
SUPPLEMENTARY MATERIAL

The Great Caribbean Divergence Colonial Economic Structure and the Emergence of Tax Havens in the ‘British West Indies’

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[†] Our co-author, longtime colleague and friend Leo Ahrens passed away on 23 December 2025. In the obituary accessible at the following link, we remember him and honor his many contributions to our joint work and political science research in general. Our deepest sympathies go out to his family.

<https://www.polsoz.fu-berlin.de/polwiss/forschung/oekonomie/ipoe/news/Nachruf-Leo.html>

[‡] The main paper, data and replication material for this study are openly available in Leuphana University’s PubData repository at <https://doi.org/10.48548/pubdata-3214>.

^{*} Lukas Hakelberg gratefully acknowledges funding for this project from the European Research Council under grant number 101116229 – WOWMA – ERC-2023-STG. The funding body played no role in the design, execution, analysis and interpretation of data, or writing the study.

Supplement A: Codebook

The *wowma* dataset compiles information on all of the world's tropical and subtropical island jurisdictions for years between 1804 and 2024 to enable analyses of the factors driving tax haven emergence in this geographical and temporal context. The variables so far included are described below. Table A1 provides details on our coding of economic structure. Table A2 gives the statements from FAO (2014) on which we base our assessment of soil types.

Variables

The variables below are listed in the order in which they appear in the dataset from left to right.

Variable	Description
iso3	Includes ISO 3 identifiers for the countries included in the dataset. The identifiers were obtained using the <code>countrycode</code> package in R (Arel-Bundock et al. 2018).
year	Year for which the data is recorded.
country	Name of the country for which the data is recorded.
maritime	Dummy variable with value 1 for maritime economies and value 0 for plantation economies. Maritime economies are all jurisdictions which do not feature at least one Soil Mapping Unit (SMU) in the Harmonized World Soil Database (HWSD) that is dominated by a soil type that the FAO associates with high soil fertility (FAO 2014; FAO and IIASA 2023). We cross-checked this coding with contemporaneous statements by colonial officials in Colonial Reports on the soil fertility of our cases. For soil types, shares and statements from colonial reports, see Table A1 below. For statements on the respective soil fertility of soil types see Table A2 below.
bis_liabilities	Total liabilities of a country's banks and non-banks towards all foreign reporting banks and institutions in millions of current US\$. Underlying quarterly data comes from the Bank for International Settlements' (BIS) Locational Banking Statistics (BIS 2025). Quarterly BIS data was aggregated into yearly data using the mean of quarterly values.
bis_claims	Total claims by a country's banks and non-banks on all foreign reporting banks and institutions in millions of current US\$. Underlying quarterly data comes from the BIS Locational Banking Statistics (BIS 2025). Quarterly BIS data was aggregated into yearly data using the mean of quarterly values.
gdp_current	Gross domestic product in current US\$. The data source is the United Nations Conference on Trade and Development's (UNCTAD) Data Centre (UNCTAD 2025),
gdp_pc	Gross domestic product in current US\$ per capita. The data source is UNCTAD's Data Centre (UNCTAD 2025).
gdp_millions	Gross domestic product in millions of current US\$. The data source is UNCTAD's Data Centre (UNCTAD 2025)
population_unctad	The total number of inhabitants in a country or jurisdiction. The data source is UNCTAD's Data Centre (UNCTAD 2024)

reform to Other_cumul	Variables indicating the adoption of tax haven legal technologies from Laffitte (2024). For descriptions and documentation of the data see Laffitte (2024).
hthd_total	The sum of tax haven legal technologies identified by Laffitte (2024) for a given country in a given year.
tic_total	Value of a country's residents' holdings of U.S. long-term securities in a given year. Underlying monthly data in millions of current US\$ at market value comes from the Treasury International Capital (TIC) system, Table slt_1d (US Treasury 2025). Monthly data was aggregated into yearly data using the mean of monthly values.
km2	The contemporary surface area for each country in km ² . The data comes from the country profiles included in the United Nations' data app (United Nations 2025).
population	Total population taken from Bulmer-Thomas (2012) Tables A.1 and C.1.
pit	Dummy variable indicating whether a country had a personal income tax in place in a given year. The data was collected from the Public Finance and Legislation sections of the British Colonial Office's Blue Books of Statistics and Colonial Reports. The exact source for each date of adoption is recorded in the variable <i>pit_source</i> .
export_pound_current	Value of merchandise exports in current Pound Sterling. Data for years before 1938 was obtained from the variable "worldasreported" included in the RICardo trade data base. For British colonies, this data was originally collected from the British Colonial Office's Statistical Abstracts and Blue Books of Statistics (Dedinger and Girard 2017). Remaining gaps in the data for British colonies were filled with newly collected data from the Trade and Commerce sections of the Blue Books of Statistics and Colonial Reports. The source for each data point is recorded in the variable <i>export_source</i> .
revenue	Total government revenue in current US\$. Data for all Caribbean jurisdictions and all years between 1900 and 1960 was obtained from Bulmer-Thomas (2012, Table C.28). The data for the British Caribbean colonies was originally obtained from the Statistical Abstracts for the British Empire and the Blue Books of Statistics (Bulmer-Thomas 2012, 579-588). Data for British West Indian colonies for years before 1900 is from the variable <i>revenue_local</i> and was converted from Pound Sterling to US dollars, using historical exchange rates from the RICardo database (Dedinger and Girard 2017).
expenditure	Total government expenditure in current US\$. Data for all Caribbean jurisdictions and all years between 1900 and 1960 was obtained from Bulmer-Thomas (2012, Table C.29). The data for British Caribbean colonies was originally obtained from the Statistical Abstracts for the British Empire and the Blue Books of Statistics (Bulmer-Thomas 2012: 579-588). Data for British West Indian colonies for years before 1900 is from the variable <i>revenue_local</i> and was converted from Pound Sterling to US dollars, using historical exchange rates from the RICardo database (Dedinger and Girard 2017).
balance	The balance of the government budget obtained by subtracting <i>expenditure</i> from <i>revenue</i> .

deficit_perc	The public deficit or surplus as a share of revenue obtained by dividing <i>balance</i> by <i>revenue</i> .
revenue_local	Total government revenue in local currency. For the British West Indies this data was collected in Pound Sterling from the Public Finance sections of the British Colonial Office's Blue Books of Statistics and Colonial Reports. The source for each data point is recorded in the variable <i>budget_source</i> .
expenditure_local	Total government expenditure in local currency. For the British West Indies this data was collected in Pound Sterling from the Public Finance sections of the British Colonial Office's Blue Books of Statistics and Colonial Reports. The source for each data point is recorded in the variable <i>budget_source</i> .
rep_gov	A dummy variable taking the value of 1 when a British colony has introduced responsible government and 0 otherwise. The British Colonial Office defined responsible government as a political system in which the cabinet has authority over all government portfolios, except defense, foreign affairs, internal security and public administration, and is responsible to an assembly elected by universal suffrage (cf. Colonial Office 1966, 68–69). Data was collected from the Administration sections of the British Colonial Office's Colonial Reports.
banks_no	The number of commercial banks with branches in the jurisdiction, excluding cooperatives and the Government Savings Bank. Data for British West Indian colonies was collected from the Currency and Banking sections in the British Colonial Office's Colonial Reports.
serv_exp	Value of services exports in current US\$. Data for Caribbean jurisdictions comes from Bulmer-Thomas (2012, Table D.7). Assuming that services exports are highly correlated with merchandise imports, we used the growth rate of merchandise imports from 1956-1960 to impute services exports values backwards from 1960 (the first year for which data is reported by Bulmer-Thomas) to 1956. Because Bulmer-Thomas (2012) does not provide services exports data for Bermuda, we estimated the data by subtracting merchandise exports from merchandise imports and then converting the number from Pound Sterling to US\$ using historical exchange rates provided by Bulmer-Thomas (2012, Table C.4). This procedure was chosen because of the following assessment by the British Colonial Office: "Although the visible balance of trade is adverse, there is a substantial revenue from invisible items, including the tourist business; repairs, particularly during 1955 and 1956, to shipping sustaining damage in the neighbouring seas; accommodation, goods and services, estimated to be worth nearly £3.25 million, supplied to the United States Bases; and the production, estimated to be worth about £1 million, in Bermuda of films for cinematographic and television reproduction. There is also, indirectly, revenue from very considerable investments at generally low rates of interest of United Kingdom capital in Bermudian enterprises; and from the establishment in increasing numbers in Bermuda of international companies estimated to be worth about £500,000. The overall balance of trade is therefore favourable" (Colonial Office 1958, 23–24). Because of the last sentence in the quote, we treat our figures for Bermuda as conservative estimates.

export_source	Is a string variable providing the sources for the data points included in <i>export_pound_current</i> .
budget_source	Is a string variable providing the sources for the data points included in <i>revenue_local</i> and <i>expenditure_local</i> .
maritime_source	Is a string variable providing the statements from the British Colonial Office's Colonial Reports that we used to corroborate our coding of British West Indian colonies into plantation and maritime economies. Also see Table A1 below.
notes	Is a string variable with comments about the data that have not yet been assigned to more specific string variables.
ny_distance	Airline distance between a jurisdiction's main international airport and New York's John F. Kennedy airport in kilometers. The data was obtained from the Air Miles Calculator (www.airmilescalculator.com).
ny_changes	Number of changes necessary to reach the respective country by plane from New York. Data was collected from the Communications sections of British Colonial Reports for the year 1956 or adjacent years if reports for 1956 could not be accessed.
lon_changes	Number of changes necessary to reach the respective country by plane from London. Data was collected from the Communications sections of British Colonial Reports for the year 1956 or adjacent years if reports for 1956 could not be accessed.
int_calls	A dummy variable taking the value of 1 when international calls via a cable connection were possible to and from a given jurisdiction. The data was obtained for British West Indian colonies from the Communications sections of the British Colonial Office's Colonial Reports.

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Table A1: Data on the soil fertility of (former) British colonies in the Caribbean

Country	SMU	Dominant soil type			Secondary soil type			Tertiary soil type			High %	Colonial Reports Comments
		Name	Fertility	%	Name	Fertility	%	Name	Fertility	%		
Anguilla	5155	Eutric Cambisol	high	30	Rhodic Nitisol	high	20	Lithic Leptosol	low	20	50	"In Nevis the land is nearly all in the hands of peasant proprietors, and the same is true to an even greater extent in Anguilla" (St. Kitts-Nevis-Anguilla Report 1959-62, p. 66).
Antigua and Barbuda	12000	Haplic Alisol	low	60	Eutric Cambisol	high	40				40	"Arable land in the clay soils of the central plain is used for sugar cane cultivation, which is also the main form of cultivation in other areas where there are transport facilities. The lighter soils are used for the production of cotton and vegetables" (Leeward Islands Report 1953-54, 43)
	12001	Calcic Luvisol	high	50	Haplic Chernozem	high	35	Gleyic Cambisol	high	15	100	
Bahamas	12876	Calcaric Regosol	low	60	Eutric Leptosol	low	40				0	"Agricultural production is mainly in the hands of individual agriculturists. There are few holdings on the plantation scale" (Bahamas Report 54-55, p. 18)
	12877	Eutric Gleysol	mediocre	60	Mollic Gleysol	mediocre	40				0	
Barbados	12352	Eutric Regosol	low	60	Eutric Cambisol	high	40				40	"All arable land has been farmed as plantations for generations and has been owned by the occupiers or worked by local attorneys on behalf of absentee proprietors" (Barbados Report 1958-59, p. 44). "The Upland Plateau consists of Oceanic Beds sometimes 700" thick in parts of St. John and St. Philip parishes. They are known as the "Barbados Earth" and are mainly chalk much of which has been crystallised during folding and is compact but fractured" (Barbados Report 1958-59, p. 107).
	12535	Calcic Luvisol	high	40	Gleyic Cambisol	high	30	Haplic Chernozem	high	30	100	
Belize	13386	Vertic Cambisol	high	55	Haplic Vertisol	high	20	Eutric Cambisol	high	15	90	"The north of the country is an area of lower rainfall, annual precipitation decreasing from 70 inches in the Cayo District to 50 inches in Corozal, where the open flat or undulating type
	13387	Dystric Cambisol	high	40	Chromic Luvisol	high	20	Rendzic Leptosol	low	20	60	

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	13388	Eutric Gleysol	mediocre	10 0						0		of country favours the cultivation of sugar cane and livestock" (British Honduras Report 1966-67, p. 119). "The new settlers commenced the system of rum and sugar production in the north which has continued up to today." "The logwood trade was a heavy contributor to the Imperial Treasury and essential to Britain's rapidly expanding wool and dye trades" (British Honduras Report 1966-67, p. 124).
	13389	Dystric Cambisol	high	40	Umbric Ferralsol	mediocre	20	Haplic Fer- ralsol	mediocre	20	40	
	13390	Haplic Acrisol	mediocre	80	Eutric Gleysol	mediocre	20				0	
	13392	Eutric Cambisol	high	40	Chromic Luvisol	high	20	Rendzic Leptosol	low	20	60	
	13393	Eutric Gleysol	mediocre	50	Eutric Planosol	low	30	Sapric Histosol	low	20	0	
	13394	Eutric Cambisol	high	60	Haplic Luvisol	high	20	Ferric Acrisol	mediocre	20	80	
	13395	Vertic Cambisol	high	50	Eutric Cambisol	high	30	Ferric Acrisol	mediocre	20	80	
	13396	Chromic Cambisol	high	40	Rendzic Leptosol	low	20	Vertic Cambisol	high	20	60	
	13397	Chromic Cambisol	high	40	Rendzic Leptosol	low	20	Vertic Cambisol	high	20	60	
	13398	Vertic Cambisol	high	50	Eutric Cambisol	high	50				100	
Bermuda	4976	Albic Podzol	low	90	Dystric Regosol	low	10				0	"Agricultural production is maintained by small farmers who employ imported Portuguese labour. Holdings, on the whole, are small, the majority being of less than ten acres in extent" (Bermuda report 1946, p. 11).
British Virgin Islands	27704	Luvic Kastanozem	mediocre	40	Luvic Phaeozem	high	20	Haplic Luvisol	high	20	40	"The Colony, comprising as it does scattered islands separated by long distances, is at a disadvantage when it comes to agricultural development, but when to these disadvantages are added rugged topography, low rainfall and a harsh dry season, the difficulties of development become acute" (BVI report 1957-58, pp. 19-20).
Cayman Islands	17715	Calcaric Regosol	low	60	Eutric Leptosol	low	40				0	"Even the layman's eye can see at once that the geological formation is not conducive to modern methods of agriculture: there is an area of arable land on top of the bluff in Cayman Brac, but elsewhere cultivable soil is to be

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												found only in pockets separated by rock, either actually outcropping, or coming so close to the surface as to prevent the use of a plough. There are many cracks and fissures in the rock, usually with fertile soil in them, and excellent citrus, pawpaws, bananas, breadfruit, and ground crops such as cassava and yams, can be grown and harvested, but only by manual labour under wasteful conditions, so that agriculture offers little reward. In some parts there are good pastures, and a few of the islanders still go in for raising cattle (Cayman Islands Report 1957-58, p. 35).
Dominica	16181	Haplic Ferralsol	mediocre	40	Vertic Cambisol	high	30	Umbric Andosol	high	30	60	"The organisation of productive activity is divided between plantation and peasant agriculture and there are no large local companies. Peasant agriculture is responsible for the bulk of food production for local consumption and also preponderates in the production of vanilla and bay oil, while estate agriculture produces the greater portion of the other export staples and this form of organisation operates at a higher level of productive efficiency" (Dominica Report 1947, p. 20).
Grenada	16997	Vertic Cambisol	high	40	Haplic Ferralsol	mediocre	25	Vitric Andosol	high	20	60	"The island's exports are entirely agricultural. Food for local consumption is also produced, but the quantities are usually short of the minimum needs of the population. The major export crops are cocoa, nutmegs, and bananas. Small quantities of citrus, as lime oil, and cotton are also exported" (Grenada Report 1957, p. 18).
	16998	Eutric Cambisol	high	60	Haplic Vertisol	high	40				100	
Guyana	17067	Umbric Gleysol	mediocre	45	Thionic Histosol	low	20	Eutric Fluvisol	high	20	20	"Sugar and by-products. These comprise by far the most important agricultural exports of the colony. Their export value amounts to more than four times the export value of rice. The latter is the only other export crop of significance. Total production of sugar in the colony was 250,111 tons of which 244,913 tons were
	17068	Dystric Leptosol	low	60	Dystric Regosol	low	20	Haplic Acrisol	mediocre	20	0	
	17069	Haplic Ferralsol	mediocre	40	Haplic Acrisol	mediocre	35	Dystric Leptosol	low	25	0	
	17070	Dystric Leptosol	low	55	Xanthic Ferralsol	mediocre	30	Eutric Leptosol	low	15	0	

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	17071	Haplic Ferralsol	mediocre	85	Ferralic Cambisol	high	15			15	produced by estates and 5,198 tons by farmers" (Guyana Report 1955, p. 86).	
	17072	Haplic Ferralsol	mediocre	50	Dystric Plinthosol	low	30	Xanthic Ferralsol	mediocre	20		0
	17073	Xanthic Ferralsol	mediocre	40	Albic Plinthosol	low	30	Dystric Leptosol	low	15		0
	17074	Xanthic Ferralsol	mediocre	50	Ferric Acrisol	mediocre	20	Dystric Planosol	low	15		0
	17075	Haplic Ferralsol	mediocre	40	Arenosol	low	30	Ferric Acrisol	mediocre	30		0
	17076	Fibric Histosol	low	50	Thionic Histosol	low	30	Sulfidic Gleysol	mediocre	20		0
	17077	Haplic Ferralsol	mediocre	50	Dystric Plinthosol	low	30	Dystric Gleysol	mediocre	20		0
	17078	Haplic Ferralsol	mediocre	55	Dystric Regosol	low	15	Nitisol	high	15		15
	17079	Haplic Acrisol	mediocre	50	Xanthic Ferralsol	mediocre	30	Haplic Lixisol	mediocre	20		0
	17080	Haplic Lixisol	mediocre	50	Haplic Acrisol	mediocre	35	Dystric Leptosol	low	15		0
	17081	Ferralic Cambisol	high	50	Eutric Regosol	low	25	Carbic Podzol	low	25		50
	17082	Haplic Ferralsol	mediocre	60	Haplic Acrisol	mediocre	25	Umbric Leptosol	low	15		0
	17083	Dystric Leptosol	low	10								0
	17084	Albic Plinthosol	low	40	Carbic Podzol	low	20	Umbric Gleysol	mediocre	20		0
	17085	Claric Arenosol	low	55	Xanthic Ferralsol	mediocre	30	Gleyic Podzol	low	15		0
	17086	Haplic Ferralsol	mediocre	65	Claric Arenosol	low	35					0
Jamaica	17311	Haplic Ferralsol	mediocre	40	Vertic Cambisol	high	25	Eutric Leptosol	low	20		25
	17312	Haplic Vertisol	high	80	Calcaric Phaeozem	high	20				80	

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												lighter, better drained and less fertile (St. Lucia Report 1957-58, p. 50).
St. Vincent and the Grenadines	27606	Vertic Cambisol	high	40	Haplic Ferralsol	mediocre	25	Vitric Andosol	high	20	60	"The soils are deep, light and porous, enabling St. Vincent to grow cotton and arrowroot which would otherwise be restricted to drier islands" (St. Vincent Report 1960-61, p. 42). "The coastal lowlands and valleys are all cleared for cultivation" (St. Vincent Report 1960-61, p. 43).
Trinidad and Tobago	27091	Haplic Lixisol	mediocre	50	Dystric Cambisol	high	30	Eutric Cambisol	high	20	50	"The vast areas of cocoa and sugar cane, staple crops of the island and ist mainstay before the discovery of oil, owe their cultivation to these two systems of human labour which disappeared when they were no longer economically tenable in the face of the rising industrial age. The trade balance is principally maintained by the exportation of oil and its by-products, of which the Colony is the largest producer in the British Empire" (Trinidad & Tobago Report 1946, p. 72).
	27092	Dystric Planosol	low	50	Thionic Gleysol	mediocre	25	Gleyic Cambisol	high	25	25	
	27093	Luvic Phaeozem	high	40	Gleyic Luvisol	high	20	Eutric Gleysol	mediocre	20	60	
	27094	Eutric Gleysol	mediocre	80	Alic Stagnosol	mediocre	20				0	
	27095	Eutric Cambisol	high	70	Calcic Luvisol	high	30				100	
	27096	Calcic Luvisol	high	60	Haplic Chernozem	high	40				100	
Turks and Caicos	27090	Eutric Leptosol	low	60	Calcaric Regosol	low	40				0	"There is practically no agriculture carried on in the salt islands, but in the Caicos, corn, beans and other crops are grown in sufficient quantities for local needs" (Turks & Caicos Report 1959-60, p. 25).

Notes: SMU stands for Soil Mapping Unit, the reported numbers are the IDs of the respective SMUs. The Column "High %" reports the share of land covered by soil types highly suitable for agriculture. Data on countries' SMUs and soil types comes from IIASA and FAO (2023). Comments on soil fertility come from the Agriculture and/or Geography sections of British Colonial Reports, the exact source is given in the brackets at the end of the comment.

Table A2: Soil fertility of soil types according to the Food and Agriculture Organization

Soil Type	Suitability	Page in Source	Explanation
Acrisol	mediocre	p.145	"Low-input farming on Acrisols is not very rewarding" "Adapted cropping systems with complete fertilization and careful management are required if sedentary farming is to be practised"
Alisol	low	p.146	"Toxic levels of A1 at shallow depth and poor natural soil fertility are further constraints" "A significant proportion of Alisols are unproductive for a wide variety of crops" "Where fully limed and fertilized, crops on Alisols [...] may eventually grade into Luvisols"
Andosol	high	p.147	"Andosols have a high potential for agricultural production" "Andosols are generally fertile soils" "The strong phosphate fixation of Andosols is a problem"
Anthrosol	mediocre	p. 148-149	Plaggic horizon: "favourable physical properties, but many have less favourable chemical characteristics" "Today, these soils receive generous doses of fertilizers" Hortic horizon: "They have been enriched with organic manure" "garden soils" Irragric horizon: "Anthrosols with irragric horizons are formed as a result of prolonged sedimentation (predominantly silt and clay) from irrigation water" Terric horizon: "Eventually these modified surface layers of mineral material turned into terric horizons that gave the soil much improved properties for arable cropping compared to the original surface soil" "These soils have a terric horizon and were the most productive lands of the Aztec empire; now most of these soils are affected by salinization"
Arenosol	low	p. 150-151	"Low coherence, low nutrient storage capacity and high sensitivity to erosion are serious limitations of Arenosols in the dry zone" "Uncontrolled grazing and clearing for cultivation without appropriate soil conservation can easily destabilize these soils, reverting them back to shifting dunes" "Arenosols in the humid and subhumid temperate zone have limitations similar to those of the dry zone, albeit that drought is a less serious constraint" "Arenosols in the humid tropics are best left under their natural vegetation" "permanent cultivation of annual crops would require management inputs that are usually not economically justifiable"

Calcisol	mediocre	p. 152	"Calcisols reach their full productive capacity only when irrigated carefully" "Some 20 vegetable crops have been grown successfully on irrigated Calcisols fertilized with nitrogen, phosphorus and trace elements such as iron and zinc"
Cambisol	high	p. 153	"Cambisols generally make good agricultural land and are used intensively" "Cambisols with high base saturation in the temperate zone are among the most productive soils on earth" "Cambisols in the humid tropics are typically poor in nutrients but are still richer than associated Acrisols or Ferralsols"
Chernozem	high	p. 154	"Russian soil scientist rank the deep, central Chernozems among the best soils in the world" "Preservation of the favourable soil structure through timely cultivation and careful irrigation at low watering rates prevent wind and water erosion" "Application of P fertilizers is required for high yields"
Cryosol	low	p.154-155	"Removal of the peat layer on top of the soil or of the vegetation and/or disturbance of the surface soil often lead to alterations of the permafrost depth and to rapid and drastic environmental changes with possible damage to buildings" "Overgrazing leads rapidly to erosion and other environmental damage"
Durisol	low	p.155-156	"The agricultural use of Durisols is limited to extensive grazing" "erosion of the surface soil is widespread" "Durisols may be cultivated with some success where sufficient irrigation water is available"
Ferralsol	mediocre	p. 156-157	"Most Ferralsols have good physical properties" "Great soil depth, good permeability and stable microstructure make Ferralsols less susceptible to erosion than most other intensely weathered tropical soils" "The chemical fertility of Ferralsols is poor; weatherable minerals are scarce or absent, and cation retention by the mineral soil fraction is weak" "Maintaining soil fertility by manuring, mulching and/or adequate (i.e. long enough) fallow periods or agroforestry practices, and prevention of surface soil erosion, are important management requirements" "Fertilizer selection and the mode and timing of fertilizer application determine to a great extent the success of agriculture on Ferralsols"
Fluvisol	high	p. 158	"The good natural fertility of most Fluvisols and attractive dwelling sites on river levees and on higher parts in marine landscapes were recognized in prehistoric times" "Paddy rice cultivation is widespread on tropical Fluvisols with satisfactory irrigation"
Gleysol	mediocre	p. 159-160	"For many Gleysols, the main obstacle to utilization is the necessity to install a drainage system to lower the groundwater table"

			"Adequately drained Gleysols can be used for arable cropping, dairy farming and horticulture"
			"Underwater and tidal Gleysols are used for fishing or shrimp production"
Gypsisol	mediocre	p.160-161	"Where such soils are in the vicinity of water resources, they can be very productive"
			"However, even soils containing 25 percent powdery gypsum or more could still produce excellent yields [...] if irrigated at high rates in combination with forced drainage"
Histosol	low	p.161-162	"The properties of the organic material and the type of peat determine the management requirements and land use possibilities of Histosols"
			"Natural peats need to be drained, and normally also limed and fertilized in order to permit cultivation of normal crops"
			"Another common problem encountered when Histosols are drained is the oxidation of sulfidic minerals"
			"The sulfuric acid produced effectively destroys productivity unless lime is applied copiously, making the cost of reclamation prohibitive"
Kastanozem	mediocre	p.163	"Kastanozems are potentially rich soils; periodic lack of soil moisture is the main obstacle to high yields"
			"Irrigation is nearly always necessary for good yields"
			"Phosphate fertilizers might be necessary"
			"Wind and water erosion is a problem"
Leptosol	low	p.164	Leptosols have a resource potential for wet-season grazing and as forest land"
			"Erosion is the greatest threat to Leptosol areas"
			"Leptosols on hill slopes are generally more fertile than their counterparts on more level land. One or a few good crops could perhaps be grown on such slopes but at the price of severe erosion."
Lixisol	mediocre	p.165	"Preservation of the surface soil with its all-important organic matter is of utmost importance"
			"Tillage and erosion control measures [...] help to conserve the soil"
			"The low absolute level of plant nutrients and the low cation retention by Lixisols makes recurrent inputs of fertilizers a precondition for continuous cultivation"
			"Perennial crops are to be preferred to annual crops, particularly on sloping land"
Luvisol	high	p.166	"Most Luvisols are fertile and suitable for a wide range of agricultural uses"
			"Luvisols on steep slopes require erosion control"
			"Luvisols with a high silt content are susceptible to structure deterioration when tilled when wet or with heavy machine"
Nitisol	high	p.167	"Nitisols are among the most productive soils of the humid tropics"
			"quite resistant to erosion"
			"The good workability of Nitisols, their good internal drainage and fair water holding properties are complemented by

			chemical (fertility) properties that compare favourably with those of most other tropical soils" "High P sorption calls for application of P fertilizers"
Phaeozem	high	p.168	"Phaeozems are porous, fertile soils and make excellent farmland" "Wind and water erosion are serious hazards"
Planosol	low	p.169	"Land use on Planosols is normally less intensive than that on most other soils under the same climate conditions" "Yields are modest even on drained and deeply loosened soils" "Fertilizers are needed for good yields" "Some Planosols require application of more than just NPK fertilizers, and their low fertility level may prove difficult to correct" "Where temperature permits paddy rice cultivation, this is probably superior to any other kind of land use"
Plinthosol	low	p.170-171	"Plinthosols present considerable management problems" "Poor natural soil fertility [...] are serious limitations" "Many Plinthosols outside of the wet tropics have continuous petroplinthite at shallow depth, which limits the rooting volume to the extent that arable farming is not possible; such land can at best be used for low-volume grazing" "Soils with high contents of pisoliths [...] are still planted with food crops and tree crops [...], but the crops suffer from drought in the dry season"
Podzol	low	p.172	"The low nutrient status, low level of available moisture and low pH make Podzols unattractive soils for arable farming" "Aluminium toxicity and P deficiency are common problems" "Podzols are generally best used for extensive grazing or left under their natural vegetation"
Regosol	low	p.172-173	"The low moisture holding capacity of these soils calls for frequent applications of irrigation water; sprinkler or trickle irrigation solves the problem but is rarely economic" "Where rainfall exceeds 750 mm/year, the entire profile is raised to its water holding capacity early in the wet season" "Many Regosols are used for extensive grazing"
Retisol	low	p.174	"The agricultural suitability of Retisols is limited because of their acidity, low nutrient levels, tillage and drainage problems, and for many Retisols because of the cool climate with its short growing season and severe frost during the long winter" "Livestock farming is the main agricultural land use on Retisols [...]; arable cropping [...] plays a minor role"

Solonchak	low	p.175	<p>"Excessive accumulation of salts in soil affects plant growth [negatively]"</p> <p>"Strongly salt-affected soils have little agricultural value"</p> <p>"Only after the salts have been flushed from the soil (which then ceases to be a Solonchak), good yields may be hoped for"</p> <p>"Application of irrigation water must not only satisfy the needs of the crop, but excess water must be applied above the irrigation requirement in order to maintain a downward water flow in the soil and to flush excess salts from the root zone"</p>
Solonetz	low	p.176-177	<p>"The suitability of virgin Solonetz for agricultural use is dictated almost entirely by the depth and properties of the surface soil. A deep (> 25 cm) humus-rich surface soil is needed for successful arable crop production"</p> <p>"Most reclamation attempts start with incorporation of gypsum, or exceptionally, calcium chloride in the soil"</p> <p>"The majority of the world's Solonetz have never been reclaimed and are used for extensive grazing or lie idle"</p>
Stagnosol	mediocre	p.177	<p>"The agricultural suitability of Stagnosols is limited because of their oxygen deficiency resulting from stagnating water above a dense subsoil. In the wet season these soils are too wet, while they may be too dry for crop production in the dry season"</p> <p>"Drained Stagnosols can be fertile soils due to their moderate degree of nutrient leaching"</p>
Technosol	low	p.178	<p>"Technosols are strongly affected by the nature of the material or the human activity that placed it. They are more likely containing toxic substances than soils from other RSGs and have to be treated with care"</p>
Umbrisol	mediocre	p.179-180	<p>"Many Umbrisols are under a natural or near-natural vegetation cover"</p> <p>"The planting of perennial crops and bench or contour terracing offer possibilities for permanent agriculture on gentler slopes"</p> <p>"Where conditions are suitable, cash crops may be grown"</p> <p>"Highland coffee on Umbrisols demands high management inputs to meet its stringent nutrient requirements"</p>
Vertisol	high	p.181	<p>"These soils have considerable agricultural potential, but adapted management is a precondition for sustained production"</p> <p>"The comparatively good chemical fertility and their occurrence on extensive level plains where reclamation and mechanical cultivation can be envisaged are assets of Vertisols"</p> <p>"Their physical soil characteristics, and notably their difficult water relations, cause management problems"</p> <p>"The physical properties and the soil moisture regime of Vertisols represent serious management constraints"</p> <p>"Cotton is known to perform well on Vertisols"</p>

Source: FAO (2014).

Supplement B: Alternative Matching Procedure**Table B1: Results from Standardized Matching**

Rank	Pairs	Mahalanobis distance	Distance to NY (km)	Values for 1956				
				Population	Changes from NY	Changes from LDN	International Calls	Services Exports per Capita (US\$)
1	CYM	1.16	2474	7840	1	1	No	247
	KNA		2796	52974	1	1	No	22
2	VGB	1.63	2614	7535	2	3	No	4
	DMA		3032	53986	2	2	No	7
3	TCA	1.86	2097	5250	1	2	No	159
	MSR		2869	12389	1	2	No	5
4	VGB	2.31	2614	7535	2	3	No	4
	VCT		3286	74054	2	2	No	16
5	CYM	2.97	2474	7840	1	1	No	247
	GRD		3384	85804	1	1	No	18

Supplement C: Additional Case Studies

Below we provide case studies of Anguilla and Nevis, the two island jurisdictions, which were merged with St. Kitts by the British Colonial Office during the 19th century but obtained different levels of local autonomy from the late 1960s. We justify our coding of the two islands as maritime economies and demonstrate that they largely followed the trajectory of other maritime economies in the BWI, by applying the same smoking gun tests as in the main paper for each step in our causal sequential argument. We show that small deviations from the general trajectory of maritime economies result from historical contingency. That is, had the two islands not been governed from St. Kitts, political dynamics would have resembled those in the Cayman Islands even more closely.

Anguilla

From Low Soil Fertility to Maritime Economic Structure

In this section, we probe the first element of our causal sequential argument: The link between soil fertility and colonial economic structure. If this link was present in Anguilla, we should find evidence of settlers being aware of the low soil fertility of their island and creating a corresponding maritime economic structure that persists until the 1960s.

We code Anguilla as a maritime economy because merely half of its soil has high soil fertility according to the FAO (see Table A1). Hence, the island's soil quality is just below the threshold for plantation economy status. Our coding is confirmed in the historiography of Anguilla. Dyde (2005, 6) reports that

“[t]he central valley is the only part of the island suitable for extensive cultivation as it is the one area where there is a decent depth of the distinctive Anguillan soil – formed from the ferruginous constituents of limestone, and red in colour. Elsewhere the soil is thin and poor, with only modest pockets suitable for cultivation, or the surface is little more than bare rock. What agriculture has ever taken place has always been hampered by the lack of fresh water.”

Accordingly, the first English settlers on Anguilla “had to be content with being little other than subsistence farmers” (Dyde 2005, 43). “Those who were not fully occupied in trying to scrape a living from the land went to sea, where a livelihood was to be obtained from fishing, trading or smuggling” (Dyde 2005, 87). Towards the end of the 18th century, several of the around 400 *white* settlers still attempted to grow cotton, sugar, and tobacco. This increased the population of enslaved Africans and their descendants “from less than 1000 in 1724 to over 2000 by 1770” but generally produced low yields (Dyde 2005, 88). Hence, “[Malachy Postlethwayt, the author of the *Universal Dictionary of Trade and Commerce* published in 1774,] said of Anguilla:

They have no great quantities of sugar upon the island but addict themselves rather to farming, in which they had very good success: and this it is that enables them to live in the old patriarchal way, every man being a kind of sovereign in his own family, and no other Government there is in Anguilla” (Dyde 2005, 89).

With the abolition of slavery in the British empire in 1834 also the attempts at cultivating cash crops ceased in Anguilla. Many landowners left the island, selling small lots to former slaves and labourers.

“As not too many of the now out-of-work labourers could afford to buy, far more of them squatted on estates which had been abandoned. Within a few years a very large part of the population of Anguilla consisted of subsistence peasants, black and white, all living legally or otherwise anywhere where the land was fertile” (Dyde 2005, 159–60).

Accordingly, Mawby (2012, 252) concludes for the late 19th century that “Anguilla continued to support a tiny population by means of fishing and agriculture.” The dominance of smallholders in Anguilla also persisted when the British Colonial Office created trial areas for the cultivation of sea island cotton in the early

20th century. This cash crop was cultivated by small growers, improving their incomes until the mid-1950s when pink bollworm disease ended the practice (Dyde 2005, 237–38). Hence, the British Governor of St. Kitts & Nevis still reported in 1966 that “[i]n Nevis the land is nearly all in the hands of peasant proprietors, and the same is true to an even greater extent in Anguilla” (Colonial Office 1966, 66). Likewise, O’Loughlin (1959, 377) emphasizes the importance of “fishing and seagoing activities” in her 1959 description of the Anguillan economy.

In sum, this section has shown that the relatively low soil fertility of Anguilla caused settlers to repeatedly abandon attempts at the cultivation of cash crops. Instead, they consistently focused on subsistence agriculture and maritime activities such as fishing, trading and smuggling. The few small estates that had existed on the island were abandoned by their owners after the end of slavery and broken up into small plots worked by subsistence farmers. This low yielding economic structure resulted in relatively low land inequality and the absence of a geographically concentrated workforce.

From Maritime Economic Structure to Income Tax Abolition

In this section we probe the second element of our causal sequential argument: The link between economic structure and income tax adoption. If this link was present in Anguilla, we should find evidence showing that the British Colonial Office expected low revenue potential because of the island’s low-yielding economic structure and therefore did not introduce the income tax in response to local conditions.

The British Colonial Office attached Anguilla to St. Kitts in 1825 because it considered the former to have inadequate resources to support colonial expenditure. The Kittitian Assembly was opposed to the move, fearing additional financial commitments, whereas Anguillan settlers protested their loss of autonomy. But the colonial administration prevailed, reducing the Anguillan Council to a local Vestry and granting the Anguillan electorate, consisting of *white* landowners, the right to send a single representative to the Kittitian Assembly (Dyde 2005, 149–50). During the 19th century, the colonial administration repeatedly reported on the poverty of Anguilla but did not make any serious attempts at improving the situation through the provision of public goods and services. Rather than seeing a potential revenue source, British colonial officials and the Kittitian Assembly largely ignored Anguilla, thereby minimizing their financial exposure (Dyde 2005, 173–77).

Hence, income taxation applied in Anguilla from 1922 simply because the island happened to be in a legislative union with St. Kitts (see main paper). Yet the island itself neither provided an adequate tax base nor created budgetary pressures that would have justified income tax adoption. When the smallholders of Anguilla gained de-facto autonomy from St. Kitts in 1967, they suspended the application of the income tax law for good (Beauchamp 1992, 155). The new British Commissioner of Anguilla, who had previously been the Administrator of the Cayman Islands, moreover decided in 1969 to send officials to his former place of assignment to prepare the emulation of the Caymanian business model (Sæveld 2022, 111). Local elites and colonial officials alike were driven by the desire to turn Anguilla into a tax haven (Beauchamp 1992, 150).

Hence, this section has demonstrated that Anguilla itself would have been too poor in the early 20th century to justify the introduction of an income tax. Income taxation applied on the island between 1922 and 1967 simply because it was under the jurisdiction of the Kittitian Assembly, which devised policy in response to Kittitian conditions. When Anguilla gained de-facto autonomy from St. Kitts it immediately suspended the income tax and took initial steps towards introducing tax haven legislation.

From Maritime Economic Structure to Voluntary Colonialism

In this section, we probe the third element of our causal sequential argument: The link between economic structure and the timing of democratization. If this link was present in Anguilla, we should find evidence for the impact of maritime economic structure on the local pattern of political mobilization and for late adoption of responsible government as smallholders preferred sustaining the colonial relationship with the United Kingdom.

As discussed above, the British Colonial Office put Anguilla under the jurisdiction of the Kittitian Assembly in 1825. Hence, the island was subject to the constitutional developments described for St. Kitts in the main paper. When the British Colonial Office reintroduced elections in 1936, Anguilla obtained the right to send one of five elected members to the colonial Assembly. However, both franchise and eligibility

were limited by income and property qualifications, meaning that elections were in practice “confined to the white and brown sections of society” (Dyde 2005, 251). Moreover, elected members remained in a minority vis-à-vis official members in the Assembly, which limited their sway over policy (Dyde 2005, 251). Even when further constitutional change provided for universal suffrage and increased the number of elected members to eight in the early 1950s, Anguilla could still only send one representative to the colonial Assembly (Dyde 2005, 254). In addition, the Kittitian Labour Party, which devised policy for the Kittitian working class and was the dominant political force in the Assembly, “held little appeal for anyone in Anguilla” (Dyde 2005, 256). Instead, the Anguillan smallholders sent independents to the Assembly, which were usually strongly opposed to the Labour Party (Dyde 2005, 261).

The resulting neglect of Anguilla by the Kittitian government, exacerbated traditional Anguillan resentment of Kittitian rule (Dyde 2005, 264–66). But the British and Kittitian governments persistently ignored the Anguillans’ requests for local autonomy, while doing little to improve living conditions on the island. Hence, the Anguillan smallholders resorted to more extreme forms of opposition. In 1967, they forced the Kittitian Warden and police force off the island and set up an informal local committee, which in turn requested separation from St. Kitts and direct rule from Britain (Dyde 2005, 267–69). The British government responded with initiatives aiming to preserve the territorial unity of St. Kitts-Nevis-Anguilla in exchange for increased local autonomy. But owing to staunch Anguillan resistance, the British government eventually reestablished direct rule over the island in 1971, and agreed a new constitution in 1976 that was “based on that of the Cayman Islands” (Dyde 2005, 277).

Under the new constitution, the “[British] Commissioner [styled Governor since 1982], as chairman of the Executive Council and Speaker of the Assembly, retained overall power, but was now obliged to consult with the Executive Council on all matters except [...] internal security, external affairs and the public service” (Dyde 2005, 277). Anguillan political leaders preferred this arrangement to being ruled by the Kittitian Labour government (Abbott 1971, 64). Internally, they were mainly divided by “individual political rivalries” and their electoral support was based on personal allegiance rather than ideological differences (Clegg 2020, 54). Accordingly, no progress towards responsible government or even independence has been made since 1982 (Clegg 2018, 21), when Her Majesty provided for the current Anguillan constitution through an Order in Council (Dickson 2020, 193).

The Governor, appointed by the British monarch, still exercises the mentioned reserve powers and presides over the Executive. The Governor is explicitly responsible for international financial services (International Monetary Fund 2003, 12), but “in general obliged to consult the Cabinet and act in accordance with its advice” (Dickson 2020, 200). The Cabinet includes the Premier and other Ministers, who are elected members representing the majority in the Assembly. However, the Deputy Governor and Attorney General, who are British officials, are also Cabinet members and members of the Legislative Assembly (Dickson 2020, 200–201). Until 2019, the Governor nominated two additional members of the Assembly. Seven members are elected by universal suffrage (Dickson 2020, 201). The Governor retains the right to refuse laws presented to them, and has “reserved legislative power to push through legislation when the local legislature is refusing to act” (Dickson 2020, 202). The British monarch can disallow any law and “legislate by Order in Council for the peace, order and good government of the territory” (Dickson 2020, 203).

This section has shown that Anguillan smallholders could not be mobilized by the Kittitian Labour Party. Instead, they elected independents, whose oppositional stance caused further neglect of Anguilla by the Kittitian government. Anguillan smallholders eventually responded with de-facto separation from St. Kitts and requested direct British rule over the island. The British government continues to hold reserved powers over the Anguillan Executive and Legislature, including over legislation concerning international financial services. Accordingly, responsible government has not been achieved.

The Expansion of Offshore Activities

In this section, we probe the fourth element of our causal sequential argument: The link between responsible government, income taxation and financial sector expansion. If this link was present in Anguilla, we should find evidence that the absence of responsible government and income taxation after 1967 increased the attractiveness of the island from the perspective of Western professionals and asset holders, producing a swift expansion of the Anguillan financial sector in the subsequent years.

Sævold (2022, 111) shows how the British Commissioner of Anguilla explored ways to establish the island as a tax haven shortly after the de-facto separation from St. Kitts. Likewise, Beauchamp (1992, 150) argues that Anguillan political leaders aspired to turn their island into a tax haven and saw separation from St. Kitts as a necessary precondition for achieving this goal. Mawby (2012, 263) moreover reports that several Anguillan political leaders stood under the influence of American businessmen, who according to rumors circulating at the time “[saw] financial potential in the island” (Mawby 2012, 260). Johns (1983, 53), in turn, argues that secession from St. Kitts and reversion to direct British rule enabled Anguilla to signal political and fiscal stability to “depositors, investors and institutions.” Several other islands were therefore seeking to emulate the Anguillan move.

To what extent is the link between continued British rule and attractiveness for international capital that policymakers and investors had apparently established in their minds reflected in financial sector growth? Dyde (2005, 267) reports that the first two bank branches opened in Anguilla in 1966. The number of regular bank branches had merely increased to four by 1990 (M. Hampton 1996, 8). However, Johns (1983, 192) reports that “Anguilla developed a reputation under its permissive laws in the early 1970s for ‘off-the-peg’ banks and shady company-brokering activities.” Beauchamp (1992, 152) concurs that Anguilla became a paradise for “shell banks.” To regularize bank and company registrations, the Anguillan government adopted its first pieces of explicit tax haven legislation in 1976 (Beauchamp 1992, 152; Johns 1983, 192), following up in 1981 with the codification of banking secrecy (Beauchamp 1992, 152). Accordingly, Hampton (1996, 8) reports that next to the four bank branches with a real presence, the number of licensed banks had increased to 45 by 1990.

This section has shown that Anguillan political leaders, British officials, and foreign asset holders shared the perception that continued British rule of the island in conjunction with the absence of responsible government signaled political and fiscal stability. In the years following the secession from St. Kitts, the Anguillan government thus explored ways to establish the island as a tax haven and adopted initial pieces of corresponding legislation. As a result, Anguilla experienced solid growth in the number of registered shell banks.

The Persistence of Offshore Activities

In this section, we probe the fifth element of our causal sequential argument: The persistence of initial financial sector growth in early adopting tax havens through agglomeration effects. If this dynamic was present in early adopting Anguilla, we should find evidence for the accumulation of know-how and the resulting ability to constantly adapt offshore legislation to regulatory challenges and industry needs.

By 1990, the shell bank business that had driven financial sector expansion in Anguilla since the early 1970s hit a dead end. Because of international concerns over the use of shell banks by criminals and fraudsters, the Anguillan government tightened regulations (Beauchamp 1992, 152), and revoked 30 bank licenses in 1990 alone (M. Hampton 1996, 8). By 2000, the number of offshore banks registered in Anguilla had declined to one (Williams et al. 2005, 1176).

But cabinet members and professionals, working under the direction of the British Governor, who retained responsibility for international financial services (International Monetary Fund 2003, 12), apparently had the necessary know-how to diversify the Anguillan financial sector away from shell banks by this time. Operating through a “Joint Committee on Legislation of the Government and private sector” (Dyrud 2007, 276), they drafted the “Offshore Bank and Trust Companies Ordinance” of 1991 (Laffitte 2024, 7), the “Trust Ordinance” of 1994 (International Monetary Fund 2003, 15), and the “Anguilla International Business Companies Ordinance” of 1995 (Laffitte 2024, 6). Accordingly, the International Monetary Fund (2003, 11) reported that “the company services sector has been the fastest growth area of Anguilla’s offshore industry.” In 2002, 29 company managers and 12 trust companies had been licensed, and 4642 companies and partnerships had been registered. No reliable statistics existed for trusts as there was no requirement to register them with the government (International Monetary Fund 2003, 11–12).

Since these initial reforms, the Joint Committee on Legislation of the Government and private sector has followed up with a flurry of ever more sophisticated offshore legislation, which now covers all areas from cryptocurrencies to civil law foundations (Anguilla Financial Services Commission 2025; Dyrud 2007). The British Governor moreover decided in 2002 to take responsibility for financial regulation and

supervision away from the Ministry of Finance and delegate it instead to the “operationally independent” Anguilla Financial Services Commission (International Monetary Fund 2003, 13). The British Governor appoints all members of the body’s board of directors and “no person who is a member of the House of Assembly [...] can qualify as a Board member” (International Monetary Fund 2003, 13). The trust, which professionals and asset holders apparently have in these arrangements, is reflected in Anguilla’s financial positions reported in Figure 1 of the main paper and Figures C1 and E1 below.

This section has shown that the absence of responsible government enabled the British Governor of Anguilla to delegate legislation on international financial services to a Joint Committee of the Government and private sector. This committee has since had the necessary know-how to constantly adapt offshore legislation to regulatory challenges and new asset classes. Because of the absence of responsible government, the British Governor could also delegate responsibility for financial regulation and supervision to an independent body directed by their appointees. Accordingly, the elected representatives of Anguillans have played marginal roles in the drafting and implementation of offshore legislation, an apparently attractive arrangement for expat professionals and foreign asset holders.

Conclusion

Until the 1960s, Anguilla was a maritime economy dominated by smallholders. Because of sustained neglect, Anguillans had long resented Kittitian rule over their island. This resentment intensified after St. Kitts-Nevis-Anguilla had transitioned to responsible government. This constitutional change brought the Kittitian Labour Party into power, which devised policy for the Kittitian working class and was therefore opposed by Anguillan smallholders. The resulting political division caused Anguillans to stage a de-facto secession from St. Kitts in 1967 and request direct British rule over their island. After secession, the application of income taxation was suspended, and responsible government was replaced with a constitutional order that gave the British Crown and Governor substantial reserved powers over the Executive and Legislature of Anguilla.

Most importantly for our purposes, the Anguillan Constitution delegates responsibility for international financial services to the British Governor. This decision seems to reflect the early ambition of British officials and Anguillan political leaders to turn Anguilla into a tax haven. It has enabled the Governor to delegate the drafting of offshore legislation to a joint committee of cabinet members and private sector representatives, and to delegate financial regulation and supervision to the independent Anguilla Financial Services Commission directed by the Governor’s appointees. The know-how concentrated in these bodies has enabled the Anguillan government to constantly adapt offshore legislation to regulatory challenges and new asset classes. Elected representatives of the Anguillan population play marginal roles in the described processes, which however seem to be trusted by expat professionals and asset holders.

Nevis

From Low Soil Fertility to Maritime Economic Structure

In this section, we probe the first element of our causal sequential argument: The link between soil fertility and colonial economic structure. If this link was present in Nevis, we should find evidence of Nevisian settlers being aware of their island’s soil fertility and creating a corresponding economic structure that persist until the 1960s.

Since the FAO treats St. Kitts & Nevis as a single soil mapping unit, we cannot use the organization’s data to code the economic structure of Nevis (cf. IIASA and FAO 2023). We therefore base our coding of Nevis as a maritime economy on the historiography and British colonial reports. Dyde (2005, 5) describes how the volcanic origins of Nevis have affected agriculture on the island:

“The last eruption of Nevis Peak must have been in the form of a colossal explosion, sending a massive amount of material into the air, as the whole island has been littered with volcanic rocks and boulders ever since. These have seriously affected the cultivation of the island, making it necessary to repeatedly clear and drain each field, and have rendered ploughing impossible. Such volcanic activity has also produced soil quite

different from that of St. Kitts, its far greater clay content making it less permeable and very susceptible to erosion.”

Inniss (1983, 2) confirms that “labour-saving farm implements such as ploughs and harrows [could not be used in Nevis] because of the prevalence of rocks and boulders on much of the arable land.” Because of this, sugar cultivation on Nevis was extremely labor-intensive (Dyde 2005, 99; Inniss 1983, 2). This first led to a substantially higher ratio of slaves to settlers than on St. Kitts (Dyde 2005, 55). But despite the large-scale exploitation of slave labor, the settler population and number of estates on Nevis declined throughout the 18th century (Dyde 2005, 85–87). After the end of slavery in 1834, the Nevisian plantations could no longer be run profitably. Inniss (2005, 38) reports

“that in Nevis the plantation system of sugar production collapsed in the post-Eman-cipation period. The topography of Nevis was the major problem. Even in cases where estate owners were able to afford ploughs and other implements to compensate for the shortage of labour, the rocky and clayey nature of the soils of Nevis made it impos-sible for them to engage in plantation agriculture on as extensive and profitable a scale as in St. Kitts.”

Because of this, most plantations were either abandoned or transferred to the metairie system (Dyde 2005, 171–73; Inniss 1983, 2). Under this system, landowners entered sharecropping arrangements with former slaves, dividing up the estates into small plots and eventually selling many plots to smallholders (Inniss 2005, 38). As a result, a peasantry developed on Nevis (Inniss 1983, 2), which did not completely abandon the cultivation of sugar but diversified cultivation into food production (Dyde 2005, 173). Indeed, Inniss (2005, 150) argues that the emergence of a peasantry in Nevis and its absence in St. Kitts set the two islands onto diverging economic and societal trajectories that lasted several generations.

Out of this divergence developed economic complementarity. In 1908, the British Administrator reported that “[t]he two islands of St. Kitts and Nevis are to a certain extent inter-dependent – the former drawing its principal supplies of meat, fruit, vegetables [...] from Nevis, while Nevis finds her market for these products in the sister island” (Colonial Office 1908, 25). From the early 20th century, the British colo-nial administration also encouraged Nevisian smallholders to grow sea island cotton to overcome an acute shortage in the metropole (Dyde 2005, 237–38; Inniss 2005, 43). But even in combination with food pro-duction, the yield for most smallholders remained low, causing emigration and reliance on remittances by many Nevisian families (Colonial Office 1912, 28–29; Dyde 2005, 238–39).

Still, the pattern of land tenure persisted. In the 1930s, the colonial administration bought the few re-maining estates on Nevis, again subdividing them and offering plots to prospective smallholders for “prices ranging from £12.10s per acre to £8.6s”, which could be paid in installments over 15 years (Inniss 1983, 55). Accordingly, the British Governor of St. Kitts & Nevis reported in 1966 that “[i]n Nevis the land is nearly all in the hands of peasant proprietors” (Colonial Office 1966, 66). Likewise, Dyde (2005, 285) writes that “[i]n Nevis in 1975 there were 118 private smallholdings of around 5 acres (2 ha), compared with only 36 in St Kitts, and 74 farms with an average of 196 acres (79 ha).”

This section has shown that the rocky and clayey soil of Nevis made plantation agriculture extremely labor-intensive. This implied that after the end of slavery plantation agriculture was no longer profitable, causing the abandonment and subdivision of most Nevisian estates. From then on, plots were worked by peasants, first as sharecroppers and later as smallholders. Although these activities were not seagoing, Nevis thus shared the main features of maritime economies: A low-yielding economy run by smallholders, resulting in relatively low land inequality and the absence of a geographically concentrated workforce.

From Maritime Economic Structure to Income Tax Abolition

In this section we probe the second element of our causal sequential argument: The link between eco-nomic structure and income tax adoption. If this link was present in Nevis, we should find evidence show-ing that the British Colonial Office expected low revenue potential because of the island’s low-yielding economic structure and therefore did not introduce the income tax in response to local conditions.

Because of the difficult Nevisian soil, which had caused the disintegration of estates after the end of slavery, British officials doubted that the island’s economy could produce enough revenue to cover

colonial expenditure. Hoping that the Kittitian plantocracy would share its prosperity with Nevis, they thus decided to attach Nevis to St. Kitts in 1883 (Inniss 1983, 1–3, 25). Under Crown Colony rule, political power lay with the colonial administration at times advised by representatives of the plantocracy (Dyde 2005, 190; Inniss 1983, 4). Hence, Nevisian smallholders had no representation in the colonial Assembly until the late 1930s (see further below). They were, however, subject to the legislation the body passed in response to the colonial administration's priorities.

As discussed in the main paper, the main reason for the colonial administration to introduce the income tax in St. Kitts & Nevis in 1922 was an existing tax base on St. Kitts and an unexpected budgetary shortfall caused by the collapsing sugar price in 1921. Hence, the income tax applied in Nevis but economic or social conditions on the island had not been relevant for its adoption. The personal income tax was abolished again in St. Kitts & Nevis in 1980 (Jones-Hendrickson 1993, 29), after a coalition of the liberal People's Action Movement and the Nevis Reformation Party ousted the Labour Party from power for the first time since the adoption of responsible government (Dyde 2005, 292). Jones-Hendrickson (1993, 43) and Hamilton (2011) suggest that abolishing the income tax in St. Kitts & Nevis was mainly a campaign pledge made by the People's Action Movement to raise local electoral support rather than an attempt to become a tax haven for foreigners. A corporate income tax indeed remained in place at the time, although there have been exemptions for entities exclusively engaging in foreign business since 1984 (see below).

This section has shown that the Nevisian economy, dominated by smallholders, would not have provided an adequate tax base for an income tax. Hence, Nevis became subject to the income tax because of its legislative union with St. Kitts. Likewise, the abolition of the income tax seems to have been driven by Kittitian political dynamics and the desire of the opposition party to finally replace the Labour Party in government.

Democratization Despite Maritime Economic Structure

In this section, we probe the third element of our causal sequential argument: The link between economic structure and the timing of democratization. If this link was present in Nevis, we should find evidence for the impact of maritime economic structure on the local pattern of political mobilization and for late adoption of responsible government, had it not been for the legislative union with St. Kitts.

Because the British Colonial Office attached Nevis to St. Kitts in 1883, the island was subject to the constitutional developments described in the main paper. There were, however, important differences in the pattern of political mobilization on Nevis. When Santo Domingo and the United States expelled labor migrants during the Great Depression, “[l]aborers returning to Nevis resorted to a subsistence adaptation on settlement-scheme lands and other rented and owned plots” (Richardson 1983, 140). This reduced hardship relative to St. Kitts, where sugar plantations had, as a result of automation, expanded onto the slopes, thereby displacing the provision grounds laborers had traditionally planted there (Richardson 1983, 141). Because of the lower level of deprivation and the lower dependence on wages, the 1935 riot on St. Kitts, which was one of the events motivating the British government to create the Moyne Commission, did not extend to Nevis (Dyde 2005, 244–48). In general, Dyde (2005, 240) and Inniss (1983, 55–56, 2005, 150–51) agree that less concentrated and more autonomous living conditions on Nevis, resulting from smallholding, prevented the expansion of the Kittitian labor movement to the island.

The political divergence between St. Kitts and Nevis was subsequently reflected in election results and Nevisians' desire for secession and continued British rule. Although, candidates running for the Workers League had won the two Nevisian seats in the first election under universal suffrage in 1952 (Dyde 2005, 255), its successor, the Labour Party, “made little attempt to establish itself outside St Kitts [...] and membership in Nevis never amounted to more than two or three hundred” (Dyde 2005, 256). In the second election under universal suffrage in 1957, Nevisians thus returned candidates opposed to the Labour Party (Dyde 2005, 256), a constellation that became constant thereafter (cf. Dyde 2005; Inniss 1983). As the governing Labour Party pushed for progress towards self-determination, Nevisian representatives, building on traditional resentment of Kittitian dominance, began a project of secession (Dyde 2005, 262–64; Inniss 1983, 67–68). They obtained a Local Council for Nevis in 1967, whose powers were – against the background of the Anguillan secession – quickly expanded (Dyde 2005, 279). By 1971, the Nevisian Council had the power “to raise taxes, acquire property, borrow money, and [...] pass by-laws” (Dyde 2005, 282). Most

Council members belonged to the secessionist United Nevis Movement and its successor, the Nevis Reformation Party. A minority represented the People's Action Movement, a liberal middle class party. The Labour Party did not have a single seat on the Nevisian Council (Dyde 2005, 279, 282).

Whereas the Labour Party worked towards full independence from the United Kingdom, Nevisian policymakers "preferred to secede and, like Anguilla, resume colonial status" (Dyde 2005, 286; also see Inniss 1983, 76). As talks between the Kittitian and British governments on full independence intensified, the Nevis Reformation Party held a referendum on secession and continued British rule. "4193 of the 4220 votes cast were in favour of secession" (Dyde 2005, 286). Hence, Nevisian policymakers knew "that virtually the entire electorate of Nevis wanted nothing more than emulate the example set by Anguilla" (Dyde 2005, 286). The British government, however, "rejected any idea of requiring yet another colony" (Dyde 2005, 286). Hence, it threatened that an independent Nevis would not receive British aid (Dyde 2005, 291), pressuring Nevisian policymakers into agreeing to a federal constitution that gave the Nevisian government full autonomy, including over fiscal affairs, and the right to unilateral secession conditional on two-thirds majorities in the Nevisian Assembly and a popular referendum on the matter (Dyde 2005, 298).

This section has shown that the Labour Party was unable to mobilize support among Nevisian smallholders. Whereas the Labour Party consistently pushed for independence from the United Kingdom, the political representatives of Nevisian smallholders instead preferred separation from St. Kitts and continued British rule. They explicitly wanted to emulate the constitutional arrangements granted to Anguilla. Because of British pressure, however, Nevisian policymakers eventually accepted autonomy under a federal constitution. Accordingly, Nevis had responsible government since 1960 but local preferences suggest that it would have reverted to colonial rule had the British government allowed this.

The Expansion of Offshore Activities

In this section, we probe the fourth element of our causal sequential argument: The link between responsible government, income taxation and financial sector expansion. If this link was present in Nevis, we should find evidence that the adoption of responsible government and income taxation in St. Kitts & Nevis also prevented early financial sector expansion in Nevis.

The numbers for Nevis indeed resemble those reported for St. Kitts in the main paper. From 1958, the Royal Bank of Canada was the only commercial bank operating a branch in Nevis (Colonial Office 1966, 20). This number remained constant until 1971, when the St. Kitts-Nevis-Anguilla National Bank became the second institution to open a branch on the island (SKNA National Bank 2022). By 1985, the number of bank branches had increased to five (The Bank of Nevis Ltd. 2023), which remained constant at least until 1994 (Beauchamp 1992, 655; International Monetary Fund 1995, 13). Because the Nevisian Council, created in 1967, could not legislate in the area of banking and company formation until adoption of the federal constitution in 1983 (Beauchamp 1992, 654), no tax haven legislation was introduced in Nevis before 1984 (International Monetary Fund 2000, 29).

The adoption of the Nevis Business Corporation Ordinance, which was "modeled after the state of Delaware's corporate statutes" and exempted offshore companies from all taxation (International Monetary Fund 2000, 29; also see Beauchamp 1992, 656), eventually induced a modest expansion. According to Beauchamp (Beauchamp 1992, 655), a thousand offshore companies had been registered in Nevis by 1991. Although the International Monetary Fund (1995) still did not mention a Nevisian offshore industry in its 1995 review of the economy of St. Kitts & Nevis, the subsequent report shows that Nevisian policymakers began to adopt a series of tax haven legislation around this time (International Monetary Fund 2000, 27–30). This included the Nevis International Exempt Trust Ordinance (1994), the Nevis Limited Liability Company Ordinance (1995) and the Nevis Offshore Banking Ordinance (1996) (International Monetary Fund 2000, 29).

This section has shown that although Nevisian policymakers had aspired to emulate the Anguillan model, they were constrained in adopting tax haven legislation early by the Nevisian Council's lack of authority over decisive policy fields. Hence, they could not differentiate themselves from St. Kitts, which had the income tax and a Labour government until 1980. However, once the Nevisian Assembly had obtained the necessary competences under the federal constitution of 1983, Nevisian policymakers introduced tax haven legislation, which eventually induced modest growth of the offshore sector.

The Persistence of Offshore Activities

In this section, we probe the fifth element of our causal sequential argument: The persistence of initial offshore sector growth in early adopting but not in late adopting tax havens. If this dynamic was present in late adopting Nevis, we should find evidence for volatile financial sector growth, owing to a lack of know-how and resulting difficulties in adapting offshore legislation to new challenges.

The Nevisian offshore sector really took off in the mid to late 1990s, following the series of tax haven legislation described above (International Monetary Fund 2000, 27). By 1999, “[r]egistered financial institutions in Nevis include[d] one offshore bank, about 17,500 international business companies, 3,000 exempt trusts, and 3,000 limited liabilities companies” (International Monetary Fund 2000, 27). In the same report, the International Monetary Fund (2000, 30) concluded that “[t]he development of the offshore business sector has been less rapid in St. Kitts, where there is no specific legislation regulating these activities.” Hence, there were “about 1,000 companies, of which roughly 700 operate with residents and 300 with non-residents” (International Monetary Fund 2000, 30). Accordingly, the 22,450 offshore companies reported for St. Kitts & Nevis in 2001 by Williams and coauthors (2005, 1176) were most likely all incorporated in Nevis.¹

At first sight, this development suggests that Nevis was able to enter the tax haven market despite being a late adopting country, practicing responsible government. Sharman (2009, 587) shows, however, that the government(s) of St. Kitts & Nevis lacked the expertise and resources to respond quickly to regulatory scrutiny by the Organisation for Economic Cooperation and Development (OECD) and the Financial Action Task Force (FATF). Both organizations put St. Kitts & Nevis on their tax haven blacklists in 2000 for non-compliance with their respective transparency standards, requesting reforms in exchange for delisting (Sharman 2009, 578). Whereas the Cayman Islands with their vast institutional client base and high concentration of financial professionals had reputational incentives and the expertise to quickly implement complex reforms in response to OECD and FATF requests (Sharman 2009, 584–85), however, St. Kitts & Nevis lacked the corresponding expertise and resources. The government of St. Kitts & Nevis thus tried to ride out the problem but suffered reputational damage because of continued blacklisting (Sharman 2009, 586–87). By 2003, the number of offshore companies had declined to 13,500 and the number of trusts to 950 (Sharman 2009, 587).

The available data on holdings of US securities suggests that the Nevisian financial sector only recovered slowly from scrutiny by the OECD and FATF. Panel A of Figure C1 shows that the total value of US securities held by entities registered in Nevis (and St. Kitts) was US\$ 1 billion in 2011, compared to US\$ 14 billion held by Anguillan entities in the same year. This gap closed briefly after Anguilla had been severely hit by Hurricane Irma in 2017, while St. Kitts & Nevis suffered comparatively minor damages. By 2023, however, the gap had widened again with Anguillan entities holding US\$ 12 billion and Nevisian (and Kittitian) entities holding US\$ 6 billion in US securities.

This section has shown that financial sector activity and the associated expertise of private sector professionals did not concentrate to the same extent in Nevis as it did in Anguilla or the Cayman Islands. Nevis was therefore slow to respond to regulatory scrutiny by the OECD and FATF. The associated reputational damage caused a swift reduction in the number of registered offshore entities from which Nevis (and St. Kitts) have only recovered slowly.

Conclusion

We code Nevis as a maritime economy because its rocky and clayey soil made plantation agriculture on the island unprofitable without slave labor. As a result, the Nevisian estates were broken up into small plots after the end of slavery in the British empire and then worked by smallholders, who focused on food production.

The dominance of smallholders, which persisted well into the 1970s, had the expected effects on revenue potential and political mobilization. Because Nevisian smallholders produced too little surplus to cover colonial expenditure, the British Colonial Office attached the island to St. Kitts in 1883. St. Kitts had the required tax base, and Nevis was in a legislative union with St. Kitts. Hence, the (personal) income tax

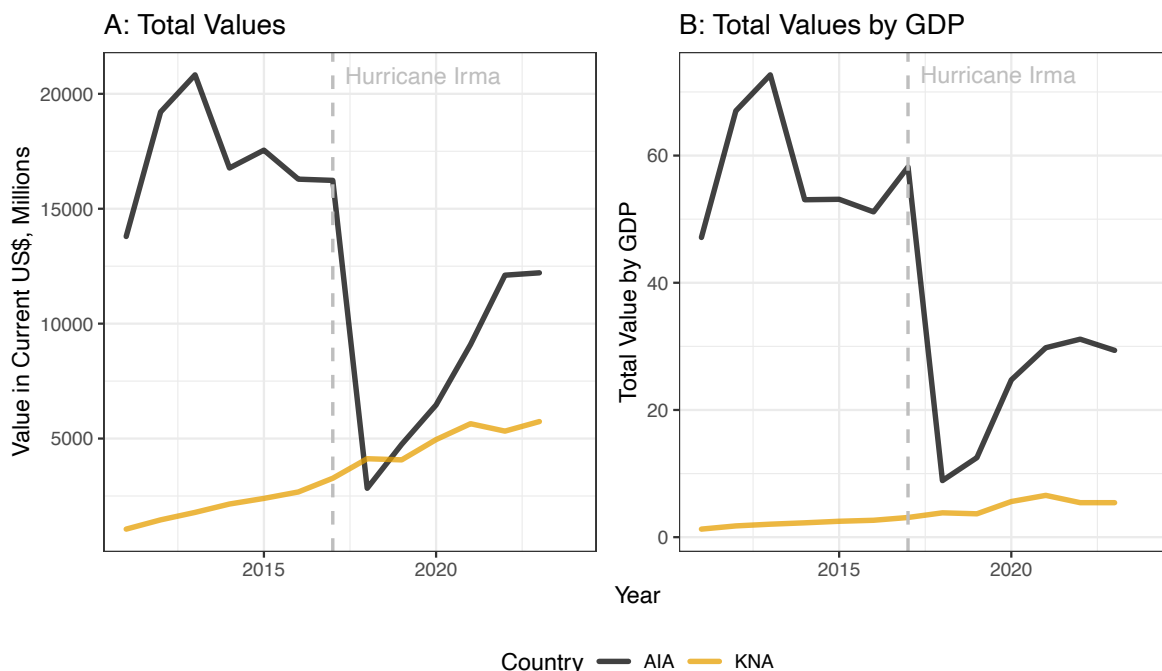
¹ The data source provided by the authors is the Nevis Financial Services Department, which also points in this direction.

also applied in Nevis between 1922 and 1980 but for reasons unrelated to Nevisian revenue potential. Likewise, Nevisian smallholders, who had their own land and provisions, were less geographically concentrated and deprived than Kittitian plantation laborers. Hence, Nevisian smallholders were not mobilized into a labor movement and the Kittitian Labour Party struggled persistently to find electoral support on the island. Like the smallholders of Anguilla and the Cayman Islands, the Nevisian smallholders instead wanted to secede from a larger polity politically dominated by representatives of the Black working class and revert to direct British rule.

Since the British government frustrated the Nevisian smallholders’ secessionist ambitions, they lacked the legislative autonomy and gubernatorial oversight to emulate Anguilla and adopt tax haven legislation early. Hence, the Nevisian financial sector did not expand significantly before the mid-1980s, when the Nevisian Assembly started to use the vast legislative competences gained under the federal constitution of 1983. After the Nevisian Assembly had adopted a series of tax haven legislation in the early to mid-1990s the number of registered offshore entities grew rapidly. When this caught the attention of the OECD and FATF, however, Nevis (and St. Kitts) lacked the expertise and resources to quickly implement complex reforms in response to regulatory scrutiny. Because financial activity and the associated know-how was less concentrated in Nevis than in Anguilla or the Cayman Islands – with their public-private legislative committees, working under the auspices of a British governor – Nevis also had less resilience to external scrutiny, causing a decline in its tax haven business from which it has since only recovered slowly.

In sum, the revenue potential and political mobilization pattern in Nevis conform to our expectations for maritime economies. The financial sector development moreover conforms to our expectations for late adopters of tax haven legislation. That Nevis became a late adopter despite being a maritime economy results from historical contingency: The British government’s decisions to attach the island to St. Kitts and prevent subsequent secession despite profound political differences.

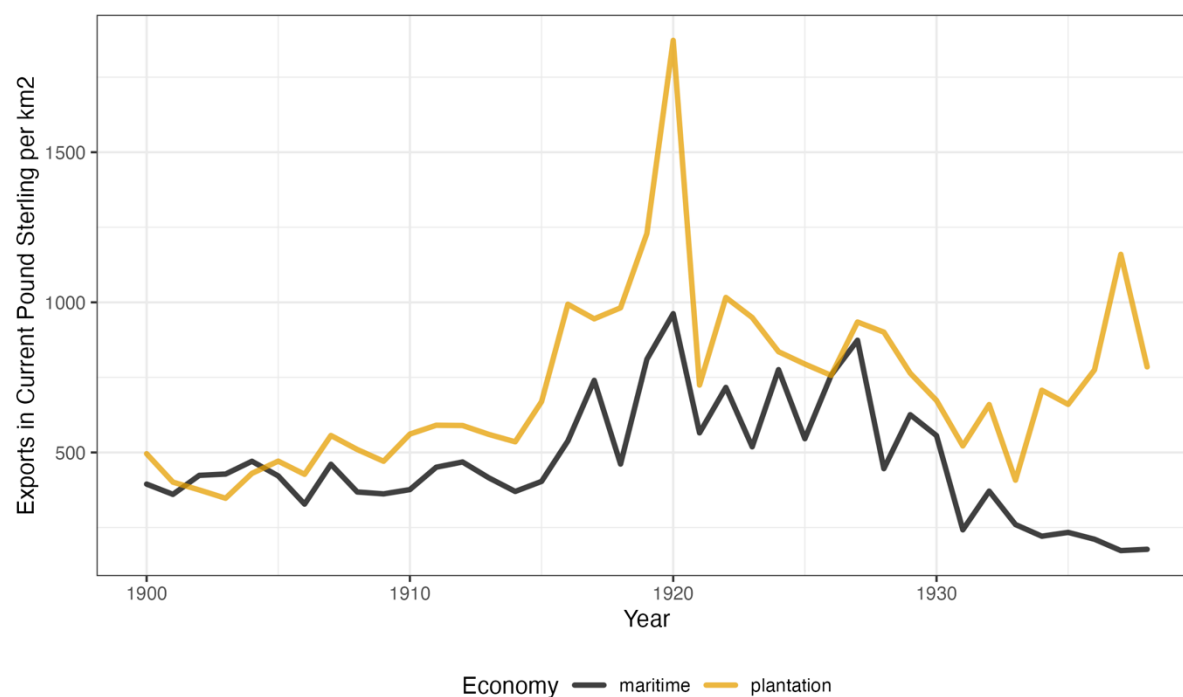
Figure C1: Holdings of US Securities in Anguilla and St. Kitts & Nevis (2011-2023)



Note: Jurisdictions are identified by their ISO3 country codes. Hurricane Irma caused severe devastation in Anguilla but comparatively minor damages in St. Kitts & Nevis. Information on the data source is provided in the codebook in Appendix A above.

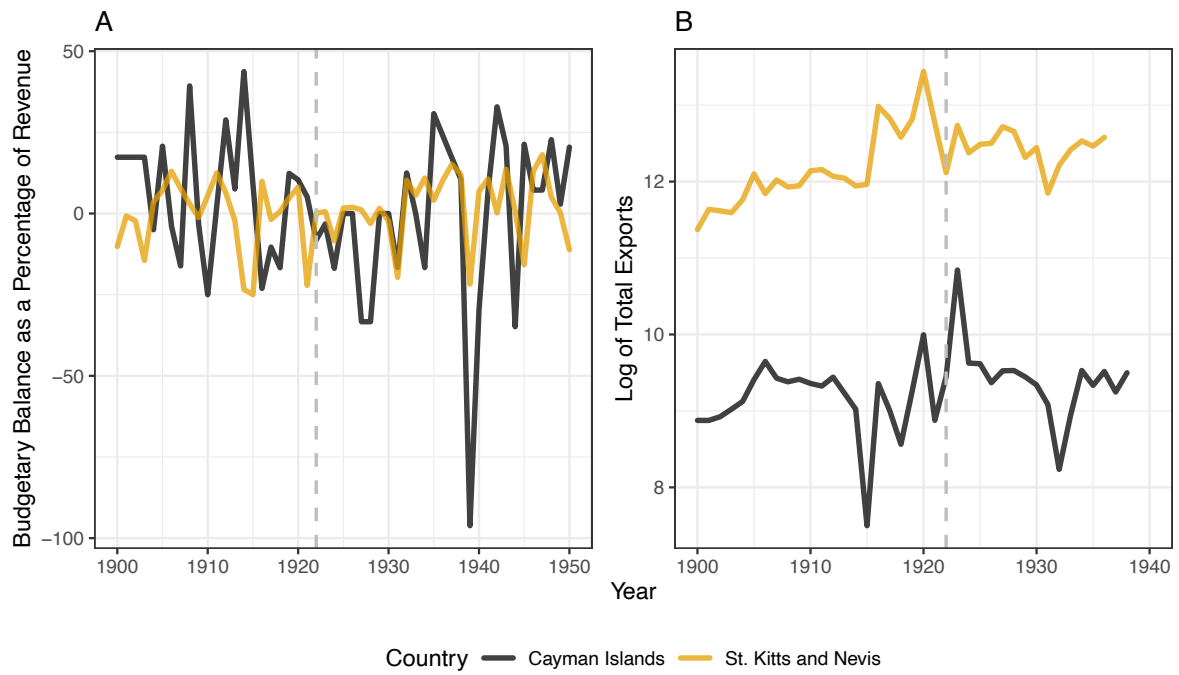
Supplement D: Additional Time Series

Figure D1: Average Domestic Exports from BWI Colonies by Type of Economy



Note: Domestic exports exclude re-exports. We normalize export data by km² instead of capita because plantation economies successively relied on slave, indentured, and underpaid labour. Hence, they had higher population densities than maritime economies, but most of the population did not benefit from domestic production. Per capita figures thus create a misleading picture of relatively low exports in plantation economies and relatively high exports in maritime economies. Since domestic exports were almost entirely made up of agricultural products during the observation period, using km² also provides a good proxy of the land's agricultural productivity. The only problematic cases for this approach to normalization are Belize and Guyana, the two BWI colonies on the South American mainland, whose territories are larger than those of the islands but mainly covered by rainforest. We therefore excluded them when calculating group averages. The spikes in plantation economy exports before 1920 and 1938 reflect the importance of BWI exports such as cotton and sugar for the British war economy. The surprisingly high average export value for maritime economies results from Bermudian food exports (onions, potatoes) to New York. These exports level off in the early 1930s.

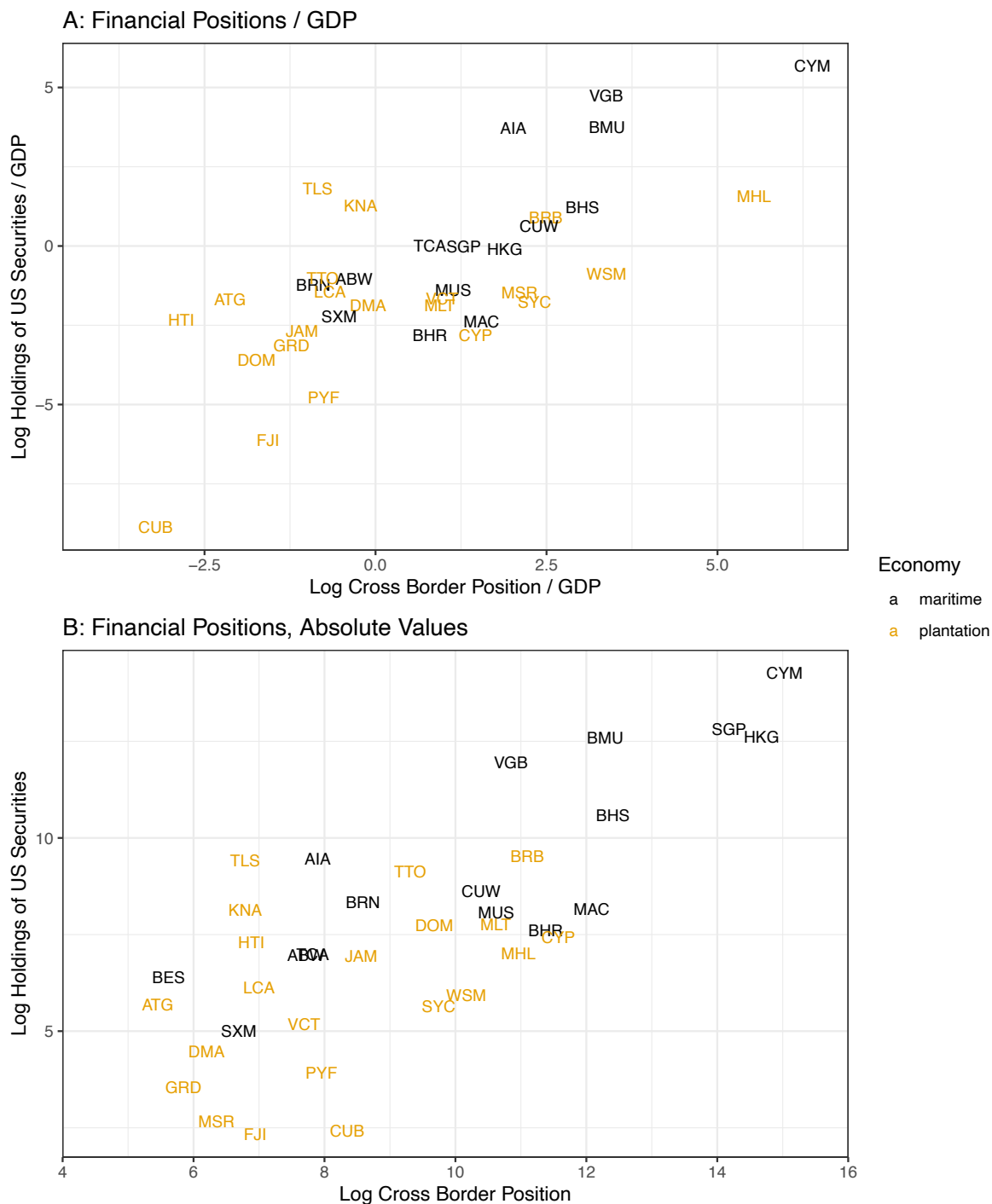
Figure D2: Budgetary Balance and Exports, 1900-1950



Note: The dotted line marks the year 1922 when St. Kitts and Nevis adopted the income tax. Panel B displays the log of exports to make the time series for both countries fit into a single graph. Total exports include merchandise exports and re-exports but exclude services exports. The export time series stops in 1938 because the time series in the RICardo database end in that year.

Supplement E: Data for the World's Tropical Island Jurisdictions

Figure E1: Average Financial Positions (2011-2024) by Type of Economy



Note: Jurisdictions are identified by their iso3 country codes. For data descriptions and sources see the codebook in section A above.

Supplement F: Additional Statements from Expat Professionals Emphasizing the Importance of Race for the Location of Offshore Activities

Milton Grundy, a British barrister, author of the Caymanian trust law, and many other pieces of tax haven legislation across the BWI, had already admitted in the 1980s to the importance of race for the location of offshore activities. Commenting on the election of Lynden Pindling as the first Black Chief Minister of the Bahamas, which was followed by a shift of offshore activities to the Cayman Islands, he said that ‘it wasn’t that Pindling said or did anything to damage the banks, it was just that he was black’ (cited in: Freyer and Morriss 2013, 1329). In a 2019 interview with Brooke Harrington (2024, 59–60) Grundy elaborated on this statement:

‘[He] described how the rise of new financial centers was driven by racialized fear of postcolonial independence movements and anticipated reprisals against the white elite. “I did a lot of work in the Caribbean at that time, mostly in the Bahamas,” he said, recalling the late 1960s. “There was a lot of political uncertainty, because power was moving from white people to black people, so wealthy people wanted to get their money out. People were looking to the Caymans as an escape, because the governor was white, and there was no political agitation.”

Likewise, professionals interviewed by Alan Hudson confirmed the importance of race for decisions on the location of offshore activities. According to a *white* financier based in the Cayman Islands, ‘[i]f you’re a white businessman in New York, and you’re faced with the prospect of doing business with a black man who you don’t feel comfortable with, or a white man that you do because of your similar backgrounds, where are you going to go?’ (cited in: Alan Christopher Hudson 1996, 146). A Black Bahamian lawyer confirmed to Hudson that

“[t]here is a certain amount of discomfort with a North American or European coming into a “third world” country for the first time. I think there is a comfort level in dealing with someone who you can immediately ethnically and culturally relate. I think the banks here are very very aware of that, and you will find that the front-line people, the marketing people, the persons who sit down and assemble the trust structures and so on, are almost without exception, American or Canadian, or European’ (cited in: Alan Christopher Hudson 1996, 145).

Inquired by Hudson whether the Cayman Islands were using their relative *whiteness* as a selling point, the same Bahamian lawyer continued:

‘I think so. I don’t know with what degree of subtlety they do it. I would think it’s pretty subtle but I think anybody visiting Cayman, [...] the fact is that you immediately have the assurance that you’re dealing with a very solid English crowd which is almost a home away from home to somebody coming from England. [...] Added to which the Union Jack is flying. I think that gives them a promotional advantage. There’s no question about that. Unfortunately we live in a time when there’s a great deal of international concern about the stability of black governments everywhere [...]. That’s a simple fact of life and I’m sure Cayman trades up on that, as in fact Bermuda does’ (cited in: Alan Christopher Hudson 1996, 222).

A *white* British banker working in the Cayman Islands confirmed the importance of the Cayman Islands’ colonial status and relative *whiteness* for his business with *white* Latin American clients:

‘[Caymanians are] not stupid and they know [colonial status is] a good selling point. If you spoke to most Brazilian clients of mine, they’ve never been here, but most of them have been told that it’s British, and the fact that it is British is a big selling point. I have

to say also I think the question of colour influences it partly. [...] So there is quite a lot of anti-black feeling. And you go to Nassau and most of the staff are black' (cited in: Alan Christopher Hudson 1996, 221).

Likewise, Harrington (2016, 34) suggests that providing information about the racial and ethnic composition of her sample of interviewees from the offshore industry 'may be helpful – particularly since a majority of interview participants mentioned that culture and identification play a significant role in the establishment of trust between professionals and their clients.' Because of this, Harrington (2016, 265) argues that 'opportunities for local people to gain upward mobility are highly constrained within the offshore industry by nationality, gender, and race.'

Supplement G: Glossary of Caymanian Governmental Positions Mentioned in the Main Paper

Position	Description
Administrator	The Administrator was the most senior British civil servant in the Cayman Islands between 1959, when the first Caymanian constitution retitled the role of British Commissioner (see below), and 1972, when a revised constitution removed the Cayman Islands from the authority of the British Governor of Jamaica and turned the British Administrator into the Governor of the Cayman Islands (Craton 2003, 321). The British Administrator was head and appointed the members of the Executive Council, head of the Judiciary and Chairman as well as Speaker of the Legislative Assembly created by the Caymanian constitution of 1959. The Administrator reported to the British Governor of Jamaica until 1972 (Craton 2003, 310).
Attorney General	The post of Attorney General was created in 1967 and retained under the 1972 constitution of the Cayman Islands. The Attorney General is a British civil servant, responsible for the legal administration of the Cayman Islands. The Attorney General is appointed by the British Governor, member of the Executive Council, and at the same time one of three ex officio members of the Caymanian Legislative Assembly (Craton 2003, 321)
Chief Justice	Until adoption of the 1972 constitution, the British Administrators and Commissioners of the Cayman Islands had also acted as Chief Justices, who could preside over cases brought to the Grand Court of the Cayman Islands or nominate judges to play this role on their behalf. The Grand Court tried all criminal cases as well as civil cases involving claims over £10 (Craton 2003, 324–25).
Chief Secretary	The post of Chief Secretary was created by the 1959 constitution and retained under the 1972 constitution of the Cayman Islands. The Chief Secretary is a British civil servant, deputy of the British Governor, and responsible for internal security and administration as well as external affairs. The Chief Secretary is appointed by the British Governor, member of the Executive Council, and at the same time one of three ex officio members of the Caymanian Legislative Assembly (Craton 2003, 321).
Commissioner	The Commissioner of the Cayman Islands was the most senior British civil servant of the colony between 1898, when the first Commissioner was appointed (Craton 2003, 170), and 1959, when the role was retitled Administrator (Craton 2003, 310). The Commissioner presided over the local Executive and “combined the roles of Treasurer, Chief Justice, and President of the Legislative Council” (Craton 2003, 173). The Commissioner reported to the British Governor of Jamaica, as the Cayman Islands had been – at least formally – a Dependency of Jamaica since 1863 (Craton 2003, 150–51).
Financial Secretary	The post of Financial Secretary was created by the 1959 constitution of the Cayman Islands and retained by the 1972 constitution. The Financial Secretary is a British civil servant, responsible for all matters of finance and economic development. The Financial Secretary is appointed by the British Governor, member of the Executive Council, and at the same time one of three ex officio members of the Caymanian Legislative Assembly (Craton 2003, 321)
Governor	The British Governor has been the local representative of the British Monarch and the most senior British civil servant in the Cayman Islands since 1972, when the Cayman Islands were removed from the authority of the Governor of Jamaica

under a new constitution (see British Administrator). Until 2009, the British Governor presided over and appointed the decisive members of the Executive Council: The Chief Secretary responsible for internal administration and security, as well as external affairs; the Attorney General, who headed the Judiciary, and the Financial Secretary, who controlled the budget and had responsibility for the economic development of the Cayman Islands. “The Governor is normally required to act on the advice of the Executive Council except in matters of defence, external affairs, internal security, the police, and the civil service, for which he had sole responsibility” (Craton 2003, 321; Freyer and Morriss 2013, 1337–38). The Governor also presided over the Legislative Assembly, where he retained a tie-breaking vote (Freyer and Morriss 2013, 1338). He could, moreover, ask the British Monarch to disallow by Order in Council any law adopted by the Legislative Assembly (Freyer and Morriss 2013, 1354)

Justices of the Peace	The Justices of the Peace, called Magistrates until the first formalization of Caymanian government in 1863 (Craton 2003, 150), formed the upper chamber of the bicameral Caymanian legislature until the Cayman Islands’ first written constitution introduced a unicameral system in 1959 (Craton 2003, 310). They were selected by the British Governor of Jamaica among the <i>white</i> Caymanian elite of merchants and property holders (Craton 2003, 90–96, 324). Besides their legislative role, they also heard cases in the lower Caymanian Courts, and chose candidates for the Vestry, the lower chamber of the bicameral legislature (Bodden 2010, 20).
President of the Legislative Council	The President of the Legislative Council, from 1972 President of the Assembly, presided over the sessions of the Caymanian legislature, guided the members through the legislative procedures, ensured order, and had a tiebreaking vote (Craton 2003, 321). From the arrival of the first permanent British official on the Cayman Islands in 1898, the role was successively performed by the British Commissioners, Administrators, and Governors (see the respective entries in this glossary).
Treasurer	The post of Treasurer was created by the first Caymanian Legislature in 1831 and until 1898 assumed by a member of the local settler elite (Craton 2003, 99). Between 1898 and 1959, when the first written Caymanian constitution was passed, the role of Treasurer was fulfilled by the British Commissioner. The Treasurer was replaced by the Financial Secretary under the 1959 constitution. The Treasurer was responsible for the colonial budget, public accounts, and the collection of taxes (Craton 2003, 164).
Vestrymen	The Vestrymen formed the lower chamber of the bicameral Caymanian legislature until the Cayman Islands’ first written constitution introduced a unicameral system in 1959 (Craton 2003, 310). Candidates for the Vestry were chosen by the Justices of the Peace. Vestrymen were then elected from this restricted pool by male taxpayers between the ages of 18 and 60 (Colonial Office 1948, 28). As a result, most of them came from the same group of <i>white</i> merchants and ship-owners as the Justices of the Peace (Craton 2003, 308)

Supplement H: Additional Evidence for the Impact of the Suez Crisis and the Ensuing Decolonization of Africa on Demand for Offshore Services

Palan (2015, 55) traces the origin of the Eurodollar market, or Euromarket, back to credit restrictions imposed by the British government to contain speculation against Sterling after the Suez crisis:

“[f]aced with mounting speculation against the pound after the Suez crisis, the British government imposed strict restrictions on the use of sterling in trade credits with non-residents. But many City banks, primarily commercial banks, which had evolved over more than a century as specialists in international lending particularly to British imperial outposts and the so-called British informal empire in Latin America, saw their core business disappear overnight. They responded by using US dollars in their international dealings, arguing to a receptive Bank of England [...] that such transactions had no bearing on UK balance of payments issues. At this point, the precise policy and legal steps that gave rise to the Euromarket become somewhat vague. It appears that the Bank of England decided without consulting the Treasury that it would not intervene in transactions between non-residents and in a foreign currency. [...] As these transactions were taking place in London, they could not be regulated by any other regulatory authority and ended therefore in a regulatory vacuum, which is called the Euromarket, or the offshore financial market.”

Likewise, when recounting the origins of offshore finance, Bullough (2018, 28–29) writes:

“In 1957, after the Suez incident, the United Kingdom raised interest rates sharply and restricted the use of sterling to finance foreign trade in an attempt to protect its currency. City banks, cut off from sterling, began to use dollars instead, and they obtained those dollars from those same Eastern bloc countries that – distrusting Washington’s intentions – had taken to banking in Europe rather than New York. This accidental alliance between communist politicians and City bankers turned out to be very profitable. In the United States, there were limits on how much interest banks could charge on dollar loans, and banks had to keep some of their dollars in reserve in case loans went wrong. London banks labored under no such constraints. The banks had discovered a flaw in the Bretton Woods architecture: If they used dollars outside the United States, then U.S. regulators could not touch them, and British regulators did not care. These stateless dollars—they became known as ‘Eurodollars,’ perhaps because of the ‘Euro’ telex address used by one of the Soviet-owned banks—could flow between countries unhindered, just like in the old days.”

Palan (2015, 57–58) moreover shows that professionals from the City of London and New York were soon after the emergence of the Eurodollar market seeking low tax jurisdictions with quasi-feudal political institutions for the booking of Eurodollar transactions, finding several BWI colonies among others:

“..., the idea of using other, closely related jurisdictions sharing British law and regulations but with the added advantage of low taxation seemed logical. At this juncture it appears that the expansion of the Euromarket throughout the globe followed three time-honoured institutional precepts:

1. The process was driven from the centre, by London and New York financial, legal and accounting firms searching for alternative low-tax locations to ‘book’ transactions in order to obtain tax savings.

2. In their quest for alternative locations, these financial operators appear to have followed a clear geographical path, beginning from those islands nearest to the UK mainland, namely, the Channel Islands, soon followed by the British-held Caribbean jurisdictions, then Asia and lastly British-held Pacific islands. The process took about ten years to complete.

3. In expanding operations internationally, London institutions appear to have sought the path of least resistance, selecting British imperial polities that broadly resembled the City of London's unique political structure. As a result, the Euromarket developed in typically quasi-feudal polities as the Channel Islands, and other small British dependencies. This resulted in a network of British-dominated financial centres with close links between them."

Hudson (1998, 920) recounts the reasons for which international banks opened branches in the Bahamas and Cayman Islands to process their Eurodollar transactions:

"Thus the Euromarkets, predominantly dollar-denominated offshore business based chiefly in London, developed rapidly (Aliber, 1979). Some of the smaller banks, faced with the high infrastructural costs of a London base realized that the Caribbean OFCs offered a cheaper and equally attractive regulatory environment—free of exchange controls, reserve requirements and interest rate ceilings, and in the same time zone as New York—and moved their Euromarket operations to the Caribbean. In addition they offered a secure, politically stable environment, with increasingly good communications facilities."

Likewise, Binder (2023, 51–52) traces the origin of the Eurodollar market back to credit restrictions imposed by the British government in response to speculation against Sterling after the Suez crisis. She also mentions that British colonial elites responded to decolonization by seeking low tax jurisdictions with a smack of empire:

"Yet back in 1957 the influence of the financial elite seemed precarious. When the pound sterling again came under pressure, the conservative government aimed to stabilize the currency as in the past. Yet, this time, the measures were not limited to spending cuts. They also included a restriction on the use of sterling to finance trade outside the sterling area, credit limitations, and other measures. [...] The restrictions cut off the funding sources of London's merchant and overseas banks. The financiers could no longer be sure about their dominance in the institutional association of rule. To preserve their business, influence, and wealth, they needed a plan B.

Well connected with the upper classes at home and in the colonies, bankers knew that since the 1920s, the wealthy had begun to incorporate trusts in Jersey. This trend gathered momentum with the onset of decolonization in the 1950s. Former colonists decided to settle in Jersey rather than to move back to the homeland. Jersey had everything the wealthy elite historically considered its privilege: sterling, low taxes, gentlemanly discreteness, and a smack of empire. By the late 1950s to early 1960s, 70 per cent of bank deposits in Jersey belonged to non-residents. To collect those assets, London's merchant and overseas banks opened branches on the island. In the decade between 1950 and 1960, the number of banks there increased from seven to thirty. Once there, the banks were able to create money against these assets. They could then lend this money on to their headquarters back in London because the credit restrictions did not apply in Jersey. The permissive tax environment made that business profitable. The merchant and overseas banks had discovered the beauty of offshore.

Next to offshore private banking and intra-bank financing, the banks that had moved offshore came across a third new line of business. As the financiers registered the increasing price for and decreasing success of maintaining sterling convertibility, it became clear that if the City of London were to have a future as an international banking centre, this future lay in the US dollar. The financiers now aimed to decouple, as much as possible, the fate of the City of London from that of sterling. In the 1950s, the amount of US dollars flowing into London was at a historical high. The merchant and overseas banks, and later the joined-stock banks, seized the opportunity of taking non-resident US dollar deposits and lending against those deposits to international business partners.”

Next to an interview with an offshore expert, Binder backs the claims above up with references to Burn (1999), and Hampton (1996). Like Palan, Bullough, and Binder, Burn (1999, 230) indeed traces the origin of the Eurodollar market back to credit restrictions imposed by the British government in response to speculation against Sterling after the Suez crisis:

“...by September of 1957 the Eurodollar market proper had begun to take off. This coincided with a sterling crisis which prompted the British government to increase bank rate from 5 per cent to 7 per cent, restrict the use of sterling as a means of financing non-sterling area trade and ‘refinancing’, and reduce the maximum credit period for other sterling credits, thereby cutting off the source of funding by which British merchant and overseas banks conducted a considerable amount of business. [...] They were forced to look for alternative finance and, as Helleiner (1994: 84) puts it, ‘stumbled upon’ the supply of non-resident dollars, which they began bidding for, in order to lend on in course of their international business. This led to a quadrupling of deposits taken in by the accepting houses between 1958 and 1963 (Mason 1976: 115). With these dollar deposits not needing to be swapped into sterling, hence not coming under exchange control regulations, this marked the start of the City’s role as an entrepôt centre, and the beginning of the offshore Eurodollar market proper.”

Hampton (1996, 60) emphasizes that decolonization created demand for offshore tax planning among British colonial elites:

“Post-war decolonialization had resulted in political stability in many countries as the British empire collapsed. Therefore, many wealthy UK expatriates in areas such as East Africa were forced to reconsider their position as returning to the UK would expose their funds to its high direct tax rates. Moving to Jersey became very attractive because of its low direct tax rate of 20 per cent.”

Ogle (2017, 1438) confirms the impact of decolonization on colonial elites’ demand for offshore tax planning:

“Tax codes as they applied to Europeans and other non-natives in colonies were extremely varied, laced with exemptions, and often hard to enforce. Tax rates were much lower in colonies and other dependent territories than in metropolitan centers. This state of affairs continued throughout the 1940s and 1950s, when taxes in the North Atlantic peaked. As a consequence, when Europeans retreated from the colonial world abroad in the 1950s and 1960s, some returnees sought to prolong the favorable tax arrangements that had come with empire. In comparison, the high tax rates now intended to finance the welfare state at home seemed excessive. But the former colonies were no longer set up to securely serve in their former capacity as tax shelters. The dark cloud of economic nationalism, including expropriations of Western businesses,

appeared on the horizon. Settlers, civil servants who had served overseas, business owners, and investors alike were thus reluctant to leave their assets in the colonial world. These ‘returnees from empire,’ British merchant banks soon discovered, could be a lucrative source of tax haven business.”

In subsequent work, Ogle (2020, 226–27) describes in detail, how British merchant and overseas banks offered ‘returnees from empire’ tax planning services in British West Indian colonies that still featured stable colonial and racial hierarchies:

“In the British imperial world, settlers and others cutting ties with places where potentially hostile non-white rule was on the horizon found themselves lured to some of the newly expanding tax havens still safely within the fold of the British empire. One such place was the Bahamas. As one contemporary observer noted in the *Washington Post* in 1964, ‘When Britain’s numerous African colonies folded, much uninvested or liquidated capital was sent quietly into Nassau’s banks’. British decolonization and the departure of funds from parts of the empire helped to propel the growth of one of the most important tax havens over the coming decades in the Caribbean. [...] It was one region above others that contributed to the expansion of the Bahamas as a tax haven: East Africa, and the British settler colonies of Kenya and Southern Rhodesia in particular.”

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