Catch me if you can!
Switzerland, the market for tax evasion and fiscal diplomacy from the League of Nations to the OECD, 1920-1990

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The current financial crisis marked a decisive break in attempts to regulate tax evasion. After decades of offshore finance growth, to which authorities had responded with very limited regulatory measures, seasoned observers analyzed every new statement of intent against tax havens with an indifference tinged with cynicism. Yet, amid an acute crisis of public finances, international initiatives against harmful tax practices have multiplied and, combined with great powers' unilateral efforts, have upset the rules of the game of tax competition. Since the London G20 summit pronounced in 2009 the «*end of the era of banking secrecy*», a number of innovative regulations have emerged. It is within the Organization for Economic Cooperation and Development (OECD) – the main platform for international tax discussions since the post-war period – that this turnaround has been the most visible: while the Paris organization had been very cautious about condemning banking secrecy and tax havens in previous decades, it is becoming now the main advocate for a generalization of the automatic exchange of tax information between industrialized countries. Even if one can remain skeptical about the implementation of these new standards in administrative practices, there is no doubt that the 2007-2008 crisis has transformed regulators' procrastination into a remarkable activism.[1]

The history of tax regulation within international organizations, however, cannot be summarized as a transformation from the ataxia that characterized neoliberal golden years to the proactive attitude of the present crisis. Actually, its origins date back to the end of WWI, when war and reconstruction costs led to a rise of tax burdens in Western Europe and consequently to the emergence of a tax avoidance market in neutral financial centers such as Switzerland and the Netherlands. Already in the 1920s, the League of Nations (LON) was charged with setting up measures against international tax evasion. Since then, according to the evolution of the balance of power and the economic environment, the issue of offshore finance regulation experienced cycles of appearance and disappearance in multilateral organizations throughout the 20th Century, from the United Nations (UN) at the end of WWII to the European Union, the G20, the

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[1] See, for instance, Thierry Godefroy, Pierre Lascoumes, « Havres fiscaux et places financières sous-régulées. Les cycles d'une attention politique improductive », *Savoir/Agir*, 13, 2010: 25-37; Ronen Palan, Duncan Wigan, « Herding Cats and Taming Tax Havens: The US Strategy of « Not In My Backyard » », *Global Policy*, 5/3, 2014, pp. 334-343 ; Niels Johannesen, Gabriel Zucman, « The end of bank secrecy? An Evaluation of the G20 tax haven crackdown », *American Economic Journal*, 6/1, 2014: 65-91 ; Patrick Emmeneger, « The Politics of Financial Intransparency: The Case of Swiss Banking Secrecy », *Swiss Political Science Review*, 20/1, 2014: 146-164.

Financial Action Task Force (FATF) and of course the OECD, preceded by its ancestor, the Organization for European Economic Cooperation (OEEC).[2]

Yet, the genesis and long-term trajectory of tax cooperation debates remains a quasi terra incognita. Existing books on the history of international tax regulation are mainly based on published materials[3] and most academic studies on this issue do not delve on the genealogy of current debates and deal only fleetingly with the pre-1990 period.[4] This historiographical gap reinforces the widespread and mistaken conception according to which offshore finance is a recent problem resulting from financial markets' excesses during the neoliberal period.[5] Based on archival materials about international tax evasion debates since the 1920s[6], this article attempts to correct this misinterpretation by analyzing the structural nature of offshore finance within capitalism. Taking into account the long-term trajectory of multilateral mobilization against tax havens also questions the reasons for repeated regulatory failure throughout the last century in contrast to its current progress.

This paper charts the ebbs and flows of three cycles of international mobilization against tax havens and offshore finance from 1920 to 1990. After briefly recounting the first attempts to regulate offshore finance in the 1920s and underscoring the disappearance of international debates on tax evasion during the 1930s and after WWII (*Section I*), we identify the period 1956-1963 as a foundational moment for international tax regulation during the post-war years (*Section II*). With the increase of offshore practices, amid early financial liberalization, the United States and several other European countries attempted to prevent tax evasion. However, these early efforts brought only very narrow outcomes. After this brief flourish of regulatory attempts, pressure on tax havens again subsided for almost a decade. During the third cycle of mobilization (*Section III*), spanning the 1970s and the 1980s, which coincided with a growing budgetary crisis in Western countries, an increasing number of multilateral initiatives against harmful tax practices emerged. Yet, beyond rhetorical threats, tax havens remained largely untouched: at the turn of the 21st century, a paradigmatic tax haven such as Switzerland could still easily brush off international actions against tax evasion. Explaining such resilience is a key puzzle we would like to address in this contribution.

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[2] See Christophe Farquet, « Le secret bancaire en cause à la Société des Nations (1922-1925) », *Traverse. Revue d'histoire*, 1, 2009: 102-115; « Lutte contre l'évasion fiscale: l'échec de la SDN durant l'entre-deux-guerres », *L'Economie politique*, 44, 2009: 93-112. As well as *La défense du paradis fiscal suisse avant la Seconde Guerre mondiale: une histoire internationale. Analyse de la politique helvétique au sein des négociations sur la double imposition et l'évasion fiscale durant l'entre-deux-guerres*, PhD thesis, University of Lausanne, 2014.

[3] See especially Sol Picciotto, *International Business Taxation. A Study in the Internationalization of Business Regulation*, London: Weidenfeld and Nicolson, 1992; Thierry Godefroy, Pierre Lascoumes, *Le capitalisme clandestin. L'illusoire régulation des places offshore*, Paris: Ed. La Découverte, 2004.

[4] See Michael Webb, « Defining the Boundaries of Legitimate State Practice: Norms, Transnational Actors and the OECD's Project on Harmful Tax Competition », *Review of International Political Economy*, 11/4, 2004: 787–827; Lorraine Eden, Robert Kudrle, « Tax Havens: Renegade states in the international tax regime ? », *Law & Policy*, 27/1, 2005: 100–127; Richard Woodward, « Offshore Strategies in Global Political Economy: Small Islands and the Case of the EU and OECD Harmful Tax Competition Initiatives », *Cambridge Review of International Affairs*, 19/4, 2006: 685-699; Jason Sharman, *Havens in a Storm: The Global Struggle for Tax Regulation*, Ithaca: Cornell University Press, 2006; Thomas Rixen, *The Political Economy of International Tax Governance*, Basingstoke: Palgrave, 2008; Richard Eccleston, *The Dynamics of Global Economic Governance: The OECD, the Financial Crisis and the Politics of International Tax Cooperation*, Cheltenham: Edward Elgar, 2012.

[5] See, against this view, Sol Picciotto, « Offshore: The State as a Legal Fiction », in Mark P. Hampton, Jason P. Abbott (ed.), *Offshore Finance Centers and Tax Havens. The Rise of Global Capital*, London: Macmillan, 1999: 43-79; Ronen Palan, « Tax Havens and the Commercialization of State Sovereignty », *International Organization*, 56/1, 2002: 151-176; Ronen Palan, Richard Murphy, Christian Chavagneux, *Tax Havens. How Globalization Really Works*, Ithaca: Cornell University Press, 2010.

[6] This paper mainly uses LON and, OEEC/OECD archives, as well as sources from the emblematic tax haven throughout the 20th Century, namely Switzerland. This paper is also a very first draft of a larger research project that aims to analyse the long-term trajectory of international tax regulation after 1945 (including developing countries) with the archives of international organizations (OECD, UN, IMF), national and central banks' archives (France, Germany, US, Great Britain, Switzerland), as well as business archives. See <http://www.snis.ch/project_taxation-and-international-development-north-south-conflicts-over-capital-flight-and>

I. The birth of offshore finance and international tax regulation, 1922-1928

The first attempts to introduce international fiscal regulation date back from the second half of the 19th Century.[7] During the Second Industrial Revolution, two fundamental problems of international taxation had emerged in interstate discussions due to the antagonism between the expansion of financial globalization, which was characterized by a remarkable intensification of cross-border capital flows, and the consolidation of nation-states and modern tax systems. On the one hand, investments by transnational companies were potentially subjected to double taxation, both by the States where the investor was domiciled and by the States which were the recipients of the investments. On the other hand, because of the lack of exchange of information between tax authorities and given the weak regulation of financial systems, other types of foreign investments, such as bearer bonds or deposits in current accounts, usually succeeded in evading taxes in the country of source of incomes as well as in the country of residence of its beneficiary.[8] To overcome these problems of over- and under-taxation, several bilateral agreements were concluded between European countries from 1843 to 1913. International tax law, however, remained embryonic: due to the limited contribution of direct taxes to public budgets before WWI – tariffs provided the bulk of revenue – incentives for signing bilateral agreements on double taxation and tax evasion remained limited for both governments and investors.

Marking a sharp break after decades of «*peaceful accumulation*» of capital[9], the financial consequences of WWI placed international taxation issues at the center of the diplomatic arena. The costs of war and reconstruction led to a very significant increase in state intervention: even if the arbitration between inflation and taxation to reduce public debt greatly differed among Western powers, the overall tax burden related to the GDP [1]increased everywhere. In less than a decade, this index roughly doubled in Britain, while it grew about 70% in Germany and 40% in France.[10] The quantum leap induced by the conflict was especially remarkable for the taxation of high incomes and large fortunes. In order to have all social strata participating – at least in appearance – to monetary and financial stabilization efforts, the top marginal rate of progressive taxes literally surged. In France, top rates increased from 2% 62.5% between 1913 and 1920. The trend was the same elsewhere, with rates jumping from 8.3 to 60% in Germany, 17.1% to 60% in Britain and 7 to 73% in the United States.[11] After a relative roll-back in the second half of the 1920s, the Great Depression and the arms race revived budgetary expansion so that on the eve of WWII the maximum tax rates could theoretically eat up almost all incomes of very rich taxpayers in the Allied countries.

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7 See Sunita Jogarajan, « Prelude to the International Tax Treaty Network 1815-1914. Early Tax Treaties and the Conditions for Action », *Oxford Journal of Legal Studies*, 31/4, 2011: 679-707; Sunita Jogarajan, « The Conclusion and the Termination of the « First » Double Taxation Treaty », *British Tax Review*, 3, 2012: 283-306.

8 See for instance the contemporary studies on French tax evasion: Emile Guilmard, *L'évasion fiscale. Comptes de dépôts et comptes joints en France et à l'étranger*, Paris: Editions du Journal La France Economique et Financière, 1907; Roger Guérin, *Des ententes internationales pour la répression des fraudes fiscales*, Paris: V. Giard and E. Brière, 1910; René Depuichault, *La fraude successorale par le procédé du compte-joint*, Paris: F. Alcan, 1911; Maurice Brion, *L'exode des capitaux français à l'étranger*, Paris: Arthur Rousseau, 1912.

9 Thomas Piketty, *Les hauts revenus en France au XXe siècle. Inégalités et redistribution 1901-1998*, Paris: Grasset, 2001: 234.

10 These figures take into account the taxes of central governments and local state bodies. For the statistics, see Farquet 2014: 72.

11 For these figures, see Piketty 2001: 255, 263; Martin Daunton, *Just Taxes. The Politics of Taxation in Britain, 1914-1979*, Cambridge: Cambridge University Press, 2002: 47, 138; Hans-Peter Ullmann, *Der deutsche Steuerstaat. Geschichte der öffentlichen Finanzen vom 18. Jahrhundert bis heute*, München: C. H. Beck, 2005: 88, 103; Gene Smiley, Richard Keehn, « Federal Personal Income Tax Policy in the 1920s », *Journal of Economic History*, 55/2, 1995: 286.

In this context, the issue of international tax evasion entailed high political salience. Given the sharp increases in tax burden, capital holders' resistance to new taxes was fierce and produced, among others, massive capital flight towards countries that were not suffering from the same financial and political troubles as the former belligerents – first and foremost for Europe, neutral countries such as Switzerland and the Netherlands, where assets were imported before being re-invested in foreign markets.[12] As far as taxation is concerned, the expatriation of wealth in these tax havens ensured an almost total tax exemption: most non-residents assets were tax free, while the banking secrecy that prevailed in Switzerland, the Netherlands, but also to a large extent in the United Kingdom, coupled with the porosity of European countries' currency exchange controls and the general lack of international cooperation between tax administrations, very much hindered attempts to identify exported assets in the investor's country of residence.[13] In addition to political and monetary factors, this double non-taxation – both at source and domicile – was a major incentive for capital flight in the 1920s and the 1930s. Moreover, as capital flight triggered a race to the bottom in tax practices, the opportunities of circumventing the taxes via the export of capital represented a constant barrier to the consolidation of Western European fiscal administrations.[14]

Given the shortcomings of existing statistics, it is difficult to assess the magnitude of this first boom of international tax evasion and tax havens. However, available estimates suggest it was very significant. Swiss Finance Minister Jean-Marie Musy, a diehard fiscal conservative, estimated foreign assets in Switzerland in 1920 at CHF10 billions, i.e. $2 billions or the equivalent of all British long-term investments in Europe.[15] In the heyday of the 1920s, when political and monetary stability had returned, estimates of securities deposits in Swiss banks became properly staggering: they tripled between 1924 and 1930 from CHF10.8 to CHF29.3 billions.[16] The latter figure equaled almost all German foreign debts on the eve of the 1931 financial crisis and represented about three times Swiss GDP, a level that would be reached again only in the 1970s.[17] Meanwhile, tax evasion incentives were developed in European financial centers that allowed multinational companies to set up affordable tax domicile in their territory, and subject repatriated profits to a minimal tax burden. First created at the turn of the century in small Swiss cantons, tax benefits granted to holding companies were emulated in the majority of cantonal legislations during the 1920s, as well as in

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[12] On the take-off of the Swiss financial center after WWI, linked to capital flight, see for instance Marc Perrenoud et al. , *La place financière et les banques suisses à l'époque du national-socialisme. Les relations des grandes banques avec l'Allemagne (1931-1946)*, Lausanne: Payot, Zurich : Chronos, 2002: 44-71; Malik Mazbouri, Marc Perrenoud, « Banques suisses et guerres mondiales », in Valentin Groebner, Sébastien Guex, Jakob Tanner (ed.), *Economie de guerre et guerres économiques*, Zurich: Chronos, 2008: 234-238; Youssef Cassis, *The Capitals of Capital. The Rise and Fall of International Financial Centers*, Cambridge: Cambridge University Press, 2011; Malik Mazbouri, « La Première Guerre mondiale et l'essor de la place bancaire helvétique. L'exemple de la Société de Banque Suisse », *Histoire, économie et société*, 32/1, 2013: 73-94. On German capital exports to the Netherlands, see Johannes Houwink Ten Cate, « Amsterdam als Finanzplatz Deutschlands », in Gerald D. Feldman et al. (ed.), *Konsequenzen der Inflation*, Berlin: Colloquium Verlag, 1989: 149-179; Jeroen Euwe, « Financing Germany. Amsterdam's Role as an International Financial Center, 1914–1931 », in Patrice Baubeau, Anders Ögren (ed.), *Convergence and Divergence of National Financial Systems. Evidence from the Gold Standards, 1871-1971*, London: Pickering and Chatto, 2010: 219-240.

[13] On Swiss banking secrecy, see Sébastien Guex, « The Origins of the Swiss Banking Secrecy Law and Its Repercussions for Swiss Federal Policy, *Business History Review*, 74/2, 2000: 237-266. For banking secrecy in others countries, see Siegfried Sichtermann, *Bankgeheimnis und Bankauskunft. Systematische Darstellung mit besonderer Berücksichtigung der Rechtsprechung und unter Heranziehung ausländischen Rechts*, Frankfurt am Main : Fritz Knapp, 1957; Farquet, 2014: 519-523.

[14] See for instance the aborted French attempts to implant an efficient control on bearer bonds: Frédéric Tristram, « L'administration fiscale et l'impôt sur le revenu dans l'entre-deux-guerres », *Etudes et documents*, 11, 1999; Nicolas Delalande, *Les Batailles de l'impôt. Consentement et résistances de 1789 à nos jours*, Paris: Seuil, 2011; Farquet 2014.

[15] See Minutes of the Swiss National Council, 3.02.1920, in *Bulletin officiel de l'Assemblée fédérale*, 1, 1920: 34. During these parliamentary discussions, estimates of foreign assets in Switzerland varied from CHF 6 to 40 (!) billions.

[16] See Appendices 2 and 3.

[17] See Karl Born, *Die deutsche Bankenkrise 1931: Finanzen und Politik*, München: R. Piper, 1967: 18. The German international debt is estimated at RM 25.6 billions = around CHF 31 billions. In 1930, Swiss GDP amounted to CHF 10.3 billions. See *Historical Statistics of Switzerland*, Table Q. 16a < http://www.fsw.uzh.ch/histstat/main.php >.

Liechtenstein and Luxembourg in 1929.[18] The number of holding companies registered in these offshore centers increased thereafter, from 158 to 2017 in Switzerland between 1921 and 1939 and from 360 to 1110 in the Grand Duchy between 1933 and 1939.[19]

Consequently, the problem of tax evasion made a first foray into multilateral discussions. In the early 1920s, a complex diplomatic game was played between Entente governments on the issue of the taxation of exported assets. On the one hand, though very conservative, the French and Belgian executive branch, led by Raymond Poincaré and Georges Theunis, advocated in 1922 an international arrangement against tax evasion. Following their tax authorities, which estimate that tax evasion on securities exceeded 50%[20], both countries, plagued by a rampant fiscal and monetary crisis due to the importance of their public debt, pursued both financial and diplomatic objectives. France and Belgium were not only trying to increase the very low yields of their new income taxes by pursuing expatriate wealth, they were also paving the way for a consolidation of their own domestic tax practices and controls by eliminating the usual objection to this reinforcement that such measures would inevitably induce massive capital flights. However, an even more important diplomatic goal presided over this offensive against international tax evasion. French and Belgian ruling circles were trying to curtail German capital flows towards neutral countries- As they generatedcurrency depreciation, these flows constituted the best excuse for the Reich to demonstrate its inability to fulfill its War Reparations obligations.[21]

However, the British government vetoed Franco-Belgian ambitions. Supported by the Neutrals, as part of the economic *retour à la normale* supposed to re-establish the dominant position of the City, the United Kingdom opposed state intervention in international financial relations and advocated instead balanced budget and monetary stability by the use of austerity plans and the restoration of confidence on financial markets. Equally hostile to a settlement of Reparations primarily intended to supply monies to the Hexagon, the British openly and successfully opposed any foreign interference on German finances despite hyperinflation. French attempted tutelage over German finances in order to secure War Reparations failed quickly, which contributed in triggering the occupation of the Ruhr in early 1923.[22] A year later, during the Dawes Plan negotiations, the McKenna Committee, chaired by the eponymous leader of the largest English bank, condemned capital flight controls in order to stabilize the Mark. On the contrary, the Dawes

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[18] For Switzerland, see Paul-René Rosset, *Les holdings-companies et leur imposition en droit comparé*, Paris: R. Pichon & Durand-Auzias, Lausanne: F. Rouge, 1931. For Luxembourg, see *Loi sur les holding companies. Travaux préparatoires et Discussions parlementaires, séances des 16 et 17 juillet 1929*, Luxembourg: Victor Buck, 1929. On domiciliation in Liechtenstein, see Hanspeter Lussy, Rodrigo López, *Finanzbeziehungen Liechtensteins zur Zeit des Nationalsozialismus*, vol. 1, Vaduz: Historischer Verein für das Fürstentum Liechtenstein, Zürich: Chronos, 2005: 96-97.

[19] For Swiss figures, see Appendix 1. For Luxembourg, see Bernard Delvaux, *Les sociétés «holding» au Grand-Duché de Luxembourg. Etude théorique et pratique de la loi du 31 juillet 1929*, Paris : Recueil Sirey, Luxembourg: Victor Buck, 1938: 7-8.

[20] An official French report estimated that in 1921 no less than 71% the amount of incomes derived from securities evaded the general income. See Centre des archives économiques et financières (CAEF), B 58613, « Evaluation de la perte résultant de l'insuffisance des déclarations en ce qui concerne les revenus des valeurs mobilières », Note transmitted by the *Contributions directes* to Maurice Bokanowski, *Rapporteur de la Commission des finances*, 17.02.1923. For other estimates, see Pierre-Cyrille Hautcoeur, Pierre Sicsic, « Threat of a Capital Levy, Expected Devaluation and Interest Rates in France during the Interwar Period », *European Review of Economic History*, 3, 1999: 40. In Belgium, the administration estimated that 66% of securities income illegally evaded progressive income tax between 1919 and 1924. See Archives générales du Royaume, T 122: 601, Appendix Table of a Report by Charles Clavier, Director of the Belgian *Contributions directes*, « La surtaxe. Ses principes, ses résultats, sa révision », 1925.

[21] Report of the French Delegation, 15.03.1922, cited in Commission des Réparations, *Rapport sur les Travaux de la Commission des Réparations de 1920 à 1922*, vol. 2, Paris: Félix Alcan, 1923: 66-68.

[22] Marc Trachtenberg, *Reparation in World Politics. France and European Economic Diplomacy, 1916-1923*, New York: Columbia University Press, 1980: 220-242.

Committee favored a liberal policy to repatriate previously exported German assets through tax amnesties and international loans.[23]

After 1923, the Franco-Belgian camp gradually retreated from its initial campaign against international tax evasion perpetrated by its own residents. Ambiguously passed on [2]in 1922 by the Genoa Conference to the League of Nations, the treatment of this issue was coupled to the elimination of double taxation with a formal guarantee for the preservation of banking secrecy[3].[24] In Geneva, a Committee of Experts that included tax representatives from major LON economic powers discussed tax evasion. While French and Belgian officials tried to promote extensive international exchange of information as well as a multilateral implementation of new domestic tax control techniques, the director of the Swiss federal tax administration, following the desiderata of the Swiss Bankers Association (SBA), countered these initiatives with moderate support of his British counterpart.[25] Indeed, in Switzerland, the close alliance between the government and the business circles for the protection of the banking secrecy was strengthened by the resounding defeat of a Swiss Socialist Party initiative for a special wealth. After December 1922, when more than 85% of voters refused this proposal in a popular vote, the Swiss conservative elites felt legitimated to defend aggressively their tax haven.[26]

During the winter 1924-1925, while the *Cartel des Gauches* was weakened by a financial crisis directly correlated to its fiscal program and to the distrust of French capitalists and foreign banks[27], the LON Committee of Experts brought forth a mouse: its recommendation against double taxation and tax evasion was broadly in line with tax havens interests. Interstate exchange of information to fight tax evasion was to be limited to information garnered through current national administrations practices and should be supported by the greatest possible number of member states.[28] Within these constraints, banking secrecy was legitimized and the possibility of an international agreement became a chimera. In his assessment of the report, the Swiss government could brazenly claim that «*all reserves contained in the text will allow Switzerland to stay away of any international agreements on fight against tax evasion*».[29]

From 1926 to 1928, the LON Committee of Experts, extended to non-European delegates, accentuated his liberal tendencies by sidelining the issue of tax evasion in favor of the treatment of double taxation.[30] This move was typical of the international context of the Roaring Twenties. From the summer 1926 onwards Western conservative governments promoted tax relief on incomes and, more generally, a roll-back to the liberalism of the pre-war period. Poincaré's return to power and the formation in Belgium of a national union

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[23] *Rapport du second comité d'experts*, Paris, 1924.

[24] Archives of the LON (ALON), R 1609, Report of the Financial Commission in Genoa, April 1922. The delegation of tax evasion issues to the LON, expressed first by the *German* delegates in Genoa, could be analysed as a strategy of the Reich to separate this topic from the Reparations discussions (an issue that the LON is not supposed to discuss). See for this interpretation: French Diplomatic Archives, service français de la SDN, 1297, Report of Benoît Léon-Dufour, Secretary of the LON Financial Committee, about the Resolution 13 of the Financial Committee in Genoa, classified 16.05.1922.

[25] ALON, EFS/DT/Session 1-5/PV, Minutes of the Committee of Experts on double taxation and tax evasion, 1923-1925. See also Farquet 2009; Farquet 2014: 197-240.

[26] Sébastien Guex, «L'initiative socialiste pour une imposition extraordinaire sur la fortune en Suisse (1920-1922) », *Regards sociologiques*, 8, 1994, 101-116.

[27] On capital flight during the Cartel, see Jean-Noël Jeanneney, *Leçon d'histoire pour une gauche au pouvoir : la faillite du Cartel (1924-1926)*, Paris: Seuil, 1977: 70-77. On the financial crisis, linked to taxation, see Hautcoeur, Sicsic 1999.

[28] *Double Taxation and Tax Evasion: Report and Resolutions submitted by the Technical Experts to the Financial Committee of the League of Nations*, Geneva: League of Nations, 1925.

[29] Swiss Federal Archives (SFA), E 2001 B, 1000/1508, vol. 34, Minutes of the Federal Council, 19.03.1925.

[30] ALON, EFS/DT/Session 6-8/PV, Minutes of the Committee of Experts on double taxation and tax evasion of the LON, 1926-1927.

government led to a financial recovery with the help of international loans, placed notably in Switzerland, and hence to the end of pressures against offshore finance.[31] But the fading of tax evasion debates in Geneva also mirrored the internal evolution of the LON. After the success of its monetary stabilization plans in Austria and Eastern Europe, the Financial Committee – the tutelary authority of the Committee of Experts on taxation and a paragon of liberal orthodoxy dominated by City insiders – defended a program of capital flows liberalization that was detrimental to international tax cooperation.[32] It was no accident that on the recommendation of the Financial Committee, the Committee of Experts invited in 1926 a representative of the International Chamber of Commerce (ICC) and a prominent advocate of banking secrecy, Geneva banker Robert Julliard, to join its ranks.[33] Finally and perhaps most importantly, the participation of the United States in the Economic and Financial Organization of the League from 1926-1927 led to the increasing presence in Geneva of close advisers of the Secretary of the Treasury, the ultraconservative Andrew Mellon, who was strongly opposed to any improvement in tax controls.[34]

Bringing together 27 States, the October 1928 Geneva Tax Conference certainly validated a series of standard agreements intended to serve as models in inter-state bilateral negotiations on double taxation as much as on administrative and legal assistance against tax evasion.[35] Nevertheless, this compromise was clearly hemmed in by liberal constraints. Tax avoidance issues were hardly addressed during the discussions and the conference endorsed model conventions on fiscal assistance that offered even greater respect for banking secrecy than the 1925 recommendation. Moreover, American delegates managed to impose after four days of backroom negotiations a competing standard to the original model agreement against double taxation that had been drafted and negotiated during five years by the Committee of Experts. Because it legitimated taxes on interests and dividends by the country of residence of the income recipients rather than at source of profits, this Anglo-Saxon model convention strongly favored creditor powers (i.e. the United States and Great Britain). In other words, the agreement sought to reduce the tax burden on exported capital by transferring the cost of relief forward to the debtor States.[36]

Although the Conference extended tax discussions inside the League by creating a permanent Fiscal Committee, the 1928 meeting marked, with this dilution of regulatory power in different conflicting standard agreements, the end of the first cycle of multilateral tax regulation. During the first half of the 1930s, still dominated by US experts and supported by the Rockefeller Foundation, the Fiscal Committee of the LON mainly discussed common principles to assess taxes on multinational corporations.[37] During an overseas

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[31] For France, see for instance Kenneth Mouré, *Managing the Franc Poincaré : economic understanding and political constraint in French monetary policy, 1928-1936*, Cambridge: Cambridge University Press, 1991. For Belgium, see Hermann Van der Wee, Karel Tavernier, *La Banque nationale de Belgique et l'histoire monétaire entre les deux guerres mondiales*, Bruxelles: Banque nationale de Belgique, 1975. For the end of the attacks against banking secrecy and the link with loans, see Farquet 2014: 248-263.

[32] On the Financial Committee, see Michel Fior, *Institution globale et marchés financiers: la Société des Nations face à la reconstruction de l'Europe, 1918-1931*, Berne: Peter Lang, 2008 ; Yann Decorzant, *La Société des Nations et la naissance d'une conception de la régulation économique internationale*, Bruxelles: Peter Lang, 2011 ; Yann Decorzant, Juan H. Flores, « Going Multilateral ? Financial Markets' Access and the League of Nations Loans, 1923-1928 », in press, 2014. > PUBLISHED

[33] ALON, F/21e session/PV6, Minutes of the Financial Committee of the LON, 8.03.1926; EFS/DT/8e session/PV5, Minutes of the Committee of Experts on double taxation and tax evasion of the LON, 8.04.1927.

[34] ALON, EFS/DT/8e session/PV, Minutes of the Committee of Experts on double taxation and tax evasion of the LON, 5-12.04.1927.

[35] ALON, DT/Réunion/PV, Minutes of the Meeting of Government Experts on double taxation and tax evasion, 22-31.10.1928.

[36] *Double Taxation and Tax Evasion. Report Presented by the General Meeting of Government Experts on Double Taxation and Tax Evasion*, Geneva: League of Nations, 1928.

[37] ALON, F/Fiscal/Session/PV, Minutes of the Fiscal Committee of the LON, 1929-1931; F/Fiscal/1-132, Working papers of the Fiscal Committee of the LON, 1929-1946.

session organized by the American Chamber of Commerce, the Fiscal Committee prepared a model agreement on the ventilation of profits that legitimized the taxation of subsidiaries as separate companies (arm's-length principle) – and not as a share of the overall profits of the group – a principle which opened wide opportunities to circumvent taxes via transfer pricing and other accounting manipulations.[38] Such maneuvers were so prevalent during the inter-war years that the Swiss delegate to the Fiscal Committee remarked that «*It is easy for a company encompassing several branches to establish its accounts so that the benefit appears where it wants to appear; in creating bills accordingly, one can obtain, for example, that there is no benefit to a sale office or to another subsidiary»*. In 1927, CIBA, one of the largest Swiss pharmaceutical companies, thus reduced artificially the profits of six foreign establishments by 78.5% thanks to transfer pricing.[39]

From the early 1930s onwards, after the failure of these first multilateral debates and with the widespread bilateralization of international economic relations and the marginalization of the League, negotiations on double taxation and tax evasion took place mainly outside Geneva. But surprisingly, despite budgetary constraints, shrinking public revenues and the rise of state intervention during the Great Depression, these negotiations remained very favorable for offshore finance. Less than half of the more than thirty double taxation agreements signed between 1928 and 1939 incorporated at most very limited tax assistance measures. The case of Switzerland – the tax haven par excellence – is the most obvious illustration of this evolution. From 1927 to 1939, the Confederation negotiated four double taxation conventions and a series of informal agreements that not only contained no measures against tax evasion, but also offered significant tax reliefs at the source for monies exported or re-exported from Switzerland.[40] As demonstrated by its relations with France, the Swiss financial center was able to grant loans to States in crisis as a compensation for these generous exemptions. As these loans were subscribed in large part through foreign evaded assets, this meant that holders of fraudulent capital received a dividend for their financial contribution to the national budget rather than paying taxes.[41] In addition, the Confederation garnered strong support within European countries from political and business elites who used the services of the Swiss tax haven.[42]

This section would be incomplete without a mention that during WWII, non-European countries revived tax multilateralism via the Princeton Office of the LON. Excluded from the multilateral talks of the 1930s, Latin American countries benefited from European countries' absence during the conflict to rebuild the standard agreements on double taxation at the Mexico conferences in 1940 and 1943, and to reorient their

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[38] ALON, F/Fiscal/75, Report of the Sub-Committee on the Allocation of Profits on Its Session held in the United States (20-30.03.1933), 04.05.1933 ; F/Fiscal/83, « Texte révisé du projet de convention relatif à la répartition du revenu industriel et commercial entre les Etats aux fins de l'imposition », Appendix 1 of the Report of the 5th session of the Fiscal Committee (12-17.06.1935). See for the same interpretation: Picciotto 1992: 31-32.

[39] ALON, R 363, Letter from H. Blau, Director of the Swiss Federal Tax Administration, to B. Léon-Dufour, Secretary of the Committee of Experts on double taxation and tax evasion of the LON, 18.05.1925. On the CIBA case, see Archives of Novartis, Minutes of the Board of CIBA, 22.09.1927: 8-9.

[40] Christophe Farquet, « Tax Avoidance, Collective Resistance, and International Negotiations: Foreign Tax Refusal by Swiss Banks and Industries Between the Two World Wars », *Journal of Policy History*, 25/3, 2013: 334-353.

[41] Janick Marina Schaufelbuehl, *La France et la Suisse ou la force du petit : évasion fiscale, relations commerciales et financières (1940-1954)*, Paris: Presses de Sciences Po, 2009: 316-330 ; Marc Perrenoud, *Banquiers et diplomates suisses (1938-1946)*, Lausanne: Antipodes, 2011: 209-214.

[42] Farquet 2014: 328-329.

principles in favor of debtor States.[43] While the three 1928 LON agreements on double taxation either remained vague on interests and dividends taxes or offered tax relief at the source for securities incurred by debtor countries, the Mexico model convention stipulated instead that the taxation of interests and dividends was the responsibility of the State where the income was extracted. However, under the influence of US expert Mitchell B. Carroll, this standard agreement did not call into question the liberal principles of multinational corporations profits' ventilation previously validated in Geneva. The response of the Western powers was immediate at the end of WWII: in 1946, during the final session of the Fiscal Committee of the LON in London, a new model re-established the primacy of income taxation by the State of residence of the beneficiary.[44]

II. The postwar revival of offshore finance and the timid denunciation of tax havens, 1956-1963

It is quite surprising to consider that the post-WWII years marked an eclipse of tax multilateralism. During a period of expansion of welfare states and Keynesian economics, tax burdens in Western countries reached a second quantitative threshold and continued to grow over the following three decades. In contrast to their interwar deficiencies, direct tax systems were renovated: the tax base increased and improved control and perception techniques were introduced. In addition, after fifteen years of economic crisis and war, the free movement of capital dogma was severely shaken. For instance, and contrary to previous LON precepts, the section 3 of the Article 6 of the International Monetary Fund Agreement (IMF) of Bretton Woods allowed countries, to restrict capital flows.[45] But, if international tax cooperation was hardly resumed in such a conducive environment for financial regulation, it might be precisely because unilateral barriers to capital movements were adopted by all major European countries and because they proved to be much more efficient than during the 1920s and 1930s. Faced with the threat to economic stability due to the potential conflict between, on the hand, the adoption of a fixed exchange-rate system and, on other hand, expansive monetary and fiscal policies implemented to ensure full employment, capital flight was prevented by external currency inconvertibility and permanent restrictions on assets export.[46]

In this context, also characterized by the relative eclipse of pre-war wealth, offshore finance declined significantly. Even in Switzerland, preserved by the damages of the conflict and a stronghold of financial liberalism at the heart of Europe[47], transnational wealth management slowed down in the immediate post-war period. Securities deposits in Swiss banks declined by 20% (in real terms) between 1944 and 1949, and their volume corresponded to only 40% of the peak amount reached before the financial crisis of 1931.[48] Similarly, and although there were no real alternative platforms for the domiciliation of companies in

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[43] ALON, C 1647, Second Regional Conference of the Fiscal Committee in Mexico. Report on the Conference by Paul Deperron, Secretary of the Fiscal Committee of the LON, 19-29.07.1943. This transitory period will be one of the focus of the new research program mentioned in footnote 6.

[44] ALON, C. 37. M. 37. 1946. II. A, Report of the Fiscal Committee on its 10th session (20-26.03.1946), 25.04.1946.

[45] For the change between pre- and post-war financial environment, see for instance Harold James, « The Multiple Contexts of Bretton Woods », *Oxford Review of Economic Policy*, 28/3, 2012: 411-430.

[46] Barry Eichengreen, *Globalizing Capital: A History of the International Monetary System*, Princeton: Princeton University Press, 2008: 91-133.

[47] Olivier Longchamp, *La politique financière fédérale (1945-1958)*, Lausanne:Antipodes, 2014.

[48] Appendices 2 and 3.

Europe, the number of holding companies based in Switzerland declined by 25% between 1938 and 1953.[49] Under the era of post-war financial repression, offshore operations thus experienced a contraction, which probably calmed down advocates of international tax cooperation. We should maybe add to this picture another important factor: European hot money fled mainly at the end of the conflict towards the United States and became the preserve of American banks. As US investors and government simultaneously and massively supported European economies through the Marshall Plan, this kind of balance in transatlantic capital flows was perhaps conducive to the status quo.[50]

Whereas tax evasion conflicts faded within international organizations, the UN Tax Committee, which pursued the activities of the LON from 1947 onwards, became a battleground between Northern powers and the emerging post-colonial South. Rather than capital flight and tax evasion, issues related to the taxation of international investments concentrated the main antagonisms. The divergence between the Mexico and London models was reactivated within the UN: the creditor powers – pushing for the liberalization of capital without causing a loss of tax revenue for their States – favored taxes on the income from capital invested abroad at the residence (and tax exemption at the source), while debtor countries argued for the opposite in order to extract more tax revenue at the source of incomes and profits.[51] Following political scientist Sol Picciotto – but we need more archival research to confirm this assertion – this antagonism was the main cause of the paralysis of the UN Committee and, ultimately, of its dissolution in 1954.[52] After this episode, the UN focused on technical tax assistance and advised Southern countries on how to set up and consolidate their own tax systems, a task to which the IMF also participated from 1964 onwards within its Fiscal Affairs Department.[53]

During this temporary pause of fiscal multilateralism, international business circles around the ICC lobbied to confine international debates to a narrower circle of Western powers. The ICC – which had already participated in the creation of LON tax regulations – passed a resolution in late 1954 promoting, «*in the interest of the development of intra-European trade and investments*», the conclusion of a multilateral agreement between OEEC countries to reduce double taxation following the 1946 London model convention.[54] Relayed by the Swiss and Dutch financial centers, and associated more surprisingly by Germany, the ICC initiative contributed to the creation in 1956 of a Fiscal Committee within the Paris-based organization.[55] Composed mainly of national Treasury representatives, the Committee immediately pursued a less ambitious project than the ICC: elaborating principles that might lead to the standardization of bilateral double taxation agreements and to summarize these standards in a new model convention.[56] Until the late 1950s, these discussions closely resembled the LON debates of the second half of the 1920s. Despite minor

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[49] Appendix 1.

[50] Eric Helleiner, *States and the Reemergence of Global Finance. From Bretton Woods*, Ithaca: Cornell University Press, 1994: 51-77.

[51] Mitchell Carroll, « Report on the meeting of the UN Fiscal Commission », *Bulletin for International Fiscal Documentation*, 5, 1951; Mitchell Carroll, « Action on tax treatment of foreign income at session of UN Fiscal Commission », *Bulletin for International Fiscal Documentation*, 7, 1952.

[52] Picciotto 1992: 51.

[53] Richard Goode, « Tax Advice to Developing Countries: An Historical Survey », *World Development*, 21/1, 1993: 37-53.

[54] OECD Historical Archives (OECD-HA), C(54)294F, Note of the OEEC Secretariat: « Double Taxation in Europe. Resolution adopted by the Executive Committee of the International Chamber of Commerce », 12.11.1954.

[55] OECD-HA, C(55)307F, Memorandum by the Delegations for the Netherlands, Switzerland and Germany, 9.12.1955 ; C(56)49finalF, Resolution of the Council, 21.03.1956 ; FC-M(56)1provF, OEEC Fiscal Committee, Minutes of the 1st session, 23-24.05.1956.

[56] OECD-HA, C(58)118finalF, Recommendation of the Council of the OEEC, 11.07.1958.

dissensions on clauses against double taxation, a strong consensus emerged among the major powers (Britain, Germany and to some extent also France): the discussions should finally contribute to financial liberalization, a paramount aim for the OEEC.[57] With the exception of isolated statements, there was no room for tax evasion issues in this program.[58] We should then be not surprised to hear the Swiss delegate applauding the early outcomes of OEEC work as «*more satisfactory than […] expected*»[59] and as «*proposals [that] match the Swiss principles applied to the elimination of international double taxation*».[60]

However, in September 1961, the transformation of the OEEC into the OECD, and the inclusion of the United States as full member, changed the tone of the Parisian tax debates.[61] Since the mid-1930s, a turning point had occurred in US international tax policy with the Roosevelt administration: the government broke with the Mellon era and supported interstate cooperation against tax evasion.[62] Even if American initiatives in this area remained confined to the bilateral level until the 1950s, several factors encouraged the US government to use the OECD Fiscal Committee against tax havens. First, the liberalization of capital flows accelerated by the 1957 emergence of the Eurodollar market and the return to convertibility of major European currencies the following year – led to a marked increase in offshore activities. Appendices 1, 2 and 3, show clearly that the number of holding companies, the evolution of bank balances and securities deposits in Switzerland, shot up exactly at this time, while exotic tax havens proliferated in former English and Dutch colonies.[63] Second, the American economy was specifically vulnerable to damages caused by tax havens because of its increased presence on foreign markets. From the mid-1950s, American multinationals settled en masse to Western Europe, and took advantage of the tax credits offered by countries such as Switzerland to establish there special subsidiaries, or «base companies» whose purpose was not only to manage and coordinate their European operations, but also to use Switzerland as a platform to repatriate and recirculate profits and investments.[64] Third, in the late 1950s, the negative evolution of the US balance of payments, with large deficits, raised the threat of a vicious circle that would combine destabilization of the dollar and capital flight.

The Kennedy administration therefore immediately reactivated discussions on tax evasion at the OECD. The first note submitted by the American delegation to the Fiscal Committee suggested setting up a Working Party against the misuse of double taxation agreements.[65] The Treasury explicitly aimed through this action at hindering the relocation of multinationals headquarters in countries (such as Switzerland) with a dense

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[57] See for instance OECD-HA, FC-M(57)2, Fiscal Committee of the OEEC. Minutes of the 4th session, 4-7.06.1957.

[58] See for short statements: OECD-HA, FC-M(60)1F, Fiscal Committee of the OEEC. Minutes of the 16th session, 2-5.02.1960; FC-M(61)1F, Fiscal Committee of the OEEC. Minutes of the 22nd session, 17-20.01.1961.

[59] SFA, E 7111 B, 1972/168, vol. 135, Confidential Report of Kurt Locher, Swiss Delegate to the Fiscal Committee of the OEEC, 31.10.1958.

[60] SFA, E 7111 B, 1972/168, vol. 135, Confidential Report of K. Locher, 10.03.1960.

[61] On the transformation of the OEEC to the OECD and its political implications, see for instance Matthias Schmelzer, *The Hegemony of Growth. The Making and the Remaking of the Economic Growth Paradigm and the OECD*, Cambridge: Cambridge University Press, 2014, in press: 37-43.

[62] Farquet 2014: 460-461.

[63] See for a general view on offshore growth Palan, Murphy, Chavagneux 2010. For case studies on small tax havens: Gregory Rawlings, « Laws, Liquidity and Eurobonds: The Making of the Vanuatu Tax Haven », *Journal of Pacific History*, 39/3, 2004: 325-341; Craig Boise, Andrew Morriss, « Change, Dependency, and Regime Plasticity in Offshore Financial Intermediation: The Saga of the Netherlands Antilles », *Texas International Law Journal*, 45, 2010: 377-456; Tony Freyer, Andrew Morriss, « Creating Cayman as an Offshore Financial Center: Structure & Strategy since 1960 », *Arizona State Law Journal*, (forthcoming).

[64] Magrit Müller, « The case of US companies in Switzerland ». in Hubert Bonin (ed.), *American firms in Europe. Strategy, identity, perception and performance (1880-1980)*, Genève: Droz, 2009: 105-128.

[65] OECD-HA, TFD-FC-145F, Note by the United States Delegation on Tax Avoidance through the Improper use or Abuse of tax Conventions, 14.11.1961; FC/M(61)1, Fiscal Committee of the OECD. Minutes of the 1st session, 21-24.11.1961.

network of fiscal conventions that facilitated the repatriation of profits to their territory. Within the Committee, US representative Richard Gordon became a staunch supporters of an assistance clause against tax evasion without loopholes in the future OECD model convention against double taxation.[66] As it had been the case during the 1944-1946 difficult negotiations with the Allied powers, the years between 1958 and 1963 constituted a tense period for Swiss banking secrecy and tax practices. Pressure emanated almost exclusively from the United States: while a relentless media campaign was conducted across the Atlantic against banking secrecy– criticism against the Swiss financial center was becoming «*an almost daily phenomenon*» in US newspapers according to a prominent Swiss banker[67] – the US Treasury unsuccessfully attempted to obtain information from the Swiss administration on the use of holding companies by American firms.[68] These tensions arose alongside other bilateral disputes that had their origins in unsolved WWII issues, such as Jewish unclaimed assets in Swiss banks and American claims against Interhandel, the Swiss holding company of the former Nazi *Konzern*, IG Farben.[69]

Within the Swiss diplomatic corps and the SBA, which closely worked together to stifle these pressures, the tension became acute when fronts against banking secrecy opened on all sides in 1962-1963. In addition to conflicts within the OECD during the imminent adoption of the tax model convention, increasing European integration threatened to create a multilateral alliance on the Continent against the parasitic practices of the Swiss tax haven.[70] The increase in offshore activities also encouraged the governments of neighboring countries to react unilaterally. This was the case in Germany – which denounced the growing use of «base companies» and holdings in Switzerland and established a parliamentary committee on tax havens.[71] The same pattern was replicated in Italy where the recycling of banknotes via Swiss banks –which might have reached CHF 4.5 billions CHF (more than $1 billion) during the first semester 1963 – was publicly denounced by Giulio Andreotti.[72] Last but not least, the consensus on tax competitiveness seemed to crumble within Switzerland itself when, to the dismay and furor of business circles, the Christian-Democrat Finance Minister, Jean Bourgknecht, endorsed in the spring of 1962 the most virulent official report against tax fraud in the Confederation since the early 20th Century. This embarrassing report also mentioned explicitly the issue of foreign tax evasion in Switzerland and described easier exchange of fiscal information between Switzerland and its foreign partners as a path to be considered.[73]

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[66] See for instance OECD-HA, F/M(62)5, Fiscal Committee of the OECD. Minutes of the 6th session, 25-28.09.1962.

[67] SFA, E 2001 E, 1976/17, vol. 155, Letter from Samuel Schweizer, Chairman of the Board of the *Société de Banque Suisse,* to Friedrich Wahlen, Federal Councilor (Federal Political Department), 12.07.1962.

[68] See for instance SFA, E 2001 E, 1976/17, vol. 313, Minutes of a discussion with L. Harold Moss, delegate of the Internal Revenue Service in Europe, 4.06.1958; Minutes of a discussion with L. H. Moss and R. Gordon, 25.10.1961.

[69] Barbara Bonhage, Hanspeter Lussy, Marc Perrenoud, *Nachrichtenlose Vermögen bei Schweizer Banken : Depots, Konten und Safes von Opfern des nationalsozialistischen Regimes und Restitutionsprobleme in der Nachkriegszeit*, Zürich : Chronos, 2001; Mario König, *Interhandel: die schweizerische Holding der IG Farben und ihre Metamorphosen – eine Affäre um Eigentum und Interessen (1910-1999)*, Zürich : Chronos, 2001.

[70] See for instance SFA, E 2001 E, 1976/17, vol. 155, Letter from the SBA to Division of Commerce, the Federal Political Department and the Swiss National Bank, 9.07.1962 (Appendix: confidential letter from the SBA to the members of the association, « Critiques de l'étranger contre la banque suisse », 9.07.1962).

[71] « Bericht der Bundesregierung an den Deutschen Bundestag über Wettbewerbsverfälschungen, die sich aus Sitzverlagerungen in das Ausland und aus dem zwischenstaatlichen Steuergefälle ergeben », 23.06.1964.

[72] For this affair, see *Tribune de Genève*, « Le ministre de la défense italien ferait des révélations sensationnelles sur les fuites des capitaux », 7.10.1963; SFA, E 2001 E, 1976/17, vol. 155, Letters of the Swiss Embassy in Rom to the Federal Political Department, 4.07.1963 and 25.09.1963. On the recycling of Italian capital through Switzerland, see also Martin Kuder, *Italia e Svizzera dal 1945 al 1970: commercio, emigrazione, finanza e trasporti*, Milano: Franco Angeli, 2012: 209-220. According to Kuder, $7.7 billions were transferred illegally from Italy to Switzerland (and back to Italy) between 1961 and 1970. The Swiss share of all these transactions amounted to more than 95%.

[73] See Report of the Federal Council to the Federal Assembly « sur la motion Eggenberger concernant une lutte plus efficace contre la fraude fiscale », 25.05.1962.

But in the end this flare up amounted to no more than a flash in the pan. The OECD Fiscal Committee finally published in 1963 his model convention against double taxation, including one article on the exchange of tax information that contained safeguards for banking secrecy in line with the 1925 LON report.[74] Switzerland was the only country to express its reservation against this clause and this obstruction was probably not unrelated to the timid outcome of OECD debates on tax evasion.[75] More importantly, the combative attitude of the US Treasury delegates was hardly relayed by their European counterparts. In July 1962, a survey of the Swiss Ministry of Foreign Affairs already identified large cracks in the apparently unified foreign front against banking secrecy.[76] In Paris, for example, given the extensive use of Swiss accounts by the French ruling circles, the Swiss Ambassador wrote that «*no contrary trend to banking secrecy is perceptible in France in 1962. On the contrary all leaders secretly wished that it should be maintained*».[77] Alongside the discreet support of European elites, the Swiss offshore center benefited also from the international financial environment. The European powers had generated balance of payments surpluses since the second half of the 1950s, encouraging even some central banks to promote capital exports to prevent economic overheating. In other words, despite the revival of offshore finance in the early 1960s, the situation was far from the explosive configuration of the first half of the 1920s, marked by a direct correlation between capital flight and currency crises.[78] Whereas US business circles were also mobilizing in Congress to defang Kennedy's international tax policy efforts[79], the US government seemed to acknowledge the difficulties of an international alliance against tax havens in this context and moved towards the adoption in of a series of unilateral measures to prevent flight from the dollar. In 1963-1964, for example, the introduction of a surtax on foreign securities' income earned by US residents – the Equalization Tax – limited the attractiveness of investments abroad, which ultimately boosted the offshore Eurodollar market.[80] Despite heated business opposition, the Kennedy administration was also able to slow down the installation of new «base companies» within countries such as Switzerland.

The 1963 OECD standard agreement was in line with the various model conventions developed under the auspices of the LON in the 1920s with an inclination to favor the taxation of incomes from capital exports in the country of the taxpayer's domicile. Regarding the taxes on multinational corporations, also in accordance with previous measures, their subsidiaries were specifically excluded from the list of the permanent establishments that were taxable on the basis of an apportionment of the total profits of the firm, offering ample room for maneuver to these companies to reduce artificially their profits. As for interests and

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[74] For the text, see *Draft double taxation convention on income and capital. Report of the OECD Fiscal Committee,* Paris: OECD, 1963. The Article 26 gave a guarantee to professional secrecies as well as usual tax practices. For Switzerland, these two mentions tended to validate its banking secrecy.

[75] OECD-HA, FC(63)1, Final Report on the Article on Exchange of information, 7021963. The Swiss economic circles influenced the Swiss tax administration. See for instance, SFA, E 2001 E, 1976/17, vol. 253, Letter from the SBA to Roger Bonvin, Federal Councilor (Finance), 10.12.1962; Letter from the *Groupement des Holdings industrielles* to the Swiss Federal Tax Administration, 19.12.1962.

[76] SFA, E 2001 E 1976/17, vol. 155, Confidential Letter from Pierre Micheli (Federal Political Department) to the Swiss Embassies in Washington, London, Paris, Köln, Brussels, Rome and The Hague, 16.07.1962.

[77] SFA, E 2001 E, 1976/17, vol. 155, Confidential letter from Agostino Soldati, Swiss Ambassador in Paris, to P. Micheli, 20.07.1962. In Italy, the Swiss Embassy observed at the same time no movement against the interests of the Swiss tax haven. See SFA, E 2001 E, 1976/17, vol. 155, Letter from the Swiss Ambassador in Italy to the Federal Political Department, 7.08.1962.

[78] Samuel Katz, « External Surpluses, Capital Flows, and Credit Policy in the European Economic Community, 1958 to 1967 », *Princeton Studies in International Finance*, 22, 1969.

[79] See SFA, E 2001 E, 1976/17, vol. 313, Note for Bindschedler (Federal Political Department), 7.05.1962.

[80] Ronen Palan, « International Financial Centers : The British-Empire, City-States and Commercially Oriented Politics », *Theoretical Inquiries in Law*, 11/1, 2010: 163-164.

dividends, they were certainly taxed at source, but at a relatively low maximum level of respectively 10% and 15%. In short, the road was now free for a decade of accumulation of fraudulent capital. The evolution of Swiss policies confirms this trend. In December 1962, when pressures against banking secrecy multiplied, the federal government had taken some token measures to prove its good will to the United States, in the form of a federal decree on the return of unclaimed assets and another decree against the misuse of double taxation agreements which modestly restricted treaty shopping opportunities (however this decree was not retroactive and thus did not impact existing US base companies that had settled *en masse* around 1960).[81] After 1963, Swiss leaders did not even need anymore to make such acts of contrition. Inside Switzerland, Bourgknecht's vehement report against tax fraud led ironically, after a vigorous lobbying campaign of the banking world and the replacement of the Minister of Finance[82], to a popular vote in favor a general tax amnesty in 1968.[83] In international relations, the OECD model convention facilitated the conclusion of a number of double taxation agreements without assistance clauses against tax evasion. Between the turbulent years that spanned from 1957 to 1964, only one such agreement was signed by the Confederation. However, over the next fifteen years, around twenty conventions were signed and none of them contained any restrictions on banking secrecy.[84]

III. Crisis and the shadow of offshore finance, 1977-1985

This last section surveys the various bilateral and multilateral initiatives that attempted to address the joint issue of tax evasion and capital flight during the 1970s and 1980s. This period continued to witness patterns mentioned previously: individual countries might publicly attack tax havens, but they often stopped short of taking serious retaliatory measures against them. At the same time, the crisis of the 1970s brought new urgency to tax evasion debates. European institutions, from the European Commission to the Council of Europe also became more vocal in their denunciation of tax haven practices. This changing environment finally helped to make tax evasion a growing concern within the OECD itself and led to the creation in 1977 of a permanent working party on tax evasion. Though this working party at first limited itself to churn out internal reports, it constituted a knowledge basis for further OECD initiatives in this domain. By the 1980s, multilateral initiatives such as an OECD-Council of Europe Convention on mutual administrative assistance in tax matters (1987), as well as the foundation of the Financial Action Task Force (FATF, 1989). But these initiatives surfaced at an inopportune time: the urgency of the crisis of the 1970s had passed, and financial liberalization was in full swing, heralding a new phase of expansion for offshore finance.

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[81] « Arrêté fédéral sur les avoirs en Suisse d'étrangers ou d'apatrides persécutés pour des raisons raciales, religieuses ou politiques », 20.12.1962; « Arrêté du Conseil fédéral instituant des mesures contre l'utilisation sans cause légitime des conventions conclues par la Confédération en vue d'éviter la double imposition », 14.12.1962.

[82] On the SBA pressures, for instance see SFA, E 7001 C, 1975/63, vol. 9, Telegram of the SBA to the Federal Council, 5.06.1962. Then, the new Minister of Finance, R. Bonvin, was much more on the line of the SBA on this issue. See for instance, SFA, E 1070(-), 1974/32, vol. 69, Confidential Minutes of the Commission of the State Council, 30.04.1963; E 6100 B-02, 1989/75, vol. 26, Letter from the SBA to R. Bonvin, 24.04.1967.

[83] See for instance Pierre-Etienne Vittoz, « Les amnisties fiscales fédérales des années 1960 au regard de la presse », Master thesis, University of Lausanne, 2014.

[84] Between 1957 and 1964, one agreement with Pakistan was signed in 1960. Double taxation agreements were concluded between 1965 and 1980 with the following 19 countries: Sweden, Spain, France, Ireland, South Africa, Japan, Germany, Trinidad and Tobago, Denmark, Austria, Portugal, Malaysia, Italy, Canada, Great Britain, Belgium, Korea, Australia, New Zealand. See *Feuille fédérale* [www.amtsdruckschriften.bar.admin.ch].

After the skirmishes detailed in the preceding section, the liberal tendencies at work within the OECD Fiscal Committee continued to weigh on efforts to fight tax evasion and capital flight. What is more, during the second half of the 1960s, the Fiscal Committee markedly slowed down its pace. According to a 1969 comment by the Swiss delegate, in the wake of the 1963 Model Agreement, the Committee had «*nothing to do anymore*» and its Chairman since 1956, Dutch civil servant van den Tempel, was «*stuck into his chair*» and lacked initiative. Multilateral tax negotiations were «*circling around aimlessly*».[85] The revision of the 1963 Model Convention (a process completed by 1977) remained central task of the new OECD Committee for Fiscal Affairs (CFA). Yet, despite increasing criticism against double taxation abuse and damageable tax practices, the assistance clause in tax matters introduced in 1963 was neither enlarged nor made more enforceable.

This lack of momentum happened at the very moment when financial innovations such as the consolidation of the Euromarket, the development of captive insurance in Caribbean and Anglo-Norman Islands, or simply the acceleration of financial transactions within multinational corporations were gaining ground and potentially contributing to the consolidation of offshore finance. Monetary instability, from the Pound Sterling devaluation of 1967 to the general pressures on the US dollar, was also on the rise and heralded growing cracks in the Bretton Woods system. However, only distant echoes from such developments could be heard at first within the confines of the OECD Fiscal Committee: tax evasion would only come back on the agenda by the mid 1970s, in the midst of the most severe recession and fiscal crisis since the 1930s. In the interval, the Committee labored to re-launch itself. This soul-searching went in parallel with the transformation of the OECD Trade and Finance Directorate, to which the Fiscal Committee was attached, into separate entities devoted to respectively international trade (Trade Directorate) and financial issues (Finance Directorate). For Swiss diplomats, this review process, though inevitable, entailed risks and thus the «*most extreme caution in the choice of new topics to be studied*» was needed.[86] For example, the idea of a multilateral agreement introducing «*reciprocal assistance for the assessment and recovery of taxes*» briefly sent alarm bells ringing in Switzerland, but the project did not go far. By 1971, the only progress on this front was the signature, outside of the OECD remit, of a limited convention between five Scandinavian countries.[87] The issue of «base companies» had been a main concern for the Working Party 21 on «abuse of double taxation», but the WP was unable to advance on this topic after 1967.[88] However, the question was still on the table and would come back by the mid 1970s as a complement to OECD efforts to establish its leadership on the issue of the regulation of multinational corporations.[89]

Until this date, bilateral pressures against the Swiss tax haven remained disjointed and fruitless. In the wake of the 1968 social explosion, French wealth transfers to Switzerland accelerated and fueled

[85] SFA, E 2001 E, 1980/83, vol. 254, Note of the Swiss Delegation at the OECD, 6.02.1969.

[86] SFA, E 2001 E, 1980/83, vol. 254, Note of the Swiss Delegation at the OECD, 6.02.1969.

[87] OECD-HA, FC/M(71)1, 38th Session of the Fiscal Committee, 02.1971. For Swiss bankers and industrial holdings' support for Swiss official «reservations» on reciprocal assistance, see the correspondence in file SFA, E 2001 (E), 1980/83, vol. 254.

[88] The Fiscal Committee minutes contain regular, and almost comical, announcements that the WP21 would «*soon*» or «*in a few months*» publish a new report… that in fact never came out.

[89] See Thomas Hajduk, « A code to bind them all. The multinational dilemma and the endeavour for an international code of conduct », in Sandra Brändli, Roman Schister, and Aurelia Tamò (ed.), *Multinationale Unternehmen und Institutionen im Wandel – Herausforderungen für Wirtschaft, Recht und Gesellschaft*, St. Gallen: Universität St- Gallen, 2013.

denunciations of tax haven practices.[90] In late 1969, Finance Minister Giscard d'Estaing led informal negotiations with its US, British and German counterparts in order to build a common front against banking secrecy. But these efforts led nowhere, notably because of US focus on exerting bilateral pressure against the Swiss tax haven. Indeed, in the United States, several Senate and House hearings devoted to money laundering and tax havens publicly lambasted Swiss practices. Yet, these only led to arduous negotiations whose outcome was a bilateral treaty introducing – at least nominally – judicial assistance for money laundering issues between the two countries (signed in 1973, the treaty was however not implemented before 1977).[91] The surprising US timidity in pursuing Switzerland might be linked to the rapid foreign expansion of US banks, a phenomenon in which the Swiss financial center served as a key platform and which might have been impacted by stricter regulations.[92] Nearer to Swiss borders, public indignation against German millionaires and entrepreneurs setting up favorable tax domiciles in alpine hideaways represented the salient tip of a broader campaign orchestrated from 1969 onwards by SPD Finance Minister Alex Möller against tax evasion and capital flight.[93] Möller, who was known as an apostle of «*financial soundness*», acted mainly to appease the SPD leftwing. Exerting pressure was also useful at a time when Switzerland and Western Germany were negotiating the revision of their 1931 double taxation treaty.[94] Yet, Möller stepped down in May 1971 from the social-liberal coalition to protest against what he considered as excessive borrowing targets. His departure delayed the signature of the new double taxation treaty, which nonetheless received a green light from the Swiss Bankers' association. The 1971 German law to combat *Steuerflucht* was finally considered as «*manageable*» by business circles.[95] In each of these three episodes, the Swiss financial center could either deflect disjointed bilateral attacks, or simply kept its head down while the controversy died out from itself.

However, the shifting context of the mid-1970s finally brought new urgency to OECD deliberations. The unraveling of the Bretton Woods system exposed currencies to monetary crisis at a difficult time, marked by industrial crisis, unemployment and a rapid worsening of the fiscal situation of Western states. This situation fueled demands to reintroduce a stricter regulation of capital flows, which undoubtedly contributed to a more hostile assessment of offshore finance from the mid 1970s onwards. The surge of new reports about international tax evasion and damaging fiscal practices, as well as new multilateral attempts to deal with this issue, was a testimony to a situation that echoed the LON approach in the early 1920s. If the OECD CFA remained the focal point of these multilateral efforts, the 1970s also signaled the increasing activism of the EEC on international fiscal issues. Spurred by joint Franco-German efforts, several reports and memoranda pointed to the problems of tax evasion and capital flight in the context of early monetary

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[90] See Janick Schaufelbuehl, «Une dimension méconnue du Mai 1968 français. La fuite des capitaux», *Vingtième siècle. Revue d'histoire*, 2014: 141-154. 11-12 billions French francs were estimated have fled to Switzerland during the months that followed May 1968. See also Sylvain Besson, «La France n'a jamais réussi à stopper la fuite des capitaux», *Le Temps*, 05.01.2010.

[91] On US criticisms, see Willi. Loepfe, *Der Aufstieg des Schweizerischen Finanzplatzes in der Nachkriegszeit 1945 bis 1975*, Weinfelden: Wolfau-Druck, 2011: 290ss.

[92] Thibaud Giddey, « The Regulation of Foreign Banks in Switzerland (1956–1972) », in *Foreign national institutions and national financial systems*: EABH/The National Bank of Poland, 2013: 449-88.

[93] See *Der Spiegel*, «Abschied vom Finanzamt», 21.12.1970.

[94] See *Neue Zürcher Zeitung*, «Die deutsche Flucht in Steueroasen. Grundsätzliche Erwägungen zu einer komplexen Frage», 29.11.1970

[95] *Neue Zürcher Zeitung*, « Die deutsche Steuerfluchtgesetz. Massvollere Bestimmungen im endgültigen Regierungsentwurf», 02.07.1971. On the double taxation treaty, see ASBA, Board Minutes 284th Session, 30.06.1971.

integration attempts.[96] By 1975, the European Commission was also drafting a joint resolution on mutual assistance to restrict tax fraud.[97] If these initiatives had little impact on the battlefront against tax evasion, they clearly shook the muted stance of the OECD.

Between 1973 and 1977, tax evasion increasingly became a key concern for the OECD CFA. The issue was at first dealt with within a new WP6 on taxation and multinational enterprises (MNEs) established in 1973. The WP6 first reports were quite frank on tax evasion, transfer prices, and tax havens: these issues were a growing concern and might necessitate the establishment of *«a permanent group of international experts»* to monitor it, or even «*the possibility of going beyond existing exchanges of information through double taxation treaties, for example through a multilateral convention»*.[98] Such proposals were greeted with dismay by the Swiss delegates, which at first complained that the WP *«seemed to be going beyond its Mandate»*. In 1975, when the WP6 launched a wide-ranging questionnaire on tax evasion methods, Switzerland, alongside the UK, also underscored that they did not think necessary to develop new multilateral measures.[99] However, a new course of action was clearly underway. Under the chairmanship of French tax official Pierre Kerlan, the CFA examined in December 1976 an unusually critical assessment of previous international work on this matter. Beginning with a reminder of what had been achieved by the LON from the 1920s until 1946, a note stressed the paucity of subsequent efforts. Underscoring that the OEEC and then the OECD had «*long shown some reticence about dealing with the problem of unlawful tax evasion*» and that the 1963 Model Convention made «*no provision for any assistance*», the note castigated the OECD for taking «*no political stance on this matter*» and argued for increased involvement on the issue.[100] Spurred by several EEC resolutions and recommendations on tax evasion and supported by the US insistence on the necessity to find new solutions, the CFA finally accepted the foundation of a working party n°8 devoted to «tax avoidance and tax evasion». The WP held its first session in January 1977 and began to produce a stream of reports.

By the late 1970s, tax evasion had become a permanent item on the CFA working agenda. This also led to increasing cooperation between the OECD and the Council of Europe (CoE). But such joint operation was not a given. While the WP8 acknowledged that an increasing number of international forums (in particular the UN ECOSOC, the EEC and the Council of Europe) were dealing with tax evasion issues, it underscored the risk of a potential «duplication of work» and insisted that the CFA would first explore if the issue was not solvable in the context of bilateral treaties, and not a multilateral agreement.[101] These comments might

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[96] See European Commission declaration (COM (73) 1008, published in J. F. Avery Jones, *Tax havens and measures against tax evasion and avoidance in the EEC*, London: Associated Business Programmes, 1974. As well as the 1974 German-French memorandum « Tax Evasion/Avoidance on the International Level », published in *European Taxation*, 136, 1974. For an analysis of French misgivings about Swiss efforts to join the «monetary snake» because of its lax attitude towards tax evasion, see Amaury de Saint Périer, *La France, l'Allemagne et l'Europe monétaire, 1974-1981. La persévérance récompensée*, Paris : Presses de Sciences Po, 2013: 95-98.

[97] OECD-HA, CFA(76)3 – Recent developments in the field of tax avoidance and tax evasion, 03.06.1976 (Note by the Secretariat).

[98] OECD-HA, DAF/CFA/WP6/73.5 – Tax haven countries and the strategy of multinational enterprises, 12.11.1973 (on international monitoring). OECD-HA, DAF/CFA/74.20 – Draft report on tax avoidance and evasion, 24.10.1974 (on multilateral solutions).

[99] OECD-HA, DAF/CFA/WP6/73.6 – Summary of decisions, 04.12.1973 (WP mandate); OECD-HA, DAF/CFA(75)18 [OECD microfiche 09.842-75] – Responses to the questionnaire on tax evasion, 01.10.1975.

[100] See OECD French delegation, «International co-operation in combating tax avoidance and evasion», Appendix to OECD-HA, CFA(76)10 – CFA Proposed program of work for a new working party on tax avoidance and evasion, 13.12.1976. See also for similar opinions OECD-HA, DAF/CFA/76.23 Meeting of OECD tax inspectors, 20-21.09.1976. The meeting dealt in particular "with tax avoidance and evasion with special reference to false invoicing, transfer pricing in respect of patents and royalties, and detection of tax haven transactions".

[101] OECD-HA, DAF/CFA/M(78)2 15th session, 21-22.06.1978, p. 5. See also OECD-HA, DAF/CFA/WP8/79.1 « Activités du Conseil de l'Europe en matière d'évasion et de fraude fiscales », 15.02.1979.

hint at the apprehension on the part of the OECD CFA to be overtaken by potential competitors on its home turf and its attachment to the principle of double taxation. It also underscored difference in the ways the CoE, a much more public discussion forum, and the CFA, a technocratic and understated outfit, worked on the issue. By finally accepting the CoE invitation to participate in a common workshop on tax evasion and subsequently contributing to launch a joint effort to establish a «Multilateral Mutual Administrative Assistance Convention», the CFA might have been tempted to choose collaboration in order not to be side-stepped. This novel joint approach would take around a decade to be completed: the OECD-CoE Convention would be accepted in 1988 and open for ratification in 1995.[102]

At this stage of our research, it is difficult to see clearly why this path was chosen instead of others. Indeed the joint OECD-CoE collaboration can either be viewed either as a progress – at long last international organizations were joining forces to tackle a burning tax problem – or another patent example of how sensitive issues were drown in empty discourses and hollow measures. Indeed, the preeminence of the CoE channel might signal that earlier initiatives at the executive inter-governmental level (i.e. the European Commission recommendations of 1975) were running into difficulties and the issue found itself sidelined into a broader, but less effective, talking shop. However, if the CoE was (and still is) a rather innocuous forum, it was also the only European organization in which Switzerland was a member (since 1963), so it might a place where we could potentially witness, as it is the case in the OEEC/OECD context, interactions between Swiss diplomacy and internal politics.

This last point is not insignificant. Indeed, this period witnessed a potentially risky configuration for the Swiss tax haven, when both international and domestic pressure seemed again to converge. Specialized in recycling capital evading Italian tax authorities through a complex set of shell corporations based in Liechtenstein, the Chiasso subsidiary of the Credit Suisse collapsed in early 1977, exposing both the extent of tax fraud, its brazen exploitation by Swiss banks as well as the deficiencies of banking self regulation. The «Chiasso scandal» triggered a hasty response from Swiss banks (a 1977 convention on numbered accounts), some official handwringing, but also domestic backlash against tax haven practices. For the first time since the 1920s, the Swiss Socialist Party frontally challenged banking secrecy through direct democracy. Though the Socialist banking regulation initiative was massively repelled in May 1984 by over two thirds of the electorate, the shallow waters of the 1977-1987 period had to be navigated carefully by Swiss financial diplomacy.

The Swiss defense strategy involved pre-emptive measures and diplomatic posturing, such as the 1983 Federal law on international assistance in tax matters (which despite its name in fact codified in law the current practice of denying tax assistance to foreign partners).[103] This law echoed the hasty measures taken by the Federal Council in December 1962 when it faced US pressure on «base companies». Another strategy involved step-by-step obstruction of the joint OECD-CoE efforts, as well as stern refusal to let the OECD publish any report, though insignificant, about banking secrecy and tax evasion matters. In July 1984, only

[102] On Council of Europe tax evasion debates, see OECD-HA, DAF/CFA WP8/78.23. See also OECD CFA/M(81)1 – 30.01.1981. CFA Summary record of the 20th Session, 14-15.01.1981.

[103] Sylvain Besson, *Le Secret Bancaire : La Place Financière Suisse Sous Pression*, Lausanne: Presses polytechniques et universitaires romandes, 2009: 43.

one month after the defeat of the Socialist initiative on banking secrecy, Switzerland (alongside with Luxemburg and Austria) thus refused to endorse an OECD public declaration pointing at «Tax issues and abuse of banking secrecy».[104] And when the OECD-CoE Convention was reaching completion, Swiss CFA delegates (again alongside Luxemburg and Austria, but with Swiss diplomats clearly leading the pack) stated their refusal to accept the Convention, thus jeopardizing the whole process.[105] Other delegates were irritated against both these obstructionist moves and the fact that draft copies of the Convention had been circulated and *«misrepresented»* in the press.[106]

Lambasted as a genuine «World Fiscal Police», or dubbed «INTERFIPOL» (as an echo to Interpol), the joint OECD-CoE Convention attracted a hostile media campaign orchestrated by tax advisers and banking circles.[107] The Convention signed by the CoE in April 1987 faced strong headwind. The window of opportunity for tax regulation and the political willingness to lean on tax havens of the preceding decade faded in the second half of the 1980s, with financial deregulation in full throttle.[108] As the OECD itself was an active protagonist in these mutations, the potential mismatch between the CFA and other branches of the Paris Organization dealing with financial market affairs should be studied more carefully.[109] Nevertheless, the OECD-CoE Convention has been used from the 2000s onwards as a blueprint for «automatic tax information exchange» initiatives, which also signals that this initiative could be revived and developed further, even after a false start.

In 1987, the OECD also launched a publication series on «Issues in international taxation», another sign that tax evasion was gaining a permanent foothold in the Organization. Entitled *International tax avoidance and evasion. Four related issues* (1987), the first report of the series is usually considered as a foundational text for later efforts in this domain. Another foundational event was the creation, in 1989, of the Financial Action Task Force on Money Laundering (FATF). Set up as a «special body» hosted at OECD headquarters, the FATF can be linked to investigations on «crime and secrecy» that originated in the late 1960s in the US (i.e. Patman Hearings on organized crime) and continued right into the 1980s, for example with the publication in 1981 of the «Gordon Report» on tax havens and crime.[110] This discussion about tax abuse, money laundering and organized crime (especially drug trafficking) was soon internationalized through UN and G7 channels and provided the momentum for the setting up of the FATF.[111]

By 1990, the third cycle of multilateral tax negotiations had run its course, but the basis for the next generation had been laid. However, further research is needed to connect the broader overview we have presented in this paper and the more recent literature mentioned in the Introduction. In particular, we have to

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[104] *Fiscalité et abus du secret bancaire*, Paris: OCDE 1985. See also OECD-HA, CFA CFA/M(84)2, CFA Summary record of the 27th Session, 10-11.07.1984, 23.07.1984.

[105] OECD-HA, CFA/M(86)1, 11.03.1986.

[106] OECD-HA, CFA/M(86)2, 16.07.1986 (about media «misrepresentation») and CFA/M(87)1 – 19.01.1987

[107] Padraic P.McGuinness, «The world fiscal police», *Australian Financial Review*, 7 September 1988. See also Pierre Lascoumes, Thierry Godefroy, *Emergence du problème des places offshore et mobilisaiton internationale*, unpublished research report, Paris, 2002: 43ss. See also *Journal officiel de l'Assemblée nationale française*, 2e séance du 2 juin 1987, 1822 (intervention by Front National deputy Pascal Arrighi). Incidentally, the decried « Interfipol » had already been proposed, as « Intertax » during the 1960s. A similar idea has also been floated around by former IMF tax official Vito Tanzi. See Intertax: Intergovernmental Cooperation in Taxation; Surr, John V., Harv. Int'l. L. Club J. 179 (1965-1966).

[108] Age Bakker, *The Liberalization of Capital Movements in Europe, 1958-1994*, Kluwer Academic, 1996.

[109] Rawi, Abdelal, *Capital rules: the construction of global finance*. 2007, Cambridge/London: Harvard University Press.

[110] *Crime and Secrecy: The Use of Offshore Banks and Companies*. Washington DC: US Senate Committee on Governmental Affairs, 1983.

[111] *FATF Report, 1990-1991*, Paris, 1991: 4.

investigate more precisely the additional (dis)connections that followed the seeming multiplication of multilateral platforms to fight tax evasion and capital flight in an age of global financialization.

Concluding remarks: beyond the struggle for tax justice

Far from being a recent product of the excesses of neoliberalism or from advancing in a linear fashion, attempts to regulate international tax evasion experienced various cycles of emergence and disappearance throughout the 20th century. Beyond the contingency of these debates and their insertion in changing contexts, we would like to stress here two key features. First, tax evasion emerged in the multilateral arena linked to a recurring condition: regulation was invariably triggered by governments affected by capital flight and used as a substitute or complement to unilateral controls when the latter proved to be insufficient to prevent a crisis in international balance of payments. This was true in the inflation rich early 1920s as well as during the 1977-1987 period – marked by the dissolution of the Bretton Woods system and the subsequent acceleration of financial liberalization –, as well as, but to a lesser extent, for the period 1956-1963 when the US balance of payments went haywire. By contrast, the years 1930-1955, marked by unilateral restrictions on financial flows, witnessed a withdrawal from tax multilateralism, and this despite heightened state interventionism. Second, it is striking to note the obstructionist capacities of Swiss representatives in all these international debates. This impact was partly the result of the cohesiveness of Swiss financial diplomacy, dominated by the most internationalized fringes of financial capitalism, as well as the breadth of its economic and diplomatic power, which was far beyond that of the other small offshore centres. But this influence resulted also from the cross-border alliances with foreign elites who routinely used the amenities of the Swiss financial centre, or at least whose own interests did not contradict the race to the bottom that the Swiss tax haven generated on their own domestic tax systems

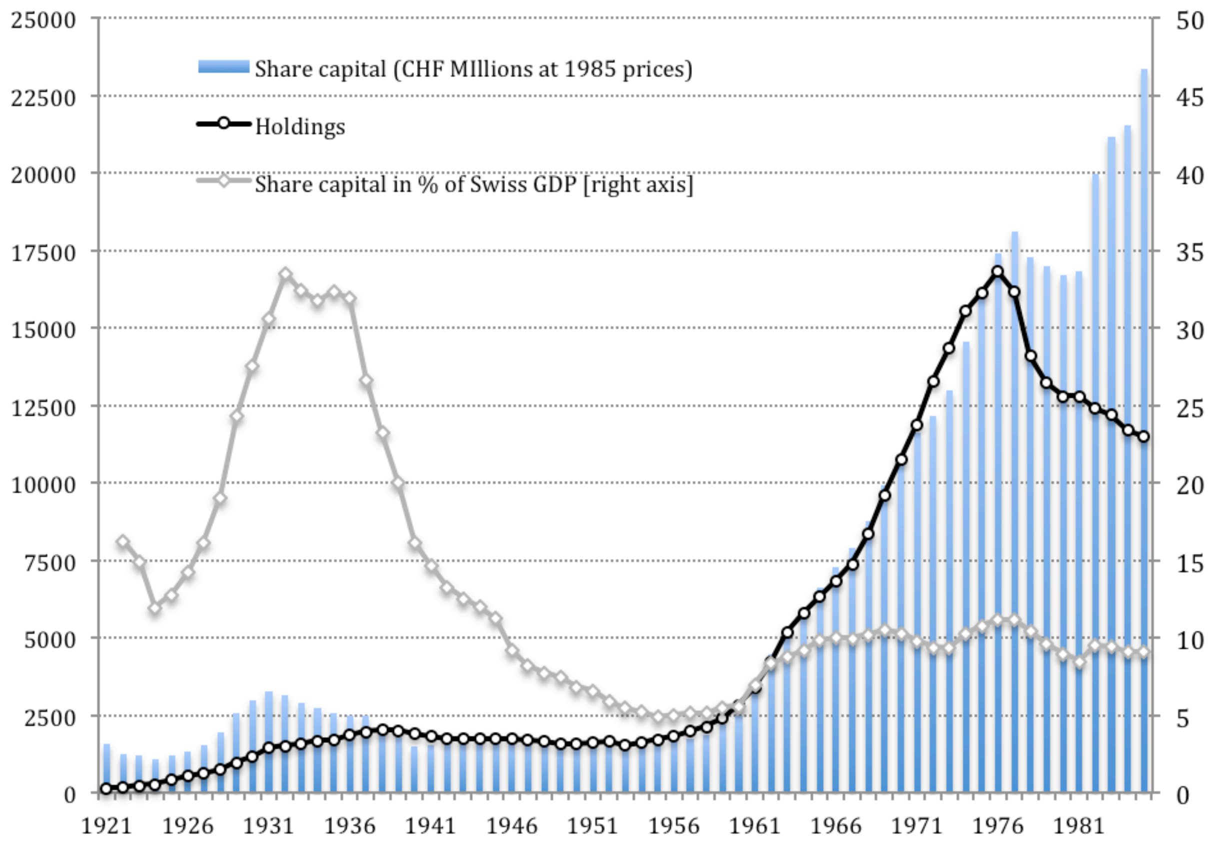
The unwarranted influence of an average economic power such as the Confederation during all these discussions raises ultimately the question of why big countries decided to launch campaigns against tax evasion from within international organizations. On the one hand, governments' and administrations' motivations to yield the menace of tax multilateralism were very diverse and went far beyond a hypothetical struggle to increase tax revenue or ensure a fairer distribution of tax burdens on various social strata. Quite paradoxically, calls for tax cooperation within international bodies were actually often linked to domestic policies' aims, such as the strengthening of tax controls inside France after WWI or the legitimizing of austerity plans implemented in the current crisis. However, besides these domestic considerations, governments pursued other objectives linked to international economic competition. Pressure against tax havens could aim at weakening the attractiveness of these centres in order to either keep investments within national borders and to reinforce economic development and monetary stability, or, and this was key for major financial centres, in order to redirect floating foreign assets towards their own financial markets. We obviously cannot understand the increasing attacks against Swiss banking secrecy since the end of the 1990s without mentioning the simultaneous capture of a more substantial share of offshore activities by the United

States and Great Britain, as well as their offshore «backyards» (i.e. British Caribbean islands, Delaware, etc.).

On the other hand, while these multilateral games are very intricate due to the diverse cumulative or contradictory interests they reveal, their analysis becomes even more muddled when we take into account a last but undeniable phenomenon: launching debates on tax evasion within international organizations can sometimes be a way for a government to divest itself of a very sensitive domestic topic while publicly demonstrating his willingness to tackle it on a seemingly higher international arena. Considering the sluggishness of multilateral policy processes, the very strong obstructionist capacities mentioned above, as well as, at least in the case of the LON and the OEEC, the reluctance of the organization itself against any regulation efforts, the placement of tax evasion on the agenda of international bodies proved throughout the 20th Century to be an effective way to deflate and deflect mobilization against tax havens – a strategy actually noticeable at the very beginning of such mobilization, namely at the Genoa Conference in 1922. Rather than analysing the failure of the multilateral fight against tax havens in the 20th Century in contrast to its relative success in the current crisis, it might be perhaps more fruitful to consider how international organizations proved to be flexible structures and eventually served as multipliers for dominant power relations. The LON discussions ultimately allowed Great Britain to shrewdly stifle attempts to regulate tax evasion, whereas the OECD debates offered the United States a useful fulcrum, likely to serve later as a support of unilateral attacks against banking secrecy.

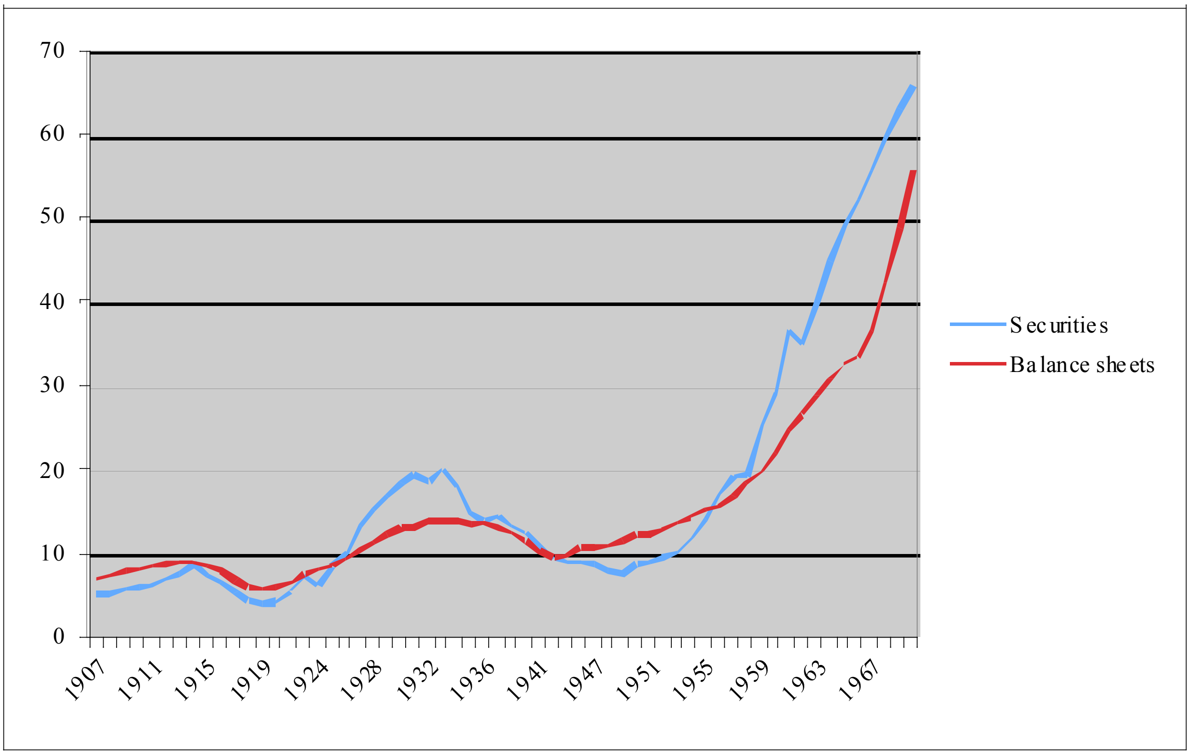
Appendices

1. Holding companies in Switzerland, 1921-1985

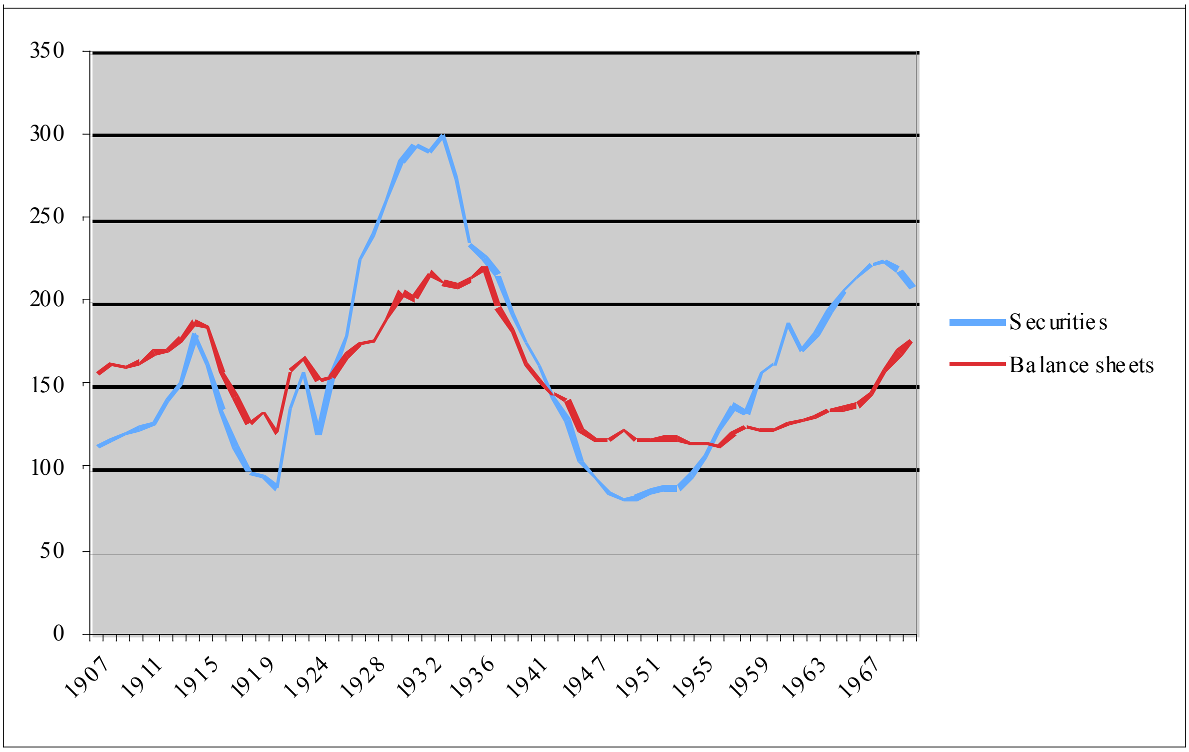


Sources: *Annuaire statistique de la Suisse*.

2. Securities under management and balance sheets of Swiss banks, 1907-1970 (in billions of 1914 CHF)



3. Securities under management and balance sheets of Swiss banks, 1907-1970 (as a share of Swiss GDP)



Sources : Malik Mazbouri, Sébastien Guex, Rodrigo López, « Finanzplatz Schweiz », in Patrick Halbeisen, Margrit Müller, Béatrice Veyrassat (ed.), *Wirtschaftsgeschichte der Schweiz im 20. Jahrhundert*, Basel : Schwabe, 2012.