

political support, or financing deficits via inflation and risking popular discontent.

A fascinating final case is Mexico, a country that has almost fully retreated from offshore markets. Having initially used the offshore financial instruments to finance the economic development and patronage system of the PRI, the government ultimately failed to shield its economy from the external volatilities of the oil crisis. The costly social conflict arising from taxpayers bailing out the state and banks as a lesson from the past, coupled with easy access to US dollars via NAFTA, and far-reaching opportunities for money laundering and tax evasion presented by the large domestic informal sector, led to Mexico ultimately disconnecting itself from the world of offshore finance.

Crises thus play a central role in Binder's analysis. She shows that they are an inevitable consequence of unrealistically high credit money created offshore and the tendency toward broken promises of repayment due to a missing lender of last resort. Moreover, crises take away one of the central characteristics of offshore finance: the politics of invisibility. As soon as the distributional effects of offshore finance become apparent, the practice gets politically contested. This is where the important ability of institutions to mitigate comes into play. Such measures might include switching the tax regime from direct to indirect taxation, multilateral initiatives against offshore tax planning, limiting the number of banks allowed to participate in offshore banking domestically, or back-up systems consisting of foreign reserves and central bank swaps. Consequently, Binder argues that unregulated offshore finance is not necessarily a product of governmental incapacity but rather conscious political will.

Binder achieves several important tasks with her book. First, she demonstrates how "money creates states and states create money" in a global economy (p. 13). Second, she illustrates the complex relationship between global markets and state power: globalization does not necessarily weaken domestic agency, and what we understand as a global phenomenon can be deeply domestic. Third, she shifts our focus to the machine room of the international financial system, arguing that we must understand the mechanics and the plumbing if we want to dissect power in global markets.

In two areas, Binder leaves the reader with a set of open questions. For comparativists, it would be helpful to spell out a theory of the different development paths in the four countries studied. When should we expect countries to indulge in, mitigate, or guard themselves against offshore markets? The Latin American comparison between Brazil and Mexico highlights, for example, that both had to grapple with state default and have access to large informal sectors of the economy, and yet they chose distinct paths. Does this indicate that the distribution of wealth and power within a country is the key explanatory factor, as

seems to be the case in Brazil, or the geopolitical environment, such as NAFTA for Mexico?

For international political economists, the most striking and probably also controversial insight concerns international monetary power and the hegemony of the United States. Contrary to the traditional understanding that sees the strength of the dollar as an economic and political resource of the United States (e.g. see Benjamin Cohen, *Currency Power: Understanding Monetary Rivalry*, 2015), Binder shows that the United States only has indirect rule over the dollars circulating in the world economy. As the emission of dollar-denominated loans is in the hands of foreign banks, the United States has effectively "outsourced its empire" to these private actors (see Andrea Binder, "Outsourcing Empire: International Monetary Power in the Age of Offshore Finance," *International Studies Quarterly*, 68(4), 2024). This allows for a greater reach of American influence, but also less central control, as these banks are governed most often by English law. The critical question is, therefore, what will be the result of the friction between United States and British control in the offshore universe, in particular in times of crisis?

Response to Cornelia Woll's Review of *Offshore Finance and State Power*

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— Andrea Binder 

In her review of *Offshore Finance and State Power*, Cornelia Woll identifies two sets of questions the book left her wondering about. The first is about generalizability, the second about the implications of the book's findings for US monetary power. I respond to them in turn.

Putting state power at the center of my project required a state theory. But which one to pick? Instead of going by my own preferences, I decided to put that question to my interviewees. During fieldwork in Britain, Germany, Brazil, and Mexico, I asked them: "In your view, what is the state?" It was remarkable how similar the answers were within one country, and how different between them. It seems Quentin Skinner has a point when arguing that "the state" can only be understood in its genealogy (e.g., *Genealogy of the Modern State*, 2009). Hence, the book walks the tight rope of doing justice to the historical and geographical contingencies of individual states, while identifying general patterns. Its comparative strategy is to study the cases' individual state history from a common analytical perspective: the "money view." A country's tax and banking bargains build the core of that perspective. These bargains are historically negotiated and institutionalized settlements about who must pay how much taxes, who is allowed to create money, and who gets access to credit. It allows identification of three patterns across the cases. First, it is a state's historically grown relationship

between economic and political elites and how they shaped the tax and money systems that explain offshore finance's effect on state power. Structural variables, such as economic openness or the degree of inequality, have limited explanatory power. Second, for emerging economies, access to preferential liquidity makes offshore finance attractive to the state. For developed democracies, it is the possibility to cover up distributional conflicts. Third, it is offshore banking, not tax planning, that challenges state power.

It is this last finding that gives rise to Woll's second question: if offshore's potency lies in the ability to create and to access US dollars outside US jurisdiction, what does this mean for US American monetary power? The book does not answer that question as it explicitly studies the antipole to US financial hegemony: Eurodollar creation. The findings support Jeremy Green's argument that Britain must be taken into account if we want to understand US global financial power (e.g., *The Political Economy of the Special Relationship*, 2020). Britain successfully combined the United States' unit of account with English law, creating a monetary phenomenon vital for both, the escape from US regulations and global liquidity. Moreover, we must acknowledge private global banks' power to create the offshore dollar and to determine access to it. Finally, the book highlights that Latin American countries helped establish the offshore system globally by absorbing the Eurodollar into their economies. It is in this varied perspective that constraints to US monetary power emerge next to its undisputed opportunities. These insights contribute to a more nuanced picture of US dollar hegemony.

Corporate Crime and Punishment: The Politics of Negotiated Justice in Global Markets. By Cornelia Woll.

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With *Corporate Crime and Punishment. The Politics of Negotiated Justice in Global Markets*, Cornelia Woll brings to our attention a critical shift in global markets, namely the rise of negotiated settlements to prosecute corporate misconduct such as fraud, money laundering, tax evasion, or environmental damage. Negotiated settlements are pre-trial deals in which the defendant agrees on a punishment without the formal establishment of guilt. From the early 2000s, they have gained relevance in the prosecution of corporate crimes in the United States. A decade on, the Department of Justice (DoJ) has begun applying them extraterritorially to prosecute foreign firms. One of the most spectacular cases is the DoJ's decade-long fight against US tax evasion in Switzerland. It profoundly damaged the Swiss banking sector, effectively abolishing

the country's banking secrecy. It is this use of negotiated settlements beyond US borders that Woll dissects in her book with precision and an unfailing sense for the underlying (geo)politics.

She argues that the United States' ability to use its laws extraterritorially is dependent on flexible legal tools and market power. Based on an impressively extensive review of international law, international relations, and international political economy scholarship as well as the historical tracing of the rise of negotiated justice, Woll establishes its ambivalent implications:

On the upside, negotiated justice increases the accountability of international corporations. Even large firms "are no longer above the law in global markets" (p. xii). However, it is not just the United States' global fight against corporate crime that has led to this welcome development. Governments whose companies have been targeted by the DoJ adjust their own legal systems too. They thereby aim to regain jurisdictional sovereignty and to punish corporate wrongdoing more effectively. Woll covers the varying extent of the resulting judicial reforms in brief case studies.

On the downside, the United States' fight against corporate crime hits non-US firms harder than their American competitors. The author presents evidence that foreign businesses have an almost 15% higher chance of being fined and incur higher charges (p. 52). Potential explanations for this "home bias" include foreign firms' unfamiliarity with the US legal system, leading to worse negotiation outcomes. Furthermore, prosecutors may be driven by the ambition to pick complicated cross-border criminal cases. While these explanations hold some water, the author convincingly argues that the ultimate reason behind the "home bias" is political: expanding US law across borders protects American interests via global markets. It is a tool for outright economic lawfare. Behind the "façade of being tough on corporate crime" (p.37), successive US governments—especially Democrat-led ones—have waged economic lawfare not only against its most notorious opponents such as Russia, China, and Iran, but also against its closest allies, including Britain, France, Germany, and Japan. In this regard, the book also speaks to the current moment of President Trump's tariffs and other forms of economic aggression. It becomes evident, once more, that current geopolitical developments are not necessarily an aberration, but a blunt culmination of past policies.

The book's empirical assessments are embedded into a conceptual analysis that draws on critical legal scholarship, specifically on the notion of legal regimes. The framework effectively captures how the tension between domestic jurisdiction and international trade and finance leads to a collision of normative orders. It also problematizes that negotiated settlements preserve "a hierarchical system of domination [...], where economic resources affect how justice will be done" (p. 34). With this analytical setup,