

POLSIIS professor's work on the British Empire and Offshore Finance published in BBC History Magazine

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An article in the BBC History Magazine by Chris Bowlby describes POLSIIS Professor Ronen Palan's work on the link between the British Empire and Offshore Finance

The BBC History Magazine, March issue has published piece on the work of POLSIIS professor, Ronen Palan. The article titled 'Tax havens: an imperial legacy with friends in high places' by Chris Bowlby describes how the history of tax havens was closely linked with the disintegrating British Empire. As the British empire disintegrated after the Second World War, the City of London became more and more desperate to maintain its place as a global financial centre. It developed the so-called Euromarket, whereby transactions took place in London in currencies other than sterling and between lenders and borrowers not based in the UK and not subject to UK regulation and taxation.

It became increasingly popular for banks to base such operations in places like Guernsey or Jersey – dependent territories of the crown that enjoyed great fiscal autonomy and offered very low taxation. The Bank of England, hoping to sustain London's international position, supported this. The UK Treasury, worried about its loss of revenue, was more sceptical. But the Bank, says Palan "was trying to keep the Treasury in the dark", to stop it from intervening.

One of the most spectacular examples of a tax haven emerging from empire is the Cayman Islands in the Caribbean, which became a British overseas territory in 1962. At first, British officials were alarmed by what they saw as the territory's economic weakness: "They can't just live off bananas" was one reported comment. So financial services were encouraged as an alternative, and the Caymans have proved, says Ronen Palan, "an astonishing success story", with more registered businesses than people. A territory of around a hundred square miles was said by the Bank for International Settlements in 2008 to be the fourth largest financial centre in the world.

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