environment to potential avoiders/evaders and to local enablers of tax dodging. If some development of the tax haven may not be intermediated through the law, it is therefore very unlikely that it will never be intermediated through the law.

Data

To have an idea of the historical development of tax havens, I therefore construct the legal offshore history of countries that are now considered as tax havens. For this purpose, I rely on the list established by Dharmapala and Hines (2009). This list combines different sources to provide a global picture of tax havens around the world. Palan et al. (2010) propose a table that compares 11 different lists of tax havens. The tax havens selected in this study are all present in a majority of these lists. The Netherlands is also added to these lists.⁶

To identify the legal reforms that are relevant for the data collection, *id est* those that make countries tax havens or reinforce the set of services they offer, I rely on two types of sources. The main sources are guides written by tax lawyers that aim at describing the opportunities offered by a handful of territories for offshore activities. As lawyers, the authors of these books generally insist on the features of the law

⁵ For instance, the LuxLeaks (2014) revealed the aggressive tax ruling practices of Luxembourg.

⁶ It is important to note that the US states of New Jersey and Delaware are not included in this list, while their activities can be interpreted as those of tax havens. These states are, however, generally considered as domestic tax havens for firms (Dyreg et al. 2013), but the recent media leaks have also highlighted their role in the global tax evasion of individuals (see the Pandora papers revelations, for instance; Temkin 2021). Guex (2021) questions the status of tax havens of these states in the early twentieth century. Belgium is not included in the database due to its non-inclusion in the list of Dharmapala and Hines (2009). Guex (2021) and Watteyne (see his contribution in this volume) discuss its role as a tax haven before WWI.

that allow the use of each territory for offshore purposes. This particularity is important because it helps us to identify the reforms that are relevant. These guides then provide unique cross-country information on offshore opportunities. These books are the *Guide Chambost des Paradis Fiscaux* (Chambost 2000) and two editions of the *Guide Mondial des Paradis Fiscaux* (Beauchamp 1992). They are also complemented by *Tax Havens Today* (Barber 2007) and *Tax Havens For International Business* (Starchild 1994).

In order to cross-check any data obtained using the main sources, I use a variety of secondary sources (reports of the Financial Secrecy Index, Palan et al. (2010), policy reports, country-specific studies, etc.). Because the sources may be partial, each date is (at least) cross-checked in other sources. I end up with 128 reforms in 51 tax havens.

THE DEVELOPMENT OF TAX HAVENS

In this section, I propose descriptive evidence on the expansion of the tax havens' world in the twentieth century from the use of the database. The first question I can answer from this data is about the timing of the emergence of tax havens. Over the course of the twentieth century, we went from a situation where there were only a few tax havens around the world to a situation where more than a fifth of all countries and territories in the world are tax havens.

Figure 2.1 shows the cumulated number of reforms since 1875, distinguishing between the first reforms, which made countries tax havens, and the subsequent ones. The subsequent reforms were used in order to extend, adapt, and modify the legal architecture of tax havens in order to promote their offshore activities. Before the twentieth century, there were few tax havens. Some countries such as Switzerland have a long history of offshore activities. It is important to note that these early tax havens would later enact some reforms to reinforce their offshore activity, as their legal offshore architecture had to be fortified and adapted. In particular, because the political, economic, and legal environment changed throughout the twentieth century, tax havens may have had to adapt their legislation in order to remain competitive. This is a way of interpreting the introduction of banking secrecy in the Banking Law of 1934 in Switzerland: following many initiatives by neighbouring countries to limit the flight of capital, this law gave more protection against these foreign threats

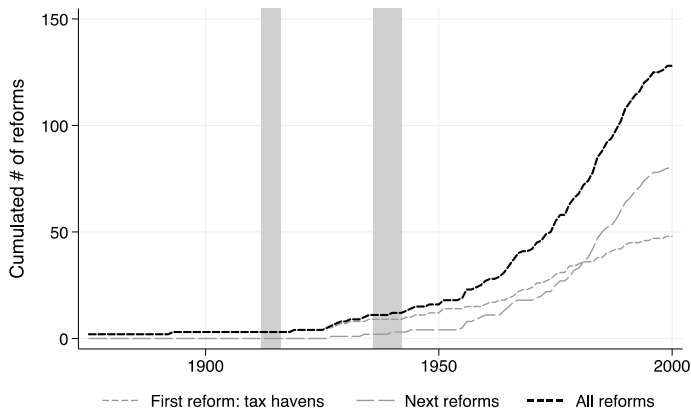


Fig. 2.1 The emergence of tax havens in the twentieth century (*Source* Laffitte [2022])

(see Guex 2000) and may also have helped them to be more competitive relative to other emerging tax havens.

We do not observe a lot of movement before the First World War, even if some offshore legislations existed, in particular in Switzerland.⁷ Guex (2021) has argued that even before the interwar period, Switzerland already possessed the characteristics of a tax haven. This is in line, for instance, with the remarks of Hollis and McKenna (2019), who see the First World War as the real beginning of the offshore world, even if the tools used then may have already existed. Following WWI, the first modern direct taxes were introduced in many countries, and with large rates.⁸ This link between wars and the building of fiscal capacity is well

⁷ Our database also includes the ‘participation exemption’ enacted in the Netherlands in 1893 as a tax haven reform. However, this law does not seem to have been immediately used for tax avoidance purposes. In any case, little is known about the role of the Netherlands as a tax haven in the early twentieth century, and more research on this topic is needed.

⁸ Seelkopf et al. (2021) define modern taxation by three distinct features: revenues capacity (the tax bases of the different modern taxes are broad and not selective, therefore bringing in more revenues than pre-modern taxes), administrative complexity (the modern taxes are administratively intensive and necessitate new requirements for taxpayers and for the tax administration), and redistributive potential (modern taxes are generally progressive and allow the government to influence the distribution of revenues and wealth). These

documented, at least for European states (see, for instance, Tilly 1990, Scheve and Stasavage 2010, or Besley and Persson 2011). For instance, 27 countries introduced personal income taxes between 1914 and 1924 (while only five countries introduced personal income tax between 1900 and 1914) and the top marginal tax rate in a country like France was 90% in 1924. This likely boosted the demand for tax avoidance services in countries that introduced taxes and then influenced the supply of offshore regulation.

A similar pattern is observable following WWII. The trend was stable until the mid-Fifties. At this point, we observe a break in the trend and an acceleration in the increase of the number of reforms. This period saw the simultaneous occurrence of important steps for the history of tax havens. This was the beginning of the deregulation of financial flows (the Eurodollar market, for instance; see Schenk 1998 or Burn 2006) and the scaling-up of multinational firms' activities, the end of the Bretton Woods system and the beginning of the decolonisation period (see Ogle 2017, 2020, for instance). If the pace seems to have been stable for first reforms, the growth was driven by the increase in the number of subsequent reforms. A hypothesis to explain this is that with the creation of new tax havens, there is a need for those that are already established to update their laws in order to stay competitive. Following this hypothesis, we can, for instance, discuss the case of the Bahamas. It is complicated to find legal footprints of its offshore activity before 1965 when it enacted Swiss-type banking secrecy. Before that, no tax was levied and the country was used as a tax haven, according to different sources (Palan et al. 2010, for instance), but we can interpret the different laws that were introduced in 1965 (the Bank and Trust Companies Regulation Act), 1976 (the Merchant Shipping Act), and 1990 (the International Business Companies Act) as ways to be more productive as a tax haven.

DETERMINANTS

After having described the development of tax havens in Fig. 2.1, one may ask about its causes. I discuss it in greater length in Laffitte (2022). The causes of tax havens' expansion are numerous, entangled, and often country-specific. We can, however, try to highlight some of them that

modern taxes include, but are not limited to, personal income tax, corporate income tax, value-added tax, sales tax, inheritance tax, and social security contributions.

are significant and evaluate their relative strength. I will first insist on the role played by the “demand” for tax havens’ services and then discuss other potential determinants, such as geography, decolonisation, and legal systems.

The Role of Demand

As defined before, the (potential) demand can be proxied by the introduction and increase of taxation by many countries in the twentieth century. Before the introduction of modern taxation in a given country, individuals or firms from this country had a limited interest in demanding offshore services. Once taxation was introduced, especially at the beginning of the twentieth century, when enforcement was less efficient than nowadays (see, for instance, Farquet 2012), the demand for offshore services could increase. If this hypothesis is true, we should observe an increase in the supply of tax havens’ services by tax havens following tax introductions, in order to attract this potential demand.

In Fig. 2.2, I plot, by world regions, the cumulated number of tax havens’ reforms by year (dotted line), along with the cumulated number of personal income taxes in force (plain line).⁹ The data on modern tax introductions come from Seelkopf et al. (2021). Assuming that the demand for tax havens’ services was mostly regional, especially because of important communications costs across countries at the beginning of the century, I proxy the potential demand for tax havens’ services in a given world region by the introduction of direct taxation in this same region.¹⁰

For all regions, we observe a similar correlation between a large increase in the number of tax introductions and a subsequent increase in the number of tax reforms. In Europe, before WWI, a few modern direct taxes were introduced. Before this war, there were a few tax havens’ reforms enacted too. During, or following, WWI, several European countries introduced personal income taxes with large bases. A few years after

⁹ The introduction of corporate income tax follows similar trends and would deliver similar observations. One can note that contrary to direct taxation, evading indirect taxation such as VAT is less likely to necessitate the use of tax havens, explaining our use of direct taxation as a proxy for demand for tax havens.

¹⁰ For instance, in 1930, a call of three minutes between New York and London cost 250 dollars (see Huwart and Verdier 2013). Air travel or maritime freight were also expensive.

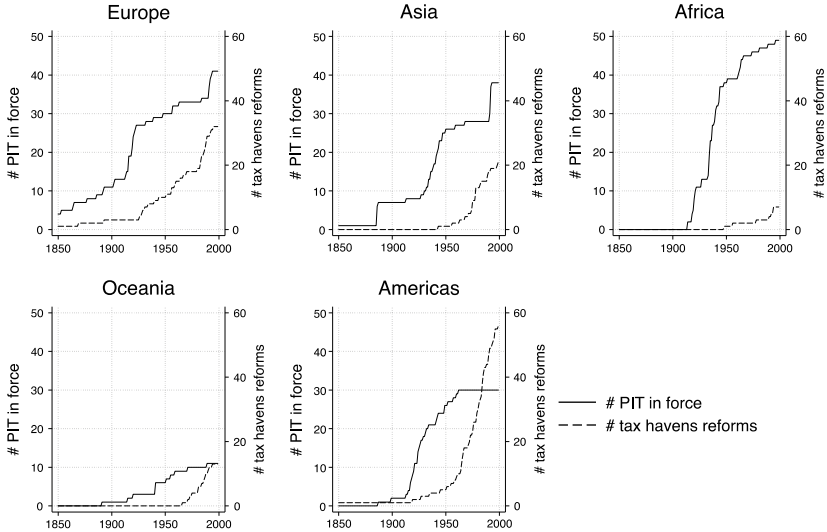


Fig. 2.2 Tax introduction and tax havens

this large increase in tax introductions in Europe, we can observe an increase in the number of tax reforms, breaking a flat trend. These observations are similar for other regions. For instance, no tax havens reforms were undertaken in Asia before WWII, while the offshore world was already developed in other places, such as Europe or the Caribbean. We have to wait until a large increase in tax introductions around the time of WWII to see the first tax havens reforms. The Americas are a particular case, where the number of tax havens reforms had a very important growth. This is actually explained by the fact that Caribbean tax havens generally introduced several reforms in a short time period. In Africa and Oceania, the number of tax havens have increased lately, despite tax introductions. This likely means that other factors than demand captured by tax introduction were important in these regions. We can think, for instance, about the role of political and economic instability.

If more work is needed to establish causality, this figure suggests that we interpret the large increase in taxation through new taxes observed along the course of the twentieth century as a potential large increase in demand for offshore operations, which have pushed the adoption of

new tax havens' regulations. The fact that the trends between supply and demand of tax havens services are correlated within a given region is also suggestive of a regional specialisation of tax havens.

Other Determinants

If demand appears as an important factor in the development of tax havens, this cannot be the only determinant. In receiving demand for tax haven legislation, some countries may react while others do not. These other determinants are generally pull factors. I briefly discuss some of them in this section.

First, geography appears as an important determinant of tax havens. On average, tax havens are more than 70 times smaller than other countries and the largest tax haven in the database, Liberia, is smaller than the median country that is not a tax haven. We can find a simple reason for that. Attracting offshore resources comes at the cost of lowering the domestic tax rate (indeed, tax evaders and avoiders will prefer lower tax rates). A counterpart to the decrease of tax to attract more offshore revenues is the decrease of tax revenues from domestic activity. For large countries, this effect will be large, because the domestic tax base is large, while for smaller countries this effect is small. In this simple example, there must be a size cut-off below which countries gain more offshore tax revenues than they lose domestic tax revenues when they decrease their tax rate, explaining why tax havens are smaller countries on average.¹¹ More generally, the geography of the country can play to its comparative advantages. Small countries may be constrained by space if they need to specialise in industrial activities; islands may face high trade costs and high costs to build trade infrastructure, preventing an efficient importing of inputs, etc. In contrast, the geography needed to develop offshore activities may be less restrictive, and also compatible with a rich clientele that can also benefit from tourism activities.¹²

¹¹ This simple example assumes that a country cannot have two different tax rates for domestic activities and offshore activities. This is not necessarily true, but the reasoning remains valid as long as the two tax rates are not totally independent.

¹² For instance, Guex (2021) insists on the importance of the role played by luxury tourism in the construction of the Swiss tax haven. Chambost (2000), when seeking to give advice on the best tax havens, often discusses the attractiveness of the country for tourism.

The role of the colonial world and colonial power has also been discussed a lot. The book of Palan et al. (2010) devotes a lot of pages to describe the general emergence of tax havens during the twentieth century. The authors pay great attention to the role of the British Empire in the emergence of tax havens in the twentieth century. This important role has also been described precisely in the recent papers by Ogle (2017, 2020). The role of the British Empire has been crucial in the development of tax havens, through official or non-official ways. Country-specific cases may also enlighten the role of colonisers in making tax havens. Curacao (van Beurden and Jonker 2021) and Vanuatu (Rawlings 2004) are two interesting examples, among others. The specific history of these countries helps us to understand the general emergence of tax havens in the twentieth century. In both cases, the coloniser of the territory has a strong influence on its future as a tax haven. For Curacao, its existence as a tax haven is directly linked to its particular status as a Netherlands' dependency, and to the fact that it was able to benefit from the Dutch tax treaty with the United States. The coloniser's role is different for Vanuatu, and reveals the different approaches between colonisers. Before 1980, the country was an Anglo-French condominium known as the New Hebrides. Rawlings (2004) argues that while the United Kingdom's authorities wanted to turn the country into a tax haven in order to give more economic independence to the territory, the French and Australian ones were reluctant to support this change, fearing that it could impact their tax receipts. The view of the United Kingdom's finally succeeded and the New Hebrides were turned into a tax haven. This simple anecdotal evidence illustrates how different colonisers' views can be on the future of their colonised territories, independent or not.

The colonial past has also been a determinant of the legal system adopted by a number of former or current colonies. For instance, the great majority of British colonies adopted the common law, while the colonies of other colonial powers such as the Netherlands or France generally adopted civil law systems. Common law has been described as a facilitator of tax avoidance and evasion, compared to other legal systems. For instance, Palan et al. (2010) describe it as "extremely useful in generating loopholes that were used to develop tax havens" (p. 124). This view is also present in Ogle (2017).

If we note that some successful tax havens such as Switzerland do not have common law, a large number of current tax havens do have it (66% of tax havens on average, against 22% for other countries). However,

more precise legal contributions on the specific role of common law in tax avoidance and tax evasion scheme are difficult to find, and these would be needed to make a more conclusive case.

More generally, the characteristics of institutions play a role in the making of tax havens. It is important to acknowledge the fact that it is not the quality of institutions in itself that matters but their quality *from the point of view of the foreign capital holders*. From other points of view, tax havens do not necessarily perform well. For instance, they have, on average, a lower democracy index, according to Polity IV data. Dharmapala and Hines (2009) have insisted on the importance of the role of “governance” by showing that today’s tax havens have, on average, better “governance” than other countries. What they call governance could actually be seen as a specific technology developed by tax havens in order to attract foreign capital by providing stability of the law, a transparent legal environment for capital holders, etc. More research is therefore needed to understand if the reinforcement of institutions that matter for foreign capital holders affects the global quality of institutions in tax havens positively or negatively.¹³

Finally, the existence of tax havens also depends on frictions in regard to the mobility of capital at the world level. Many papers have insisted on the importance of the Eurodollar markets in spurring the development of the offshore world (Palan et al. 2010; Ogle 2017). Eurodollar markets have hosted transactions in dollars outside of the United States. These transactions were neither regulated by the United States nor by European countries. The offshore world then became a place where regulations on capital could be avoided and different tax havens specialised in dealing with and hosting these transactions. A few years later, the continuous liberalisation of trade and finance that followed the end of the Bretton Woods system in the 1970s may have helped to increase the use of tax havens. Indeed, the Bretton Woods system was associated with capital controls in order to maintain the stability of the system.

¹³ For instance, Harrington (2016) lists some examples of negative economic and social effects of becoming a tax haven: crime, corruption, economic instability, lack of diversification, inequalities, etc.

CONCLUSION

In this contribution, I proposed to take a global look at the history of tax havens, using quantitative tools. I have highlighted some trends on the emergence of tax havens in the twentieth century and discussed their possible causes. I confirm, using graphical evidence, that the demand from high-tax countries contributed to the rise of the offshore world in the twentieth century and that this demand has a strong regional component. I have also discussed that if demand can be seen as a push factor, pull factors are also in play.

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