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978-1-107-04314-5 - *Global Shell Games: Experiments in Transnational Relations, Crime, and Terrorism*

Michael G. Findley, Daniel L. Nielson and J. C. Sharman

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Global Shell Games

Shell companies that cannot be traced back to their real owners are crucial for enabling crimes like grand corruption, sanctions-busting, tax evasion, and the illegal trade in drugs and weapons. In investigating this shadowy, illicit world, *Global Shell Games* adopts a unique, experimental methodology based on posing as twenty-one different international consultants and making over 7,000 solicitations for prohibited untraceable shell companies from firms in more than 180 countries. Combining rigorous quantitative analysis, qualitative investigation of responses, and lurid news reports, this book makes a major contribution to research on compliance with key global rules, while also offering a novel approach to political science research. *Global Shell Games* is an invaluable resource for scholars of international relations, and a fascinating, accessible read for anyone interested in learning about worldwide criminal finance.

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Frontmatter

[More information](#)

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Frontmatter

[More information](#)

GLOBAL SHELL GAMES

Experiments in Transnational Relations,
Crime, and Terrorism

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Frontmatter

[More information](#)

*Michael Findley: For Heather, and Andrea, David, Joshua,
and Spencer*

Daniel Nielson: For Jenn, Catie, Abi, and Rob

J.C. Sharman: To my family and Bilyana

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Crime, and Terrorism

Michael G. Findley and Daniel L. Nielson and J. C. Sharman

Frontmatter

[More information](#)

Contents

<i>List of figures</i>	<i>page</i> x
<i>List of tables</i>	xi
<i>Preface</i>	xiii
1 Introduction	1
2 Explaining the global shell game	29
3 Overall compliance, tax havens, OECD and developing countries	60
4 Terrorism and corruption	87
5 Laws and standards	116
6 Penalties, norms, and US origin	145
7 Conclusion	168
<i>Appendices</i>	179
<i>Chapter 2 Appendix: Explaining the global shell game</i>	179
<i>Chapter 3 Appendix: Overall compliance and country groupings</i>	220
<i>Chapter 4 Appendix: Terrorism, Corruption, Premium</i>	221
<i>Chapter 5 Appendix: FATF and ACAMS</i>	223
<i>Chapter 6 Appendix: Penalties, Norms, US Origin</i>	225
<i>References</i>	226
<i>Index</i>	244

Cambridge University Press

978-1-107-04314-5 - Global Shell Games: Experiments in Transnational Relations,
Crime, and Terrorism

Michael G. Findley and Daniel L. Nielson and J. C. Sharman

Frontmatter

[More information](#)*Figures*

1.1 State-centric IR versus transnational relations	<i>page 16</i>
3.1 Comparison of results between OECD, tax haven, and developing countries as a proportion and difference from OECD countries	73
3.2 Dodgy Shopping Count: OECD, tax haven, and developing nation	75
3.3 Compliance rate for countries with more than 15 email exchanges	76
3.4 Compliance rate for US states with more than five email exchanges	77
4.1 Comparison of results between Placebo, Premium, Corruption, and Terrorism groups as a proportion and difference from Placebo group (international sample)	95
4.2 Comparison of results between Placebo, Corruption, and Terrorism groups as a proportion and difference from Placebo (US sample)	96
4.3 Dodgy Shopping Count: Placebo, Premium, Corruption, and Terrorism (international sample)	107
4.4 Dodgy Shopping Count: Placebo, Corruption, and Terrorism (US sample)	108
5.1 Comparison of results among Placebo, FATF, ACAMS, and ACAMS + FATF treatment groups for international providers	128
5.2 Comparison of results among Placebo, FATF, and IRS treatment groups as a proportion and the difference from Placebo group for US providers	129
5.3 Dodgy Shopping Count: Placebo, FATF, ACAMS, and ACAMS + FATF, international sample	130
5.4 Dodgy Shopping Count: Placebo, FATF, and IRS, US sample	130
6.1 Comparison of results across conditions	152
6.2 Dodgy Shopping Count by condition	154

Cambridge University Press

978-1-107-04314-5 - Global Shell Games: Experiments in Transnational Relations,
Crime, and Terrorism

Michael G. Findley and Daniel L. Nielson and J. C. Sharman

Frontmatter

[More information](#)

Tables

3.1 Contingency table of results by providers in OECD, tax haven, or developing country categories	<i>page 73</i>
4.1 Contingency table of results by Placebo, Premium, Corruption, and Terrorism with difference tests for the international sample	95
4.2 Contingency table of results by Placebo, Corruption, and Terrorism treatment groups with difference tests for the US sample	96
5.1 Contingency table of results by Placebo, FATE, ACAMS, and ACAMS + FATF treatment groups with difference tests for international providers	128
5.2 Contingency table of results by Placebo, FATE, and IRS treatment groups for US providers	129
6.1 Contingency table of results by Placebo, US Origin, Penalties, and Norms groups with difference tests for international sample	152
A2.1 Countries' ease of doing business rating	184
A2.2 States' ease of setting up business rating	189
A2.3 Code sheet for outcome categories	203
A2.4 Code sheet to assign specific document code requests	204
A2.5 International sample overall summary results	218
A2.6 US sample overall summary results	219
A2.7 International and US sample results dichotomized as based on research registration	219
A3.1 Chapter 3 predicted probabilities multinomial probit (international sample)	220
A4.1 Chapter 4 predicted probabilities multinomial probit (international sample)	221
A4.2 Chapter 4 selection model (international sample)	221

Cambridge University Press

978-1-107-04314-5 - Global Shell Games: Experiments in Transnational Relations,
Crime, and Terrorism

Michael G. Findley and Daniel L. Nielson and J. C. Sharman

Frontmatter

[More information](#)

xii

List of tables

A4.3 Chapter 4 predicted probabilities multinomial probit (US sample)	222
A4.4 Chapter 4 selection model (US sample)	222
A5.1 Chapter 5 predicted probabilities multinomial probit (international sample)	223
A5.2 Chapter 5 selection model (international sample)	223
A5.3 Chapter 5 predicted probabilities multinomial probit (US sample)	224
A5.4 Chapter 5 selection model (US sample)	224
A6.1 Chapter 6 predicted probabilities multinomial probit (international)	225
A6.2 Chapter 6 selection model (international)	225

Cambridge University Press

978-1-107-04314-5 - Global Shell Games: Experiments in Transnational Relations,
Crime, and Terrorism

Michael G. Findley and Daniel L. Nielson and J. C. Sharman

Frontmatter

[More information](#)

Preface

A critic of the scientific approach to international relations might wonder how much “knowledge” has accumulated in half a century. In the pages of *World Politics* in 1966, Morton Kaplan defended the scientific method as the best means of studying international relations. Taking issue with E. H. Carr’s assault on science in *The Twenty Years’ Crisis*, Kaplan noted that the “traditionalist asserts that those who aspire to a ‘science’ of politics insist upon precision, rigor, quantification, and general theory. The traditionalist further claims that the complexity of international politics is such that these goals cannot be attained nor the important questions of international politics be investigated by these means” (Kaplan 1966: 7). Our sense is that this basic debate still seethes today with little resolution. This book is an attempt to move the discussion forward.

Advocates of science as a means to understanding international politics face at least two significant challenges. First, transnational relations is, in effect, infinitely complex – many millions of individuals, firms, organizations, and agencies from different countries and international organizations interact daily. Second, progress in the science of international relations requires the identification of causal effects, and observational scientific methods can only suggest correlations. The target is thus much too big, the instrument much too limited. In this book we argue that the first problem contains the answer to the second: the sheer number of transnational actors can serve as subjects in field experiments capable of revealing causal effects in international relations. The vastness of transnational interactions thus offers the means for precisely testing important theories of international relations.

We hope the book will be pathbreaking in several respects. First, it offers the most systematic and detailed evidence to date on the availability of anonymous shell corporations globally. We draw a detailed map of cross-national transparency in company formation practices derived from more than 7,400 contacts made to roughly 3,800

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Frontmatter

[More information](#)

corporate service providers (CSPs) in 181 countries. Because the data are based on realistic requests for assistance with incorporation, they provide information gleaned from the relevant units of analysis behaving in their normal day-to-day routines. The data in this book therefore provide the most accurate picture of the issue area available.

Further, as far as we can learn, this is the first field experiment conducted on a global scale, where subjects reside in almost every country, treatment conditions involve more than a score of national jurisdictions, and the salience of international law is explicitly tested in a way that can reveal causal effects. It is also the first of what we hope will be many studies that fit what we call the experimental science of transnational relations, or Experimental TR. This broader research program probes the effects of international factors on the behavior of individuals, firms, and organizations. As noted above, these units of analysis exist in relatively large numbers, they can be practically and ethically assigned randomly to conditions, and outcomes of interest for them can be effectively measured – all of which makes them ideal as research subjects in field experiments. Experimental TR thus holds out the promise of a science of international relations research based on precise estimates of causal effects.

It is also the first published political science study of which we are aware to register the experimental research design prior to collecting the data and performing the data analysis. Registration of the research design pre-commits authors to follow through on precisely the planned experiment without massaging of the data analysis after the data are collected. We registered the planned experiment before we began collecting data, and the details of the registration procedure we followed can be found in the Chapter 2 Appendix at the end of the book.

As with any book-length endeavor, many more people contributed to the project than just the authors. We wonder if this has ever been more the case than for this study. First, our colleague Shima Baradaran was involved in the discussions of the research design and gave helpful direction especially where the study intersected her specializations in international and criminal law. With Shima as lead author we prepared two law review articles based on the research for the legal audience (Baradaran et al. 2013, 2014). Many scholars saw various presentations of the experiment and results, asked probing questions, and offered helpful suggestions. We therefore express gratitude to the Yale, Columbia, Cornell, George Washington, Northwestern, Vanderbilt,

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978-1-107-04314-5 - Global Shell Games: Experiments in Transnational Relations, Crime, and Terrorism

Michael G. Findley and Daniel L. Nielson and J. C. Sharman

Frontmatter

[More information](#)*Preface*

xv

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A virtual army of talented research assistants did much of the hard work involved in the book by compiling the subject pool, contacting corporate service providers, and coding responses. We therefore thank Allyson Adams, Jessica Allred, Lauren Barden, Peter Carroll, Drew Chapman, Zach Christensen, Stephanie Dowdle, Madeleine Gleave, Dano Gunderson, Matt Hadley, Ben Haymond, Dustin Homer, James

Cambridge University Press

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Frontmatter

[More information](#)

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