Institutions and Acculturation: How British Colonialism Created Tax Havens

Author: Ywione Darrell

Abstract:

Decolonisation was a period that offered new hopes and challenges for jurisdictions which had historically been placed in the periphery by Europe and the Global North. While most accounts of postcolonial development depict the struggles of many former colonies, this dissertation focuses on the development of tax havens, which seemingly reversing this extractive dynamic. Employing a mixed methods analysis of these (former) colonies' experiences under the British Empire, I stress the importance of quality institutions and non-European acculturation to market-conducive norms and preferences during tax haven development from after the Second World War through 2008. Significant ordinary least squares results suggest that institutional quality consistently contributed to tax haven development. Additionally, I identify how acculturation amplified the effect of institutions in earlier years of tax haven adoption. Acknowledging issues with heterogeneity, I caveat these results as non-causal. Nonetheless, my case study elucidates how institutions and acculturation explained tax haven development across Jamaica, Barbados, and St. Kitts and Nevis. This approach helps reframe the process of acculturation, or lack thereof, as deliberate resistance from non-Europeans toward repressive colonial regimes.

Table of Contents

Chapter 1: Introduction 3

Chapter 2: Context and Literature Review 5

2.1 Context Around Tax Havens 5

2.2 Literature Review: The British Colonial Experience 6

2.2.a Challenges in Decolonisation 8

Chapter 3: Theoretical Framework and Methodology 11

3.1 Methodology 12

Chapter 4: Empirical Analysis 14

4.1 Data and Descriptive Statistics 14

4.1.a Explanatory and Control Variables 14

4.1.b Outcome Variables 16

4.2 OLS Regressions 17

Chapter 5: Case Study 23

5.1 Four Caribbean Islands 23

5.2 Jamaica and Barbados 24

5.2.a Institutions 25

5.2.b Culture 27

5.3 St. Kitts and Nevis: Preferences, Perceptions, and the Long Run 32

5.3.a Persistent Institutions 34

Chapter 6: Conclusion 35

Chapter 1: Introduction

Academics often attribute the underdevelopment of the Global South to histories of extraction and exploitation by their (former) metropoles. In sub-Saharan Africa, authors reference the damage wrought on precolonial institutions via the slave trade and colonisation (Nunn, 2008, pp. 139-141; Rodney, 2012, p. 14). Ironically, many (former) colonies have pursued a regime that seemingly reverses this abusive dynamic by becoming *paradis fiscaux.* Unlike other regimes, tax havens cause harm to developed countries by reducing their tax bases and increasing the burden on middle- and working-class households (Zucman, 2015, pp. 1-7). In this dissertation, I argue that similar to jurisdictions with less hopeful postcolonial development opportunities, many tax havens stem from exploitative histories under the British Empire.

My core argument is that colonial institutions and the acculturation of non-Europeans to European norms and preferences drove tax haven development in majority non-White colonies during the post-Second World War era. I draw on a path dependence framework to advance this argument, identifying how these factors interacted over time in 'self-reinforcing… processes' (Pierson, 2000). Additionally, I employ a mixed methods design. I use ordinary least squares (OLS) regressions with proxies for institutional quality and acculturation, considering an early (before 1987) and later adoption (from 1987 through 2008) phase. Then, I pursue a most similar systems case study of post-Emancipation-era Caribbean colonies. I contrast Barbados' maintenance of British institutions, namely its legislative assembly and self-governance, with Jamaica and St. Kitts and Nevis' Crown Colony rule (CCR), which imposed near authoritarian governance, to pinpoint how the latter adversely affected institutional quality and non-European acculturation.

I conclude that quality institutions are essential because they provide an efficient regulatory environment that retains the legitimacy of foreign capital holders and provides them with assurances against expropriation. Regarding acculturation, I argue that the incentive structures provided by colonial institutions resulted in the preferences of non-European elites being a more relevant factor for tax haven development than foreign capital holders' perceptions of non-Europeans' 'business acumen' (Ogle, 2020). I add to the current literature on post-colonial development strategy by elucidating the relationship between colonial institutions, non-European acculturation to metropolitan norms, and tax haven development.

This dissertation is comprised of six chapters. Chapter two provides context for tax haven development and a synopsis of the relevant literature. Chapter three outlines the theoretical framework and methodology. Chapter four outlines the empirical design and presents the results. Chapter five elucidates the interpretation of the empirical findings with a case study of Barbados, Jamaica, and St. Kitts and Nevis. Chapter six concludes by reviewing these findings and discussing limitations.

Chapter 2: Context and Literature Review

2.1 Context Around Tax Havens

The Tax Justice Network, an international advocacy group, defines a tax haven as 'a country or jurisdiction that enables multinational corporations and individuals to escape the rule of law in the countries where they operate and live and to pay less tax than they should in those countries' (Tax Justice Network, no date). This characterisation of tax havens is universal and implies that such strategies are a deliberate violation of some universal ethic (ibid; Palan et al., 2010, pp. 2-3; Zucman, 2015, pp. 1-7). This has not always been the case. Ironically, Palan emphasises the accidental development of tax haven strategies (Palan, 2002, pp. 159162). Low taxation, secrecy provisions, and ease of incorporation were implemented during the late 19th century as the concept of the nation-state developed. Countries enacted these policies to delineate their jurisdiction over unfixed and intangible assets (ibid). Most importantly, nations were forced to contend with the internationalisation of business. Palan credits Britain as a pioneer of these strategies (ibid.).

The United Kingdom's (UK) initial foray into distinguishing its jurisdiction came through extra-legislative authorities. Beginning in the 1880s, court precedents allowed multinational enterprises to be legally divided into distinct entities (ibid). A later decision allowed firms incorporated in the UK to be exempt from taxation unless they were also controlled in the UK (Darrell, 2023, pp. 2-3; Palan, 2019). This '[denial of] the legal unity of the subject', owing to how individuals and firms may be separated from assets based on their location, was crucial to tax haven development throughout the Empire (ibid). As early as the 1930s, tax professionals in colonies like Bermuda and the Bahamas exploited these loopholes created by the lagged dissemination of Westminster's laws (Palan et al., 2010, pp. 78-81; Darrell, 2023, pp. 2-3).

With the establishment of the Euromarkets in the 1960s, other colonies soon followed this path (Palan, 2019). The Euromarkets resulted from an informal agreement between commercial banks in the City of London and the Bank of England. It determined that transactions passing through the City would 'not be subject to British regulations' if they were between non-residents and did not use the British Pound (ibid). Such a development revived the British Empire during its twilight years. Rather than colonial outposts for trading sugar cane and spices, it became a financial network with the City of London at its heart.

2.2 Literature Review: The British Colonial Experience

The literature suggests that the variation in tax haven adoption across the Empire may be explained by the variation in institutions and cultural dynamics Britain employed to exert rule over non-European populations. This variation is explained primarily by three factors: the scale of precolonial societies, white mortality and fertility rates (Acemoglu, Johnson, and Robinson, 2001, pp. 1380-1382; Lange, Mahoney, and vom Hau, 2006, pp. 1412-1416). Combined these affected the ability of Europeans to settle. In North American and Australasian colonies, the British removed the 'sparsely populated precolonial societies', allowing them to import institutions from home (ibid). This included the modern-day United States and Australia. By contrast, Sub-Saharan Africa and the Pacific colonies were majority 'Peasant' colonies with well-established pre-colonial societies and disease environments that inhibited sustained settlement (ibid; Angeles, 2007, pp. 1159-1161). These included Ghana, where the British employed the existing structures of the Ashanti Kingdom to facilitate colonial administration (Lange et al., 2006, p. 1431). A similar approach to colonisation occurred in certain Asian colonies, such as Myanmar and Bangladesh (ibid).

Between these extremes were settler colonies, where British institutions were often implemented intermediately. Hong Kong and Singapore are notable Asian examples. Despite

their high levels of precolonial development, these jurisdictions provided Britain with significant merchant and militaristic benefits. This offered a strong incentive to transplant market-friendly British institutions. Similar institutions were implemented in Southern African colonies, such as Kenya and Tanzania. However, natives were excluded from participating (Lange et al., 2006, 1448-1452). This latter example emphasises the role that race-based social dynamics played throughout the Empire, especially in settler colonies where significant white and non-white populations coexisted. Similar racial dynamics resulted in Caribbean colonies becoming a typical example of how racial prejudices corrupted British institutions so that white elites maintained their socioeconomic status.

Regarding economic development, these differing colonial experiences created diverging paths due to their impacts on institutional quality and cultural dynamics. Bednar and Page establish this linkage between institutions, culture, and future outcomes (2006, pp. 7-14). With their conceptualisation of culture as a 'medium[s] of transmission', they argue that past institutions have path-limiting consequences (ibid). This stance helps elucidate why Britain was more successful than other metropoles. Acemoglu et al. illustrate that its institutional constraints on elites incentivised investment and bolstered a broader merchant class, who were not simply allies of the monarchy (2005, 568-573). Such developments led to sustained economic growth in Britain (ibid). From the lens of tax haven development, this implies that a history of British institutions may be much less limiting.

Lange et. al confirm the dissemination of such institutions in New Europe and Settler colonies (2006, pp. 1442-1454). Comparing Spanish and British settlements, they reaffirm that British institutions provided strong legal codes and bureaucracies that supported the development of markets (ibid). However, when implemented poorly, elites could use British institutions for domination and extraction (ibid). This undermined the returns of British institutions in peasant colonies, such as those in sub-Saharan Africa (ibid). For capital holders

such institutions would have been undesirable. Although a foreign capitalist would enjoy a colony that hid their assets from their home government, they would be hesitant to move them to insecure jurisdictions.

Other academics have also alluded to how culture facilitated future outcomes. Acemoglu et al.'s focus on the ability of Europeans to settle implies that institutional preferences among settler populations drive future economic outcomes (2001, 1380-1382). Angeles explicitly states this (2007, pp. 1159-1161). This theory suggests that because British settlement was more successful in New Europe and Settler colonies, they had a greater ability to employ the institutions and development strategies they were familiar with (ibid). If we narrow our focus to the colonial period, this makes sense. However, it loses its explanatory power as we consider the massive structural changes brought by the wave of decolonisation following the Second World War.

2.2.a Challenges in Decolonisation

Assuming these dynamics remained constant would be naïve as non-Europeans began to control most polities of the falling Empire (Polanyi-Levitt, 2013, pp. 117-120). From Singapore in Southeast Asia to Belize in the Caribbean, non-Europeans desired less imperial interference in their domestic affairs (Office of the Historian, no date). Departure from colonisation had economic, political, and social consequences. If culture is truly the 'medium' for influencing future institutions, we must reconcile the flailing argument that preferences for British institutions were unique to Europeans and their descendants (Bednar and Page, 2006, p. 7-14). By re-examining Angeles' claim, we can understand that the focus is on familiarity rather than mere heritage. Hence, if non-Europeans become sufficiently exposed to European institutions and have favourable interactions with them, it is likely that they too will develop reverence for them. This is supported by Bednar and Page's framing of institutional

performance as determined by how a group is incentivised to interact with them and reflects the 'positive feedback' aspect of institutions (ibid; Pierson, 200, p. 251).

Beyond preferences for market-conducive institutions and tax haven development strategies, Ogle identifies racial prejudice as a distinct factor inhibiting non-Europeans' abilities to participate in market-conducive institutions (2020, p. 214). She describes decolonisation-era capital transfers from Kenya to the Bahamas and the liquidation and removal of 'European assets' as a display of distrust in non-whites' 'business acumen' (ibid, 214-230). This illustrates that in lieu of British imperial control, European investors lacked faith in natives to favour sound institutions. Regarding tax haven development, this implies an additional barrier for non-whites: non-whites must also have shown histories of favouring market-conducive institutions. By doing so, they would provide capital holders with the necessary assurances against expropriation.

We can also observe how non-European's interactions with colonial institutions shaped preferences for economic development strategy. Focusing on the Caribbean, labour-class Afro-Caribbeans faced enormous post-Emancipation abuses as the local planter elites corrupted British institutions. With these powers, they sought to maintain surpluses of docile and uneducated labourers who relied on the meagre wages of sugar plantations (Weis, 2006, pp. 6366; Beckles, 2004, pp. 135-141). Yue recognises that such actions, which worsen inequality, also weaken the strength of future elites by instilling cultures of mistrust (2015, p. 1726). Indeed, many later nationalist movements were driven by strong pro-Labour sentiment (Jagan, 1974, pp. 43-47; Henry, 2013, pp. 458-474). In a post-colonial era wrought with issues in economic development, as the sugar industry declined and import-substitution strategies floundered, labour-constrained political leaders needed industries that could sufficiently employ their supporters (Auty, 1976, pp. 76-82; McBain, 2005, pp. 17-23). As tax havens rely on arsenals of tax professionals to navigate the intricacies of financial regulations, this

development strategy was likely the lowest priority for the most constrained leaders because of historic underinvestment in education by planters elites (Palan, 2002, p. 164; Palan et al., 2010, pp. 77-104; Pearse, 1956, pp. 9-16). Instead, many opted for tourism, an emerging low-skilled more labour-intensive industry (Ismail, Evans, and Edwards, 2014, p. 4; Trumbull, 1975). Regarding tax haven development, this illustrates how historic interactions with institutions and elites may reduce the future political viability of certain development paths, especially if they favour elites.

The primary takeaways from this literature are that institutions and commitment to those institutions matter for tax haven development. Current institutions directly impact foreigners' beliefs about the safety of their capital. Cultural attitudes toward those institutions, shaped by their interactions, influence foreigners' perceptions of non-Europeans' commitment to good institutions. Additionally, these attitudes may influence non-whites' development preferences. Despite this, there are notable gaps. There remains no direct link between colonial experiences and the shaping of preferences for non-Europeans. Additionally, in the tax haven development literature, only Ogle's work considers a racial dimension. This dissertation addresses these gaps using empirical methods to determine trends across the (former) Empire and case study analysis of the Caribbean to elucidate race's role in qualifying certain colonies to become tax havens.

Chapter 3: Theoretical Framework and Methodology

In this section, I use the existing literature to formulate two hypotheses and justify the methods I employ to test them.

I. Institutional Quality Hypothesis: Greater institutional quality increases the likelihood of tax haven adoption by providing foreign capital holders assurances against expropriation.

As Acemolgu et al. argued, strong market-conducive institutions mattered for economic development (2001, p. 1395). Further, acknowledging Palan's (2019) arguments that tax haven strategies were disseminated to British colonies, it seems plausible to assume that the colonies that developed into tax havens had institutions similar to Britain. These suggest a direct relationship between the quality of institutions, such as an efficient bureaucracy and fair judiciary process, and the likelihood that a colony adopts tax haven strategies. Additionally, it supports Palan et al.'s suggestion that tax havens aim for 'minimal' regulatory environments such that their consumers can retain a guise of legitimacy (2010, pp. 158-160).

II. Acculturation Hypothesis: Higher European population shares suggest increased acculturation of non-Europeans into British cultural norms, thereby elevating the likelihood of tax haven adoption.

While institutions have a unique effect, we cannot ignore culture as a component of institutional and tax haven development. The literature supports this by implying that familiarity with institutions determines cultural attitudes toward them and their performance (Angeles, 2007, pp. 1158-1161). In this dissertation, I have acknowledged that the transfers of power from Europeans and their descendants to non-Europeans challenges this relationship, as we could not hold those former elites accountable for post-colonisation development strategies. Instead, I hypothesise that acculturation, the 'cultural changes… that occur when multiple

groups have continuous contact', is the best explainer for the persistence of quality institutions and development preferences in the post-colonial era (Medina et al., 2019, p. 98).

This hypothesis assumes that a larger share of Europeans during the colonial period meant that non-Europeans more frequently interacted with British institutions. This could have enabled an imprinting of British norms and preferences onto non-Europeans via two avenues: opportunity and discipline. In the case of opportunity, colonial institutions provided avenues for socioeconomic advancement, reducing the inclination for the radical upheaval of existing market-supporting structures and reducing constraints on policymakers. Conversely, discipline refers to the use of punitive measures by white elites to suppress non-conforming behaviours. In both cases, larger shares of Europeans would have increased the effectiveness of these mechanisms and created greater incentives for non-Europeans and their elites to acculturate and adopt similar preferences and reverences for British institutions.

Path dependence plays a fundamental role in framing these hypotheses. Specifically, my arguments regarding institutions and culture emphasize their interdependence, forming 'positive feedback processes' (Pierson, 2000, p. 251; Bednar and Page, 2006, pp. 7-14). As I will demonstrate, prolonged exposure to inadequate institutions may impede a colony's ability to adopt a tax haven regime. Nevertheless, this does not necessarily imply an irreversible trajectory; rather, it increases the likelihood of perpetuating the current path (ibid).

3.1 Methodology

To test these hypotheses, I employ a mixed methods design. In my empirical section, I use a categorical outcome variable, adopted from Palan et al.'s list of expert opinions, to run OLS regressions with proxies for institutional quality and acculturation (Palan et al., 2010, pp. 41-44). I also considered using probit regressions to determine how my estimators affect the likelihood of tax haven strategy adoption. Ultimately, I opted for OLS estimation because

dichotomization would result in a loss of information. As will be clarified in my key variable discussion, higher values of my categorical outcome variable imply an earlier adoption of tax haven strategies. I pre-emptively caveat my results due to the heterogeneity of my observations. This increases the likelihood of omitted variable and selection biases. Hence, this exercise merely suggests a correlation between institutional quality, acculturation and tax haven development.

To determine how institutions and acculturation influenced tax haven development, I use a most similar systems design described by Seawright and Gerring (2008, pp. 304-306). Due to the small-N nature of my data set, I do not use matching techniques and rely on my earlier analysis of similar post-colonial development issues in the Caribbean to reduce heterogeneity (ibid). This justifies my use of Barbados, an early adopter of tax haven strategies, St. Kitts and Nevis, a later adopter, and Jamaica, a non-adopter.

Chapter 4: Empirical Analysis

4.1 Data and Descriptive Statistics

I use a cross-sectional data set of colonies with European population shares less than 20 per cent that were still part of the British Empire after 1945. This excludes the New Europe colonies and the settler colonies of Bermuda, the Bahamas, and South Africa. The exclusion of these jurisdictions mitigates some of the heterogeneity.

Table 1: Descriptive Statistics

			By Quartiles of Palan Score			
	All Colonies	Sample Set	(1)	(2)	(3)	(4)
European Population Share, 1921-1943	11.31%	1.70%	0.93%	0.34%	1.67%	4.44%
	(0.27)	(0.02)	(0.01)	(0.00)	(0.01)	(0.02)
Average Governance Index, 1996-2004	2.74	2.57	2.07	2.01	3.00	3.34
	(0.88)	(0.76)	(0.36)	(1.35)	(0.20)	(0.75)
Log of Population Size, 1921-1943	14.42	14.90	16.72	16.07	12.23	13.87
	(2.90)	(2.77)	(1.91)	(1.17)	(2.32)	(2.14)
Number of Observations		29	12	3	9	5

4.1.a Explanatory and Control Variables

Table 1 provides descriptive statistics for my regressors. Results from two-sample t-tests with unequal variances reveal no statistical difference between the means of the broader set of colonies and the sample for the log of population size. The sample appears statistically distinct for the log of the European population share and quality of governance index because the excluded colonies are fundamentally different from those included.

Recalling Ogle, Angeles, and Bednar and Page, I use the European population share as a proxy for perceptions of the non-European population and their preferences for development

(Ogle, 2020, p. 214; Angeles, 2007, pp. 1159-1161; Bednar and Page, 2006, p. 2). I acknowledge that this complicates the interpretation of my results because I cannot delineate the marginal effect of either explanation with a single regressor. I reemphasise that the purpose of these results is to identify a correlation between acculturation, regardless of the mode, and tax haven development. In my qualitative section, I can better evaluate this variable's interpretation. The values for this variable are derived from the 1921 through 1943 editions of the Colonial Office Blue Books of Statistics, Blue Books. These were annual statistical records from British colonies that began in the 1820s until just after the Second World War. I note significant concerns regarding the accuracy of specific statistics in these documents. This concern also applies to population demographics, such as the European population share and population size, as most population data refers to the most recent census (Office, 2012a; Office, 2012b). For example, the 1939 Blue Book for Bermuda relies on census data from 1921. In addition, there is a lack of uniformity across the Blue Books. Many countries have no population statistics by race or ethnicity. This explains the 20-plus year range for these statistics before the end of the Second World War.

Acknowledging this caveat, I assume that the proportion of Europeans in the pre-1945 period held constant into the 'Golden Years' of tax havens from the 1960s to the late 1990s (Palan et. al, 2010, p. 140). Drawing on the analysis from Angeles, we should observe in jurisdictions with sufficient governance quality better retention of European populations (2007, pp. 1159-1161). There is a concern for time-variant unobserved heterogeneity regarding peasant colonies. The lack of strong institutions would imply a greater incentive for Europeans to flee as British colonial presence receded (Ogle, 2020, pp. 214-230). While this likely biases the coefficient for the European population share, these earlier collected values likely dampen the significance of this variable rather than amplify it.

The governance index is based on data from Kaufmann et al. This index considers how a country's institutions ensure voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption on a scale of -2.5 to 2.5 (Kaufmann, 2023). The variable used in these OLS regressions is an average across these categories of governance quality, in which higher values denote greater governance quality. I average the values collected from 1996 through 2004 (ibid). Then, I recode these values, such that they range from 0 to 5, and adopt a similar interpretation of my measures of governance quality as Acemoglu et al. did for their measure of average expropriation risk: the current quality of institutions reflects their quality during the colonial period (2001, p. 1378). I acknowledge that this measure faces similar concerns of time-variant unobserved heterogeneity. This bias may amplify the significance of governance and introduce reverse causality, as jurisdictions with poor institutions may select tax haven development regimes and see improvements in their institutions. Still, this is not a significant worry as Ogle suggests that jurisdictions with inadequate institutions did not attempt to adopt tax haven development (2020, pp. 214-241).

The log of population size is a control variable, derived from the Blue Books. Dharmapala and Hines identify it as a significant determinant of tax haven adoption (2009, p. 1063). I acknowledge the same concerns and justifications for its use as I apply to using European population shares from the Blue Books.

4.1.b Outcome Variables

To evaluate whether a country can be described as a tax haven, I rely on expert consensus from Palan et al. They consider 11 authorities' opinions to identify countries with tax haven strategies scoring them from 0 to 11, with higher scores indicating a greater likelihood of being a tax haven (Palan et al., 2010, pp. 40-45). A similar approach is used by

Haberly and Wójcik (2014, p. 81). In Table 1, we observe some encouraging trends in the mean values of the variables of interest for each quartile of the Palan Score. For European population share and governance quality, we observe increases as the Palan Score increases.

As these authorities evaluate each jurisdiction's financial regulations and tax regimes from 1977 through 2008, this score works to assess the adoption of tax haven policy in different periods. I use the Palan Score to create two variables: Early Adoption Score and Long Run Policy Score. For the former, I use three expert opinions from Palan et al. to identify the adoption of tax haven policy before 1987. Hence, the early adoption measure range is from 0 to 3. The Long Run Policy Score relies on the remaining 8 expert opinions from 2000 through 2008, ranging from 0 to 8. Splitting the Palan Score into distinct early and long-run variables allows me to evaluate how my variables influence the adoption and maintenance of a tax haven regime varied across periods.

4.2 OLS Regressions

Table 2 presents the OLS results of the Early Adoption Score against the acculturation proxy, Governance Index, and their interaction term for current and former British colonies.

Table 2: OLS Results for the Early Adoption Phase (Before 1987)

Variables	Early Adoption Score (1)	(2)	(3)	(4)	(5)
WSP	-13.52	-42.25	-15.67	-16.72	-13.46
	(24.81)	(25.90)	(24.68)	(24.83)	(25.24)
Governance Index	0.428*	0.475**	0.305	0.443**	0.437*
	(0.215)	(0.207)	(0.237)	(0.214)	(0.220)
WSP x Governance Index (WGov)	17.34*	23.52**	17.16*	19.72**	17.80*
	(9.240)	(8.957)	(9.168)	(9.424)	(9.472)
logPop		-0.0137			
		(0.0516)			
Africa dummy			-0.369		
			(0.311)		
Caribbean dummy				-0.329	
				(0.290)	
Island dummy					-0.116
					(0.292)
Constant	-0.905	-0.658	-0.392	-0.888	-0.906
	(0.531)	(1.083)	(0.683)	(0.529)	(0.541)
Observations	29	27	29	29	29
R-squared	0.712	0.754	0.727	0.726	0.713

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

These results represent the equation:

$$(1)\ EAScore_i = \mu + \delta WSP_i + \omega GI_i + \theta WGov_i + \boldsymbol{X'_i}\gamma + {}_i$$

where $EAScore_i$ represents country i's early adoption score, WSP_i is the acculturation proxy, GI_i is the quality of governance, $WGov_i$ is the interaction term ($WSP_i * GI_i$), $\boldsymbol{X'_i}$ is a set of control variables, and ${}_i$ is the error term. Considering this paper's interest in the impacts of acculturation and the quality of governance, it will focus on the coefficients δ, ω, and θ to measure their respective influence on the adoption of tax haven development strategy.

In Table 2, we observe a negative but insignificant direct influence of acculturation on the development of tax haven regimes in current and former British colonies. Reconsidering our theory of how acculturation leads to the development of tax havens, this seems sensible. As Bednar and Page argue, culture is not exogenously determined and is a mechanism through which past institutions may affect future outcomes (Bednar and Page, 2006, p. 2). In this case, it would be difficult for acculturation that encourages tax haven development to occur without strong market-conducive institutions. I suppose that the negative coefficient may reflect some tendency of larger European populations in settler and peasant colonies to impose extractive regimes over the non-European majority, as seen in many Caribbean islands (Beckles, 2004, pp. 158-176). In this case, the proxy would be measuring acculturation toward non-market conducive norms. Regardless, that analysis is null because the effect is not statistically significant. I also observe results that support the hypothesis that governance quality was a significant estimator of early tax haven development. Its positive correlation implies that poorer institutions have path-limiting consequences for British colonies.

Table 2 also illustrates a significant effect of the interaction term (WSP x GovernanceIndex). This implies that greater European population shares increase the likelihood of tax haven adoption via acculturation to market-conducive institutions. This relationship is best illustrated in Figure 1.

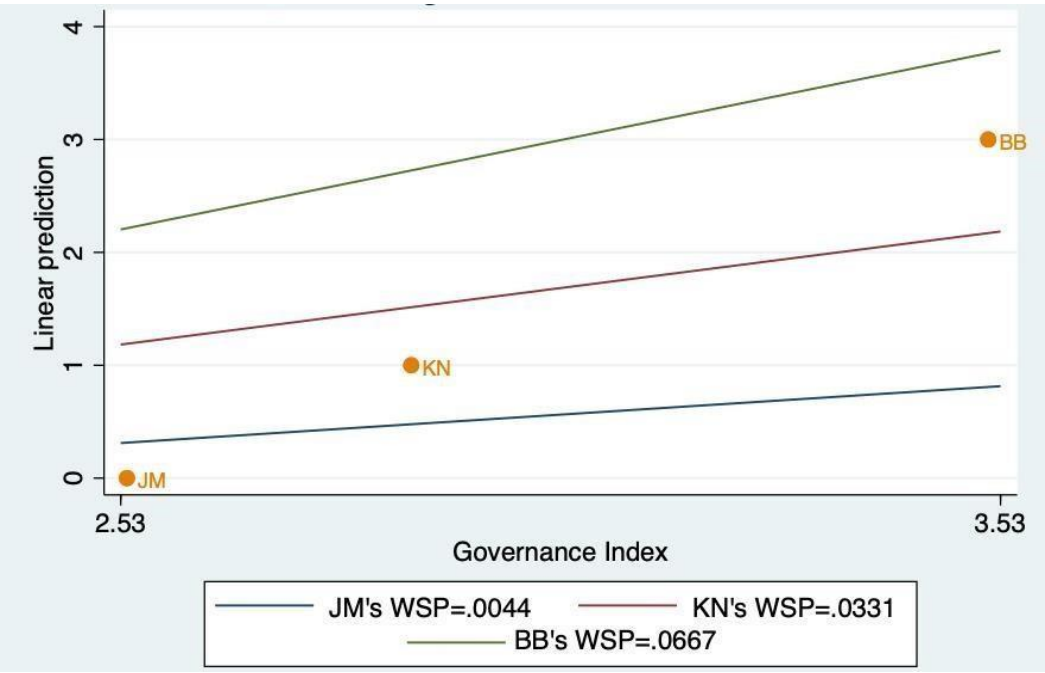


Figure 1: Graph illustrating the amplifying effect of acculturation. Countries included as points of reference: Barbados (BB), St. Kitts and Nevis (KN), Jamaica (JM)

In Figure 1, we observe that the marginal effect of an improvement in institutions is amplified by increases in the European population share. Larger European population shares also raise a colony's baseline Early Adoption Score. This figure suggests that even if Jamaica had Barbados' high quality of governance, it would still have likely not adopted tax haven strategies as soon or aggressively. Reconsidering earlier examples, such as Kenya, this makes sense (Lange et al., 2006, 1448-1452). When Europeans are in smaller numbers, they may implement better quality institutions but restrict access to them. This would inhibit, therefore, non-Europeans' abilities to become acculturated to those institutions. At higher European population shares, acculturation becomes more likely as non-Europeans and Europeans interact more frequently. These findings are consistent with my hypothesis that a larger European population share results in the transferring of European preferences and attitudes toward market-conducive institutions to non-Europeans. In turn, it increases the likelihood that non-Europeans retain those institutions in the long run and opt for tax haven development strategies. A shortcoming of these results, however, is that they do not indicate how this process occurs.

Table 3: OLS Results for Long Run Phase (After 1987 through 2008)

	Long Run Policy Score				
VARIABLES	(1)	(2)	(3)	(4)	(5)
Acculturation Proxy (WSP)	1.263	-78.45	-4.766	11.73	0.254
	(78.84)	(77.68)	(78.92)	(78.77)	(72.61)
Governance Index (GI)	1.803**	1.069*	1.457*	1.755**	1.658**
	(0.683)	(0.620)	(0.759)	(0.679)	(0.632)
WSP x Governance Index (WGov)	26.27	42.25	25.79	18.49	18.40
	(29.36)	(26.87)	(29.32)	(29.90)	(27.25)
logPop		-0.415**			
		(0.155)			
Africa dummy			-1.036		
			(0.996)		
Caribbean dummy				1.075	
				(0.919)	
Island dummy					1.967**
					(0.841)
Constant	-2.976*	5.414	-1.534	-3.031*	-2.957*
	(1.689)	(3.250)	(2.183)	(1.677)	(1.555)
Observations	29	27	29	29	29
R-squared	0.625	0.724	0.641	0.645	0.695

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 3 presents the OLS results for the long-run phase of tax haven development. It is modelled using the same equation as the early adoption phase. I merely change the dependent variable to the Long Run Policy Score. Table 3 only illustrates a significant effect of governance quality in the long-run phase. This further affirms my hypothesis and literary suggestions that emphasize the importance of institutional quality for economic and tax haven development. As argued by Palan, the most successful tax havens cannot 'play the zero regulation game' because the firms they host require a 'minimal' level of institutional quality to retain legitimacy on the international stage (2010).

Although the R-squared values for these models illustrate they have sufficient explanatory power, I robust them by employing control variables. Given that Dharmapala and Hines identified population size as a significant estimator of tax haven adoption, I control for this in column (2) of Tables 2 and 3 (2009, p. 1063). Its inclusion does not change the significance of my estimates. I am also concerned that interregional heterogeneity may drive results, as t-test results indicate that the Caribbean and Africa are statistically distinct in their mean likelihood to adopt tax haven strategy. When including the Africa dummy, in column (3) of Table 2, governance quality appears to lose significance. However, the control variable in this model is insignificant. All other regional dummies do not affect the significance of my results. Finally, I check whether islands account for any bias. Results in column (5) of Tables 2 and 3 dismiss this concern.

Overall, these results provide my hypotheses with empirical backing. They suggest that greater governance quality was necessary for tax haven adoption. However, the effect of acculturation was limited to the early adoption phase and amplified the effect of governance quality. I caveat these results as merely correlative. Due to the heterogeneity in the data, there is omitted variable bias. Additionally, I acknowledge that selection bias is an issue because certain colonies more consistently reported demographic statistics.

Chapter 5: Case Study

In this section, I ground my empirical findings in qualitative analysis. By first comparing Jamaica, as a non-adopter of tax haven strategies, and Barbados, as an early adopter, I illustrate the importance of quality institutions and acculturation to British norms and institutional preferences for the early adoption of tax havens. Then, I focus on St. Kitts and Nevis to explain why the preferences of non-European elites may have been more significant than perceptions about their commitment to expropriation in the early phase and why institutions continue to matter in the long run.

5.1 Four Caribbean Islands

Before developing these arguments, I justify using Jamaica, St. Kitts and Nevis and Barbados. My earlier analysis of the British Caribbean provides us with three stylized facts that ensure these are comparable colonies. First, British institutions were intermediately established in these colonies, as bureaucracies and British legal codes were established, but white planters often subverted them to dominate the polity. Second, the British Caribbean was over-reliant on the flailing sugar cane industry. Third, the combination of these factors produced narrow opportunities for economic development.

Since their settlement by the British, these colonies had very similar governance structures. Following emancipation in 1838, we observe Jamaica, St. Kitts, and Nevis beginning to diverge from ancient local assembly governance structures (Dippel and Carvalho, 2020, pp. 1995-1998). White planters felt their socioeconomic statuses threatened as some former slaves exploited the cheap value of land to access the plutocratically-elected local assembly (ibid). Additionally, those labourers unable to access these institutions increasingly revolted, notably in 1865 in Jamaica and 1876 in Barbados (Beckles, 2004, pp. 135-141).

This perceived threat corresponded with the Colonial Office in London's desire to simplify the governance structure in its colonies and reduce their maintenance costs. Hence in 1866, the Colonial Office in London began to push for the reorganisation of West Indian colonies into Crown Colonies under the guise of helping the white elites maintain their '[monopolization] of the social system' (Simmonds, 1987, p. 278; Inniss, 1983, p. 36). These new structures removed the legislative assembly and gave the London-appointed governor direct control over the colony. Local elites would retain the ability to maintain extractive regimes, with limited representation via the legislative council. Ultimately, planters in Jamaica, St. Kitts, and Nevis opted for a departure from familiar institutions to prevent their displacement by Afro-Caribbeans (Dippel and Carvalho, 2020, pp. 1995-1998). This further removed elites from accountability.

Regarding tax haven development, the institutional differences between Jamaica and St. Kitts and Nevis, on the one hand, and Barbados, on the other, had implications for future institutional quality and acculturation of Afro-Caribbean populations to tax-haven-promoting norms and preferences. For the former colonies, I expect that CCR created precedents that inhibited tax haven development by directly harming the future quality of institutions, modifying the elite's development preferences, and generating adverse perceptions of Afro-Caribbean populations' willingness to expropriate. First, let us examine Jamaica and Barbados.

5.2 Jamaica and Barbados

In this section, I compare Jamaica and Barbados to illustrate the immediate harms CCR had on institutional quality and acculturation of non-Europeans to tax-haven-promoting norms. I argue that CCR and greater direct metropolitan interference in local governance inhibited the development of Jamaica's state capacity and capital accumulation. I contrast this with Barbados' experience of indirect rule, where it maintained a locally elected legislature. While

property qualifications and weaponisation of institutions by the Barbadian planter elite against Afro-Barbadians inhibited the benefits of parliamentary democracy in Barbados, it spared the colony from the harms of Crown rule. I then observe how experiences of these institutions shaped cultural attitudes toward British institutions and led to diverging perceptions of each island's Afro-Caribbean population and different incentives for their elites.

5.2.a Institutions

This argument is based on the concept of path dependence. I adopt this framework because it highlights institutions' 'self-reinforcing' nature (Pierson, 2000, p. 252; Bednar and Page, 2006, p. 2). In Jamaica, CCR was enforced from 1866 through 1944, when universal suffrage was introduced (Buddan, 2004, p. 136). Although 'pure' CCR did not occur throughout this period, its 70 years of exposure suggest that this more authoritarian rule had lasting impacts on Jamaica and its quality of governance in the future. The same principle applies to the respective governance structures of St. Kitts and Nevis, which also experienced CCR from 1878 through 1952, and Barbados, which maintained a plutocratic electoral system until 1950 (Inniss, 1983, p. 60; Beckles, 2004, pp. 135-141).

Some detriments of CCR appeared in Jamaica's future institutional quality. CCR centred policymaking around London's interests. We see this with the development of the public service under CCR (Lodge, Stirton, and Moloney, 2015, pp. 13-23). I discern three primary issues: loyalty to London, poor incentives, and low competence (ibid). Combined these represent an underinvestment in Jamaica by the metropole. Financially, this is observed as the civil service was understaffed and underpaid (ibid). Hence, the most competent Jamaicans had poor incentives to enter the service. Institutionally, this is shown by an unresponsive culture to local elites (ibid). This posed concerns before independence regarding the service's willingness to implement different policies as government mandates changed.

Admittedly, Barbados does not provide evidence of a colony that used its consolidated power to invest in the long-run interests of the majority population. Similar to Jamaica, the minority planter regime sought extractive relationships and subjugation of the majority population (ibid; Beckles, 2004, pp. 158-176). Despite this, I argue that a crucial difference between the CCR type of governance and control by a local elite is that the latter was better for improving Barbados' economic institutions in the long run. The extractive relationships white locals developed with their environment were driven by maintaining their elite status. This is exemplified by the formation of alternative development strategies during the late 19th-century sugar industry crisis. This event halved the values of many planters' assets (Barrow, 1983, pp. 87-91). Rather than abandoning their claims to the island, as many Jamaican planters had with the Encumbered Estates Act, Barbadian elites doubled down. They broadened their economic base by expanding into the commercial sector (ibid; Dippel and Carvalho, 2014, p. 2). This incentivised the creation of local financial institutions and the enactment of policies which improved white planters' access to capital. This facilitated the colony's retainment and accumulation of financial capital and power (Barrow, 1983, pp. 87-91). Similar to the earlier example in Britain, it also created a broader class of white merchant elites that were not merely planters (Acemoglu et. al, 2006, p. 568). In contrast, under CCR, white Jamaican elites increasingly exited the plantation society and large multinationals, such as United Fruit Company, bought many plantations (Barrow, 1983, pp. 87-91). The offshore placement of economic power had comparable repercussions to the offshoring of political interests via direct rule, resulting in inherently more extractive institutions that hindered future economic development (Beckford, no date).

Considering the implications for future tax haven development, the experience of Barbados alludes to the importance of a resilient elite minority. Barbados' white merchant and planter elites were necessary to maintain the quality of market-conducive institutions in the

colony while Afro-Barbadians transcended socioeconomic barriers. By doing so, they insulated the colony from the development of harmful economic and political institutions that did not prioritise welfare on the island. Note that this is not a praise of the Barbadian planter class, as repeatedly they demonstrated that the gains from such institutions were meant for themselves (Fletcher, 1992, pp. 256-262; Beckles, 2004, pp. 158-176). However, the resilience of the Afro-Barbadian labouring class enabled such institutions to benefit them in the long run.

5.2.b Culture

Returning to my model, acculturation must also be significant in tax haven development. Its amplifying effect on the impact of institutions seems more plausible when we reconsider Bednar and Page's recognition of culture as a 'medium of transmission of institutional externalities' (Bednar and Page, 2006, p. 2). By examining Jamaica and Barbados, we can discern how colonial precedents shaped subsequent institutions, perceptions of the majority demographics, and the inclinations of non-European elites through culture. My overarching argument is that CCR inhibited acculturation to British norms by souring the relationship between Afro-Jamaican labourers and planters. In the long run, this resulted in a development path driven by the needs of the labouring class. I identify two phases of cultural development in Jamaica. First, I observe the period from the beginning of CCR in 1866 through 1938, before a political culture transition. Then, I analyse developments after this transition. I argue that the immense conflict between elites and labouring classes in the earlier period resulted in a labour-dominant political culture in the later period. This disincentivised policymakers from pursuing tax haven development and reduced foreign capital holders' faith in Jamaicans' commitment against expropriation.

From the introduction of CCR, local planter elites wielded their influence via the legislative council to maintain the dependence of this population on plantations (Weis, 2006,

pp. 63-66). This maintained a surplus of labour, which artificially deflated wages (ibid). Although there were abundant lands to develop an Afro-Jamaican peasantry, these were significantly less fertile and more difficult to manage (ibid). This lifestyle's inadequacy meant peasants remained bound to the plantation for seasonal work (ibid). There were some Afro-Jamaicans who were able to ascend to places of significant power as planter and merchant elites. This was observed as the 'Council's original white colouration gradually darkened' and by the 1920s non-white elites maintained a majority of elected members in the council.

However, these elites did not see themselves as 'agents of the Negro masses' (Bradley, 1960, pp. 375-381). As members of the planter elite, they found the subjugation of the labouring class advantageous. Like their white counterparts, they favoured maintaining extractive relationships with labourers (Dippel and Carvalho, 2014, pp. 1-3). Additionally, labourers could not hold these individuals accountable due to CCR's immense voting restrictions and their dependence on the plantation (Bradley, 1960, pp. 375-381).

By the 1930s, conditions for the peasantry and labouring classes had not improved due to the continued dominance of the plantation elite: 'poverty,… limited health and education services,… malnutrition, and poor housing' characterised their lives (ibid). These conditions worsened with wage cuts due to the Great Depression (ibid). These complaints culminated in a series of labour riots in 1938. Here, we observe a shift in political power favouring the working class as Alexander Bustamante, himself an elite, brought organisation to the previously disjointed pro-labour movement (ibid). His arrest garnered him support as an advocate of labourers' interests. This moment highlights a critical juncture in Jamaica's class dynamics. It began a precedent of successful political elites needing to align themselves with labour's interests to become successful. This explains why dominant parties like the People's National Party and Jamaica Labour Party acted as political extensions of trade unions (ibid).

Regarding tax haven development, there are two consequences this pro-labour constraint had for Jamaica. This partially relies on my previously stated incentives argument. A quality of tax haven regimes is that elites gain the most from their introduction. These industries attract foreign direct investment from multinational enterprises and require highly educated individuals, such as bankers, lawyers, and accountants, to navigate the fine lines between tax avoidance and evasion (Palan, 2002, p. 164; Palan, Murphy, and Chavagneux, 2010, pp. 77-104). Once established, the winnings from these industries tend to remain consolidated within this sector and cause the crowding-out of more labour-intensive low-skill industries, such as tourism (Fowler, 2018; Cao, Jones, and Temouri, 2024, pp. 848-852). Even if we assume labourers were unaware of this latter harm, the poor investments in education under CCR, would have implied higher barriers to employment and reduced elites' priority of such a development strategy.

Additionally, the fact that the demands of the labour class sufficiently constrained the elites motivated the formation of more radical political ideologies. This is observed in the People's National Party, a socialist nationalist party. Although it did not win any elections until 1955, it had played a key role in mobilising labour since the 1938 riots (Bradley, 1960, pp. 375381). From the perspective of foreign capital holders, the significance of such a party implied that locals had not acculturated toward market-conducive norms, hence Jamaica was an unviable jurisdiction. Nearer the boom of tax haven development, these concerns would have been amplified as governance oscillated between the People's National Party and the Jamaican Labour Party throughout the early adoption phase (Electoral Commission of Jamaica, no date).

By contrast, the maintenance of parliamentary governance in Barbados enabled a culture that promoted the early adoption of tax havens. Like Jamaica, the white planter elite used their influence over institutions to maintain a labour surplus and depress wages (Beckles,

2004, pp. 158-176). Unlike Jamaica, however, the planter class was never persuaded to dissolve their legislature. This was because the perceived threat of the Black elite class supplanting the white planters was minuscule. Unlike other islands, Barbados' land prices were prohibitively high (Maingot, 2015, pp. 253-255). Additionally, the Barbadian planter elites refused to enact the Encumbered Estates Act, which enabled some Afro-Jamaicans to enter the planter class (Barrow, 1983, pp. 87-91). Instead, they reinforced their socio-economic positions by building local financial institutions that supported struggling planters. Therefore, after the harsh repression of the 1876 Confederation riots, where Black labourers rose in favour of transitioning to CCR, Barbadian elites were able to use their consolidated legislative and financial power to maintain dominance over the labouring class (Beckles, 2004, pp. 158-176).

The critical juncture for Barbados' socioeconomic dynamics was the building of the Panama Canal. It offered Afro-Barbadians an opportunity to reject the plantocracy that dominated their lives. From 1904 to 1916, 'over 45,000 Afro-Barbadians migrated to Panama to work on the canal, roughly a quarter of the island's population' (Bascombe, no date). The term 'Panama men' was coined to represent the thousands of men who migrated to work on the canal and supported the socioeconomic ascension of their families through remittances (Beckles, 2004, pp. 176-182). This injection of capital enabled the purchasing of land, the opening of businesses, and the establishment of Black-owned social and financial institutions. By establishing independent institutions, the Black community demonstrated a 'trend of economic rationality' as they were '[determined to] keep their hard-earned and scarce capital within institutions they managed' (ibid).

Compared to the Encumbered Estates Act in Jamaica, the opportunity 'Panama money' provided the Black community allowed a broader population to form a Black commercial class and accumulate wealth. As opposed to their planter counterparts in Jamaica, this rising Black bourgeoisie did not adopt ideals of extraction (Beckles, 2004, pp. 176-182; Bradley, 1960, pp.

375-381). Rather, they mimicked similar strategies that whites had used to retain wealth in their communities and prevent its diffusion. Key examples of this were Landships and Friendly Societies that fulfilled a range of services for the Black community, including civil education for youth and sick and death benefits. Beckles notes this as a form of 'economic resistance' (Beckles, 2004, pp. 176-182). Rather than the antagonistic relationship between early Black Jamaican elites, which caused a massive pro-labour shock to the island's political economy after the 1938 riots, such initiatives developed a reverence among Black Barbadian labourers for Black commercial elites.

Regarding tax haven development, this alternative dynamic between elites and labourers in the Afro-Barbadian community had massive ramifications for development preferences and attitudes towards British institutions. Firstly, Barbados' social dynamics developed a culture that respected market-conducive institutions because these institutions enabled the rise of a Black commercial elite after the injection of Panama money. Rather than radical reform, most Barbadians simply desired 'access to the system as it existed' (Barrow, 1983, pp. 98-99). By comparison, Jamaica's lack of strong market institutions under CCR provided no recognisable reference point for labourers. Instead, their view of British institutions was skewed by exploitative planter elites and sufficiently high barriers of entry to the political arena (Bradley, 1960, pp. 375-381). This explains why policies such as the takeover of plantations occurred in Jamaica. These measures were meant to revitalise the floundering sugarbased economy but also enable a complete reformation of the island's political economy in favour of the interests of labourers (Maingot, 2015, pp. 252-253). By contrast, the acceptance of 'constitutional liberalism', reverence for individual rights and freedoms by law, across the political spectrum removed the incentive for such policy in Barbados. The distaste for radicalism in Barbados was observed as key political leaders, namely Sir Grantley Adams,

undermined the entrenching of socialist ideals into the Afro-Barbadian political culture (Beckles, 2004, p. 191). In a world where colonised peoples were reshaping their relationships with their former metropoles, Afro-Barbadians' high regard for British institutions signified a credible, culturally embedded commitment against expropriation.

The dynamics between the Afro-Barbadian commercial and labouring classes may also be credited with the development strategies politicians considered. The admiration the labouring class had for the commercial class allowed for prioritising policies that did not necessarily cater to low-skilled labour, such as developing a tax haven regime. Notwithstanding the labourers' reverence for the commercial class, Barbadian elites would have recognised the industry as more accessible. The island's longstanding appreciation of education as a means of escaping plantocracy, coupled with the wide access to Panama money fuelled massive investments into education in Black communities. In contrast to Jamaica, where wealth remained concentrated among a select few elites and public education suffered from inadequate investments during CCR, the average Afro-Barbadian had greater access to the professions available in a tax haven (Beckles, 2004, 176-191; Keith, 1978).

5.3 St. Kitts and Nevis: Preferences, Perceptions, and the Long Run

Reviewing my analysis of Jamaica and Barbados, acculturation has shaped both the preferences and perceptions of non-European elites in the Caribbean. However, it is unclear how influential these mechanisms are for tax haven development. St. Kitts and Nevis's unique confluence of features like Barbados and Jamaica allows me to suggest that preferences are likely more relevant for tax haven development. Akin to Jamaica, CCR engendered harm. This manifested as political instability. St. Kitts and Nevis were merged into one colony in 1882, along with Anguilla, which was previously grouped with St. Kitts in 1871 (Momsen and Mills, 2024). Under this arrangement, St. Kitts became fiscally responsible for the budgetary shortfalls of Nevis and Anguilla (Inniss, 1983, pp. 6-42). The issue with this was that these

islands were fundamentally distinct, despite their proximity. Before their amalgamation, they were independently governed (ibid). These differences in identity persisted under centralised governance, partially driven by differing economic situations. St. Kitts maintained its dominant landed elite, like Barbados. By contrast, Nevis developed a Black peasantry with 'comparative prosperity and self-respect' due to the collapse of its plantations (ibid, pp. 49-57).

Parties like the United Nevis Movement and the People's Action Movement (PAM) used this angst toward St. Kitts to form a convenient opposition against the Saint Kitts and Nevis Labour Party (ibid, 73-74). The case of PAM is relevant because it would enact the first policies that resulted in St. Kitts and Nevis being first identified as a tax haven in 1987 (ibid; Hines and Rice, 1994, p. 178). As a party associated with the interests of the planter elite and sugar industry, one may assume that its ascent to power in 1980 indicated to foreign capital holders that the political culture on Saint Kitts was shifting from being labour driven. In turn, this may signify that the jurisdiction was now trustworthy.

My contention with the perceptions argument here is that PAM repeatedly illustrated a disregard for political and economic institutions before their ascent and in the early years of their rule. The party played a crucial role in the secession of Anguilla and its members helped orchestrate an attempted coup in St. Kitts in 1967 (Inniss, 1983, pp. 72-73). After assuming power, it failed to uphold its commitment to compensate planters for lands the State had purchased (ibid; Maingot, 2015, pp. 252-253). Nonetheless, a tax haven development regime was still implemented. This implies that the leaders of the PAM did not feel that foreign capital holders would have disdain for their casual disregard for institutions.

It could be contended that this stems from their longstanding connection with affluent factions within the nation. However, expropriating property from their original supporters would have diminished the trust of capital holders in the party's leadership. Instead, as a conservative party, PAM likely saw the establishment of a tax haven as a means of solidifying

their primary voting demographic, the growing educated Black bourgeoisie. This notion is reinforced by their struggle to secure a majority in the local assembly, largely due to Labour's strong support among the working-class electorate (Inniss, 1983, pp. 65-66). Having fortified their base, they formed coalition governments with the Nevis Reformation Party, thus maintaining their hold on power until 1995 (Political Database of the Americas, 2000).

5.3.a Persistent Institutions

In the long run, I argue that acculturation loses its persisting effect because it is conditional on existing institutions. By the time the Labour Party regained power in 1995, the country had been committed to a preferential tax regime for nearly a decade (Hines and Rice, 1994, p. 178). This exposure embedded the financial services industry into St. Kitts and Nevis' economy. Labour would not abandon it because there was no significant political appetite for doing so. This emphasises a limitation of my proxy for acculturation, it is only relevant for the period immediately following decolonisation. Afterwards, given changing circumstances and institutions, it is likely that preferences and perceptions of the non-European population will adjust to be specific to those newer conditions.

Chapter 6: Conclusion

In this dissertation, I employ a mixed methods design, using OLS regressions and a most similar systems case study, to argue that the development of tax havens in majority non-white colonies is linked to those jurisdictions' and peoples' histories of colonial exploitation. Driven by literature on the development of tax haven strategies and British colonial experiences, I hypothesised that patterns in the adoption of tax haven strategies can be linked to variations in colonial institutions and the acculturation of non-Europeans. My empirical findings suggest that quality institutions are essential in both the early adoption of tax haven strategies and their persistence in the long run. Additionally, these findings suggest that greater shares of Europeans in these colonies may have amplified the effect of institutions on tax haven adoption in the early adoption phase. The interaction between these variables suggests this is due to acculturation as non-Europeans, who took control of these polities following the Second World War, more frequently interacted with British norms and preferences.

My qualitative findings support this by using three Caribbean countries. Comparisons between Barbados and Jamaica illustrate that abusive white planters upheld market-conducive British institutions to maintain their dominance over Afro-Barbadians. In response, Afro-Barbadians defiantly mimicked the behaviours and norms of their oppressors to build institutions that helped them escape their positions of subordination. In turn, as a former British colony with strong institutions, this accultured population took advantage of the opportunity to adopt tax haven strategies. Using St. Kitts and Nevis, I suggest that acculturation likely promoted tax haven development by shaping Afro-Caribbean elites' preferences.

Ultimately, there are significant caveats to my conclusions. Primarily, heterogeneity in my sample of (former) British colonies inhibits causal inference. Although I have performed robustness tests by region, population, and geography, the variation in colonial experiences and other characteristics implies unobserved heterogeneity. There are also concerns about the

accuracy of my proxies, WSP and Governance Index. Even if these were not problematic, my case study analysis highlights that it is difficult to establish a common explanation for how these variables affected tax haven development. Interactions between institutions and non-European cultural dynamics produce highly specific outcomes.

Nonetheless, these results add a relationship between colonial institutions, non-European acculturation to metropolitan norms and preferences, and tax haven development to existing literature. Future studies may expand on these findings using case studies to elucidate variation in tax haven adoption in other similar regions, such as Singapore versus Malaysia.

Works Cited

Acemoglu, D. Johnson, S. and Robinson, J. A. (2001). 'The Colonial Origins of Comparative Development: An Empirical Investigation', *The American Economic Review*, 91 (5), pp. 1369-1401. doi: 10.1257/aer.91.5.1369.

Acemoglu, D. Johnson, S. and Robinson, J. A. (2005). 'The Rise of Europe: Atlantic Trade, Institutional Change, and Economic Growth', *The American Economic Review*, 95 (3), pp. 546-579. doi: 10.1257/0002828054201305.

Angeles, L. (2007). 'Income inequality and colonialism', *European Economic Review*, 51 (5), pp. 1155-1176. doi: 10.1016/j.euroecorev.2006.09.001.

Auty, R. M. (1976). 'Caribbean Sugar Factory Size and Survival', *Annals of the Association of American Geographers*, 66 (1), pp. 76-88. doi: 10.1111/j.1467-8306.1976.tb01073.x.

Barrow, C. (1983). 'Ownership and Control of Resources in Barbados: 1834 to the Present', *Social and Economic Studies*, 32 (3), pp. 83-120. https://www.jstor.org/stable/27862044.

Bascombe, L. T. (no date). *Black Laborers on the Panama Canal.* Available at: https://picturingblackhistory.org/black-laborers-on-the-panama-canal/. (Accessed: 26 April 2024).

Beckford, G. (no date). *Origins, Development and Future of The Jamaican Banana Industry: A Century of Revolutionary Struggle of The Peasantry.* Available at: https://newworldjournal.org/independence/origins-development-and-future-of-thejamaicanbanana-industry-a-century-of-revolutionary-struggle-of-the-peasantry/2/. (Accessed: 26 April 2024).

Bednar, J. and Page, S.E. (2006) 'Culture, Institutional Performance, and Path Dependence', UC Berkeley: Institute of Governmental Studies Working Paper [online], pp.1-35. Available at: https://escholarship.org/uc/item/1bq6d126. (Accessed: 26 April 2024).

Beseley, T. and Persson, T. (2009). 'The Origins of State Capacity: Property Rights, Taxation, and Politics', *American Economic Review*, 99 (4), pp. 1218-1244. doi: 10.3386/w13028.

Bradley, C. P. (1960). 'Mass Parties in Jamaica: Stucture and Organization', *Social and Economic Studies,* 9 (4), pp. 375-416. https://www.jstor.org/stable/27853596.

Buddan, R. (2004). 'Universal Adult Suffrage in Jamaica and the Caribbean Since 1944', *Social and Economic Studies*, 53 (4), pp. 135-162. doi: 10.1093/oxfordjournals.pa.a053066.

Cao, Z. C., Jone, C., and Temouri, Y. (2024). 'Tax Havens and Tourism: The Impact of the Panama Papers and the Crowding Out of Tourism by Financial Services', *Journal of Travel Research*, 63 (4), pp. 841-857. https://doi.org/10.1177/00472875231179395

Darrell, Y. (2023). 'Institutions and Prejudice Dissertation Proposal', 6SSPP352: The Department of Political Economy Dissertation. King's College London. Unpublished Essay.

Dharmapala, D. and Hines, J. R., Jr. (2009), 'Which countries become tax havens?', *Journal of Public Economics*, 93 (9-10), pp. 1058-1068. doi: 10.2139/ssrn.952721.

Dippel, C. and Carvalho, J. P. (2014) *The Iron Law of Oligarchy: A Tale of 14 Islands.* Semantic Scholar. Available at: https://api.semanticscholar.org/CorpusID:3146114. (Accessed 26 April 2024).

Dippel, C. and Carvalho, J. P. (2020). 'Elite Identity and Political Accountability: A Tale of Ten Islands', *The Economic Journal*, 631 (October), pp. 1995-2029. doi: 10.3386/w22777.

Electoral Commission of Jamaica. (no date) *Parliamentary Elections.* Available at: https://ecj.com.jm/elections/election-results/parliamentary-elections/. (Accessed 26 April 2024).

Fletcher, L. P. (1992). 'The Evolution of Poor Relief in Barbados 1900 to 1969', *Caribbean Studies*, 25 (3/4), pp. 255-276. https://www.jstor.org/stable/25613076.

Fowler, N. (2018) *Bermuda: inequality and poverty in UK Overseas Territory.* Available at: https://taxjustice.net/2018/06/21/bermuda-inequality-and-poverty-in-uk-overseas-territory/. (Accessed 26 April 2024).

Haberly, D. and Wójcik, D. (2014). 'Tax havens and the production of offshore FDI: an empirical analysis', *Journal of Economic Geography*, 15 (1), pp. 75-101. doi: 10.1093/jeg/lbu003.

Henry, P. (2013). 'C.L.R. James, Walter Rodney and the Rebuilding of Caribbean Socialism', *Philosophy Document Center,* 19 (1/2), pp. 458-484. https://www.jstor.org/stable/10.2307/26752048.

Hines, J. R. and Rice, E. M. (1994) 'Fiscal Paradise: Foreign Tax Havens and American Business', *The Quarterly Journal of Economics*, 109 (1), pp. 149-182. https://doi.org/10.2307/2118431

Inniss, P. (1983) *Whither Bound St. Kitts-Nevis?* St. John's: Antigua Printing and Publishing Ltd.

Ismail, O., Evans, C., and Edwards, C. (2014) *Understanding the travel and tourism labour market.* Available at: https://www.abta.com/industryzone/reportsandpublications/understanding-the-travel-and-tourismlabourmarket#:~:text=Elementary%20occupations%20make%20up%20over,starting%20out %20in %20their%20careers. (Accessed 26 April 2024).

Jagan, C. (1974). 'Guyana at the Crossroads', *The Black Scholar*, 5 (10), pp. 43-47. https://www.jstor.org/stable/41066290

Kaufmann, D. and Kraay, A. (2023) 'Worldwide Governance Indicators, 2023 Update'. www.govindicators.org.

Keith, S. (1978). 'An Historical Overview of the State and Educational Policy in Jamaica', *Latin American Perspectives*, 5 (2), pp. 37-52. https://www.jstor.org/stable/2633151.

Lange, M., Mahoney, J., and vom Hau, M. (2006) 'Colonialism and Development: A Comparative Analysis of Spanish and British Colonies', *American Journal of Sociology*, 111 (5), pp. 1412-1462. doi: 10.1086/499510.

Lee, A. and Schultz K. A. (2012). 'Comparing British and French Colonial Legacies: A Discontinuity Analysis of Cameroon', *Quarterly Journal of Political Science*, 7 (1), pp. 1-46. doi: 10.1561/100.00011022.

Lodge, M., Stirton, L., and Moloney, K. (2015). 'Whitehall in the Caribbean? The legacy of colonial administration for post-colonial democratic development', *Commonwealth & Comparative Politics*, 53 (1), pp. 8-28. doi: 10.1080/14662043.2014.993144.

Maingot, A.P. (2015) 'Barbados: Tradition and Modernity in a Model Small State' in Maingot, A.P. (ed.) *Race, Ideology, and the Decline of Caribbean Marxism.* Gainesville: University Press of Florida, pp. 247-267.

McBain, H. (2005) 'Challenges to Caribbean Economies in the Era of Globalization' in Knight, F. W. and Martínez-Vergne, T. (ed.) *Contemporary Caribbean Cultures and Societies in a Global Context.* Chapel Hill: The University of North Carolina Press, pp. 17-42.

Medina, A. C., Rowley, S. J., and Towson, S. (2019). 'Race Matter for Black Canadians: The Intersection of Acculturation and Racial Identity in Emerging Adulthood', *Emerging Adulthood*, 7 (2), pp. 97-108. doi: 10.1177/2167696818785099.

Mills, G. E. M. and Momsen, J. D. (2024). *Saint Kitts and Nevis.* Available at: https://www.britannica.com/place/Saint-Kitts-and-Nevis. (Accessed 26 April 2024).

Office, British Foreign and Commonwealth (2012a) '*Caribbean Colonial Statistics from the British Empire, 1824-1950*'. Available at: https://microform.digital/boa/collections/73/caribbean-colonial-statistics-from-thebritishempire-1824-1950. (Accessed 26 April 2024).

Office, British Foreign and Commonwealth (2012b) *'Colonial Africa in Official Statistics, 1821-1953'*. Available at: https://microform.digital/boa/collections/39/colonial-africainofficial-statistics-1821-1953. (Accessed: 26 April 2024).

Office of the Historian (no date). *Decolonization of Asia and Africa, 1945-1960.* Available at: https://history.state.gov/milestones/1945-1952/asiaandafrica#:~:text=During%20World%20War%20II%20Japan,return%20to%20European%20
col onial%20rule.

Ogle, V. (2020). ''Funk Money': The End of Empires, The Expansion of Tax Havens, and Decolonization as an Economic and Financial Event*', *Past & Present*, 249 (1), pp. 213-249. doi: 10.1093/pastj/gtaa001.

Palan, R. (2002). 'Tax Havens and the Commercialization of State Sovereignty', *International Organization*, 56 (1), pp. 151-176. doi: 10.1162/002081802753485160.

Palan, R., Murphy, R., and Chavagneux, C. (2010) *Tax Havens: How Globalization Really Works.* Ithaca and London: Cornell University Press.

Palan, R. (2019). 'Tax Havens: Britain's Second Empire'. Interviewed by Nick Shaxson. *Tax Justice Network.* (no day) August. Available at: https://taxjustice.net/2019/09/29/taxhavensbritains-second-empire/ (Accessed: 26 April 2024).

Pearse, A. (1956). 'Education in the British Caribbean: Social and Economic Background' *Vox Guyanae*, 2 (1), pp. 9-24. https://www.jstor.org/stable/41851109

Pierson, P. (2000). 'Increasing Returns, Path Dependence, and the Study of Politics', *The American Political Science Review*, 94 (2), pp. 251-267. doi: 10.2307/2586011.

Polanyi-Levitt, K. (2013) *From the Great Transformation to the Great Financialization.* London: Zed Books Ltd.

Political Database of the Americas (2000) *St. Kitts and Nevis: Parliamentary Elections 1980-1989.* [online] Georgetown University and the Organization of American States. In: https://pdba.georgetown.edu/Elecdata/Kitts/parl80_89.html. (Accessed 26 April 2024).

Rodney, W. (2012) 'Some Questions on Development' in Rodney, W. (ed.) *How Europe Underdeveloped Africa.* London: Bogle-L'Ouverture Publications, pp. 1-34.

Seawright, J. and Gerring, J. (2008). 'Case Selection Techniques in Case Study Research: A

Menu of Qualitative and Quantitative Options', *Political Research Quarterly*, 61 (2), pp. 294308. https://doi.org/10.1177/1065912907313077.

Simmonds, K. C. (1987). 'Political and Economic Factors Influencing the St Kitts-Nevis Polity: An Historical Perspective', *Phylon*, 48 (4), pp. 277-286. doi: 10.2307/274485.

Tax Justice Network (no date) *What is a tax haven?* Available at: https://taxjustice.net/faq/what-isataxhaven/#:~:text=Although%20there%20isn't%20a,they%20should%20in%20those%20countries. (Accessed 26 April 2024).

Trumbull, R. (1975) 'St. Kitts, at End of Era, Is a Changing Caribbean in Miniature', *The New York Times,* 30 January, p. 18.

Weis, T. (2006). 'The Rise, Fall and Future of the Jamaican Peasantry', *The Journal of Peasant Studies,* 33 (1), pp. 61-88. doi: 10.1080/03066150600624496.

Zucman, G. (2015) *The Hidden Wealth of Nations.* London: The University of Chicago Press.

Yue, L. Q. (2015). 'Community Constraints on the Efficacy of Elite Mobilization: The Issuance of Currency Substitutes during the Panic of 1907', *American Journal of Sociology,* 120 (6), pp. 1690-1735. doi: 10.1086/681714.