



Placing trust, trusting place: on the social construction of offshore financial centres

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ABSTRACT. A dominant story about globalization tells of relatively immobile places, seeking to attract increasingly mobile capital, becoming locked into a process of competitive deregulation. This paper argues that such a story is based on an increasingly inaccurate and unhelpful conceptualization of place. Massey's idea of place as socially constructed nexus is presented as a better starting point for examining the position of places within a globalizing economy. The social construction of the Bahamas and Cayman as places for offshore finance is investigated, paying particular attention to the positions and roles of multinational banks and governments. Even within the sphere of offshore finance in which capital is highly mobile, the dominant story of place competition and competitive deregulation is far from convincing. Globalization does not inevitably lead to place competition because in changing the positions, powers and scales of operation of the state and non-state actors which make places what they are, globalization actually alters the nature of places. Although places are socially constructed and hence dynamic, the meanings of places are temporarily stabilized through processes of scaling and the drawing of borders. For places to be stabilized there must be trust among the various actors involved in their social construction. The necessity of trust rules out processes of competitive deregulation which might erode the very social foundation of places. This is particularly so during an era of globalization in which places are remade and their borders redrawn by a wide variety of local and extra-local actors. © 1998 Elsevier Science Ltd. All rights reserved

KEYWORDS. Globalization, place, scale, trust, offshore finance, social construction

Introduction

'the uniqueness of a place . . . is constructed out of particular interactions and mutual articulations of social relations, social processes, experiences and understandings, in a situation of co-presence, but where a large proportion of those

relations, experiences and understandings are actually constructed on a far larger scale than what we happen to define for that moment as the place' (Massey, 1993: 66).

Globalization and place

In recent years a cottage industry devoted to the production of stories about globalization—the stretching of social relations across space—has developed (see for instance: Boyer and Drache, 1996; Cox, 1997; Dicken, 1992; Helleiner, 1994; Hirst and Thompson, 1996; Jones, 1995; Kofman and Youngs, 1996; Mittelman, 1996; O'Brien, 1992; Rosenau, 1997; Sassen, 1997; Swyngedouw, 1997). There are various stories, but a dominant one revolves around the hypermobility of capital and the impacts this has upon the powers of people in places. This story begins with the increased mobility of capital as a result of improvements in telecommunications (Warf, 1989), capitalists' ever-expanding search for profits (Harvey, 1982), and, the collapse of the Bretton Woods international monetary system (Corbridge, 1994; Helleiner, 1994; Strange, 1994). As capital encircles the globe, distance and space are annihilated. However, within the context of capitalism, the supply of funds for investment is relatively inelastic, and, people in places continue to demand investment for economic development; competition to attract capital continues. Space having been annihilated, distance and accessibility are no longer powerful bargaining chips for places and peoples to use to attract capital. Rather it is the characteristics of place, the regulatory environment which each place can offer to capital, which become all important (Harvey, 1989: 295). People in places may endeavour to attract capital through the production of an attractive regulatory environment, but, being less mobile than capital, places—or more precisely, localized social groups—have limited powers (Swyngedouw, 1992; Hay and Bell, 1990). In a globalizing economy, places, or states, wishing to maintain their competitiveness and attract mobile capital, are driven to construct their territories as relatively de-regulated¹ places or regulatory environments which are accommodating to capital (Cerny, 1991, Cerny, 1993). De-regulated territories are constructed as similar places; this is the end of geography (O'Brien, 1992). So the story goes.

Cox (1992) suggests that the globalization-hypermobility-competitive deregulation thesis should be treated with scepticism for a number of reasons: political, empirical and conceptual. Politically, meek acceptance of the story may lead to local defeatism and lend support to free-marketeters. Empirically, the extent and impact of processes of globalization may be exaggerated and far from unprecedented (Gordon, 1988; Hirst and Thompson, 1996). Conceptually, Cox makes three objections to the globalization-hypermobility thesis. Firstly, he highlights the need to unpack conceptually the relations between the globalization of capital, hypermobility, and local power relations: there might be globalization without hypermobility; and, there is no necessary relation between hypermobility and changes in local power relations. Secondly, echoing Harvey (1982), he makes the obvious but important point that capital needs to be grounded in some place to accumulate value. Thirdly, he argues that we must pay more attention to the identities of competing agents; to the nature of places; and, to our conceptualizations of capital (Cox, 1992, Cox, 1993 and Cox, 1995; Cox and Mair, 1991).

More empirically, the inevitability of competitive deregulation and place competition has been challenged most clearly in Vogel's account of 'trading up' (Vogel, 1995). Writing about consumer and environmental regulatory standards, Vogel contrasts the 'Delaware effect' with the 'California effect'. The Delaware effect takes its name from the state of

Delaware's success in attracting corporate chartering business through providing a lax regulatory environment; this is the standard story of downward regulatory competition. The California effect on the other hand refers to processes of regulatory competition which generate an upward shift of regulatory standards. With a large potential market, if California passes relatively strict environmental standards—for automobile emissions for instance—other states and their automobile producers who wish to sell in the Californian market are driven to improve their environmental standards. What this account—which has clear parallels at the international level with the US attempting to extend its environmental standards beyond its borders (Esty, 1994)—suggests is that competitive deregulation is not inevitable. Rather, trade between states can generate improved regulatory standards, particularly when a powerful state with relatively high standards can pressure other states into adopting higher standards. As Vogel explains: 'The impact of trade liberalization on regulatory standards is primarily dependent on the preferences of wealthy, powerful states and the degree of economic integration among them and their trading partners' (Vogel, 1995: 5). The important point is that outcomes depend upon the bargaining positions, preferences and powers of the actors involved.

Accounts of globalization, place competition and competitive deregulation which treat places as pre-given autonomous coherent agents mistakenly prejudice the issue. Globalization does not inevitably lead to place competition because in changing the positions, powers and scales of operation of the state and non-state actors which make places what they are, globalization actually changes the nature of places. Massey's account of place as socially-constructed nexus provides a more useful basis for investigations of globalization (Massey, 1991 and Massey, 1993; Allen *et al.*, 1998). Massey suggests that 'what gives a place its specificity . . . is the fact that it is constructed out of a particular constellation of relations, articulated together as a particular locus' (Massey, 1993: 66). In this conception, places are not fixed, bounded and permanent entities. Rather, they are temporary, dynamic and (re)produced through social processes which are not contained by their increasingly porous boundaries. To understand places we need to look at their internal make-up, their external context, and the ways in which borders are drawn around places (Hudson, 1998a) temporarily fixing their identity, rather than falling into the 'territorial trap' (Agnew, 1994).

Understanding offshore places

Although this conceptualization of place as socially-constructed nexus provides a better basis for understanding the position of place(s) within the context of globalization, its implications are seldom developed. In this paper I develop these implications through analysing a case of 'place competition' between the Bahamas and Cayman offshore financial centres (OFCs). Given that offshore finance involves primarily fictitious capitals and paper (electronic) assets—(hypermobile) capital as an exchange relation—one might expect it to provide a good example of place competition and competitive deregulation. Offshore financial development provides a critical case—a favourable case for the globalization-hypermobility thesis—to interrogate the story. My argument is that, even within the sphere of offshore financial development, the globalization-hypermobility thesis is far from convincing. Places do not simply compete; places are socially constructed and outright cut-throat competition would destroy the relationships of trust which are central to the processes of regulatory bargaining through which offshore places are made as relatively stable socio-spatial institutions. Successful social construction generates agreement on what a place is; such agreement depends upon, and in turn reproduces, trust

(Granovetter, 1985; Lorenz, 1992; Storper, 1995). Following Gambetta, I take trust to be relatively stable expectations about the actions of others, a particular level of the subjective probability with which an actor assesses whether one or more other actors, with whom cooperation is envisaged, will also cooperate (Gambetta, 1988; see also Axelrod, 1984 and Luhmann, 1979). Places—what their regulatory environments are understood, agreed and expected to be—must be trusted by their customers and must be able to deal with other actors in the wider regulatory landscape of which they are a part.

If places are socially constructed then in order to understand them we need to focus on the actors involved in their construction, and the processes of regulatory bargaining through which places are made. However if place is nexus, then, in a globalizing world, the study of one place potentially encompasses the study of everything. Therefore it is necessary to delimit the study to the aspects of place which are important for the issue in question. As Allen, Massey and Cochrane put it: ‘“regions” (more generally, “places”) only take shape in particular contexts and from specific perspectives. There will always be multiple, coexisting, characterizations of particular spaces/places’ (Allen *et al.*, 1998: 34). Places are always constructed through specific social practices; the specific practices involved depend upon the object of regulation, the issue-area in question. The defining feature of offshore financial centres is that they offer a regulatory environment which is different and legally separate from that available onshore (Hudson, 1996); this is the meaning of ‘offshore’. This aspect of the place of offshore financial centres is developed through processes of regulatory bargaining between governments (their central banks and regulatory authorities) and banks (and by extension their customers).² In order to understand the social construction of offshore financial centres we must examine the positions and interests of governments and banks and the ways in which they relate to each other in processes of regulatory bargaining.

In examining the social construction of the Bahamas and Cayman as places for offshore finance, case studies and ethnographic work are essential to capture the detail and the meanings attached to processes of socio-spatial change (Onuf, 1989; Burch and Denmark, 1997). This paper works with primary data collected as part of my doctoral research. In addition to much archival research I conducted a postal questionnaire and 60 in-depth semi-structured interviews with bankers, politicians and central bankers in the Bahamas, Cayman, New York, Washington D.C. and London. Each interview lasted for approximately an hour and the results were analysed with the help of a computer package for qualitative data analysis (Crang *et al.*, 1997). The interviewees have been given pseudonyms to respect their confidentiality. Ethnography is useful in exploring the social construction of places for offshore finance because the characteristics of place which are significant become significant because of the meanings and importance which actors attach to them. Ethnography enables us to uncover the meanings which actors attach to places and their characteristics, and by extension, to understand what particular places really socially are. In the remainder of this paper I examine the social construction of the Bahamas and Cayman as places for offshore finance, paying particular attention to the role of multinational banks and the position of the OFCs within a wider regulatory landscape. The story is more complicated than place competition and competitive deregulation because such processes could undermine the trustworthy social relationships through which the places for offshore finance are constructed and their meanings stabilized.

Globalization and offshore financial centres

The products which Offshore Financial Centres sell are financial services. Their speciality is the provision of financial services which combine profitability, security and secrecy in an attractive package. Their ability to provide such services rests upon their 'off-shoreness', their location in regulatory spaces or jurisdictions which are legally separate from onshore regulatory authorities and so have the authority to establish different rules of the game, in particular secrecy and a low or no-tax environment (Hudson, 1996 and Hudson, 1998a). As small and apparently marginal places in the international political economy, OFCs have, until recently, merited scant attention (although see Johns, 1983; Johns and Le Marchant, 1993a and Johns and Le Marchant, 1993b; Hampton, 1994 and Hampton, 1996; Roberts, 1994a; Roberts, 1994b and Roberts, 1995). However, their small size belies their importance in the workings of the international political economy. The development of OFCs is intertwined with processes of financial globalization and the shift from a state-centred international monetary system to a more decentralized flexible system (Agnew and Corbridge, 1995; Helleiner, 1994; Hudson, 1996). By facilitating dollar banking beyond the regulatory reach of the USA, OFCs both contributed to, and were given a boost by, the collapse of the Bretton Woods international monetary system in the early 1970s. As Abbott and Palan comment, OFCs have become 'nothing less than the cornerstone of the process of globalization' (Abbott and Palan, 1995: 19).

An introduction to the Bahamas and Cayman

The Bahamas and Cayman OFCs have played a key role in international financial developments over the last thirty years. In trying to understand the development of OFCs or 'entrepreneurial islands' Roberts argues that: 'In the financial markets spatial advantage may be defined primarily through regulation. The constantly shifting topographies of regulation are the key factor in understanding Caribbean competition for offshore financial business' (Roberts, 1995: 252). In this paper I work with the idea of places in a regulatory landscape—a landscape which includes a variety of actors including customers, banks, offshore, onshore and international regulatory authorities—looking specifically at the ways in which the presence of multinational banks in the Bahamas and Cayman, and the OFCs' position in the wider regulatory landscape, makes a difference to the nature and outcome of 'place competition'.

The development of OFCs in the Bahamas and the Cayman Islands began in the 1960s, building on their existing 'tax haven' status, and can be explained briefly through a combination of internal and external factors, an initial regulatory bargain. Internally, in the 1960s, both countries were searching for suitable development strategies, as their traditional sources of income dwindled. Their best resource for development is their authority to create an attractive regulatory environment for financial services, an authority which is conferred and supported by the discourse and practice of legal sovereignty. This search for a suitable development strategy was combined in the 1960s with the desire of external actors—international business and finance—for a profitable and secure location for their financial activities. This desire was stimulated particularly by restrictions on banking imposed in the USA in an effort to control the outflow of capital which threatened to undermine the role of the dollar and the Bretton Woods international monetary system, restrictions such as regulation Q and the Interest Equalization Tax which was imposed from 1963 to 1974 (Hawley, 1986). Prohibitions on inter-state banking (McFadden Act, 1927), the divide between commercial and investment banking (Glass-

Steagall Act, 1933), and the existence of interest rate ceilings (Regulation Q) and reserve requirements (Regulation D), hindered the on-shore competitiveness of major US banks and pushed them off-shore (Johns, 1983). Thus the Euromarkets, predominantly dollar-denominated offshore business based chiefly in London, developed rapidly (Aliber, 1979). Some of the smaller banks, faced with the high infrastructural costs of a London base realized that the Caribbean OFCs offered a cheaper and equally attractive regulatory environment—free of exchange controls, reserve requirements and interest rate ceilings, and in the same time zone as New York—and moved their Euromarket operations to the Caribbean. In addition they offered a secure, politically stable environment, with increasingly good communications facilities. The number of overseas branches of US banks increased from 180 in 1965 to 732 in 1975; the Caribbean component increasing from 5 to 164 branches (Johns, 1983: 29). The development of the Bahamas and Cayman OFCs has always been influenced by regulatory practices in the USA and has always involved multinational banks. The Bahamas and Cayman, as places for offshore finance, have always been socially constructed through regulatory bargains between local and extra-local actors.

Upon this basis, and in the context of the collapse of the Bretton Woods system, the rise of the Eurodollar markets, the oil-price hikes and the increasing internationalization of economic activity, the Bahamas and Cayman OFCs developed rapidly in the late 1970s and 1980s and put the Bahamas and Cayman on the international financial map (Roberts, 1994b and Roberts, 1995). By 1991 the numbers of banks with a presence in the centres had reached 400 and 544 for the Bahamas and Cayman, respectively, while the volumes of offshore banking hosted had reached \$287 bn in the Bahamas and \$442 bn in Cayman (see *Figure 1*).

A competitive environment

Many Caribbean governments, eyeing developments in the Bahamas and Cayman, have concluded that hosting offshore financial activity is a promising development strategy and have sought to get in on the act. As a Bahamas-based banker told me: 'everybody in the region really wants to get a piece of the offshore business. They see it as being a diversification of the local economy' (Williamson, Research Interview, Bahamas, 1994). A London banker noted that 'for twenty years competition in the Caribbean has been strong as similar offshore centres aimed for the same market' (Gilling, Research Interview, London, 1993). However, centres do specialize in different aspects of offshore finance in efforts to find their own market niche. Bermuda specializes in the captive insurance

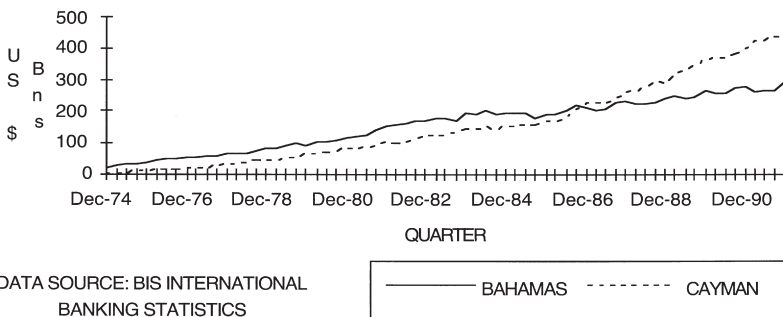


FIGURE 1 The Bahamas and Cayman: offshore banking volumes.

business in which it leads the world; the British Virgin Islands offer attractive legislation for the incorporation of tax-exempt international business companies; the Netherlands Antilles and Barbados offer an attractive tax environment built upon double-taxation treaties with the US; Montserrat offers offshore banking facilities; the Turks and Caicos offer a range of banking, insurance and offshore company services; and other smaller players such as Grenada and Anguilla take whatever business they can. However, with the exception of Bermuda for insurance, the Bahamas and Cayman are the most important centres in the Caribbean with the other centres trying to capture a share of the market by offering specialized services.³ These other centres have had a hard time breaking into a market already dominated by the Bahamas and Cayman. Once a set of places are established as OFCs and have a grip on the market it is difficult for new places to emerge. Customers become used to their OFC and are reluctant to put their trust in a new centre which has not had time to build up a good reputation, and which they know little about. The attractiveness of an OFC derives from the blend of profitability, security, and secrecy offered. Banks and their customers must trust in the ability of the OFC to provide and maintain an attractive package. Trust develops over time through social experience; it cannot be easily transferred from place to place or created anew (Hudson, 1998b).

The Bahamas and Cayman each regard the other as their main competitor in the provision of offshore financial services. A Bahamian lawyer noted that 'Cayman is, I think, the one we see as the jurisdiction that we are, in a very frontal sense, in competition with' (Peterson, Research Interview, Bahamas, 1994). A Bahamian banker told me about a meeting between representatives of the offshore sector and the Central Bank:

'There was a roundtable recently called by the Central Bank, and the Governor and the Deputy Governor gave presentations and statistics, and the whole of the theme when they're talking about regional competition is, "what is Cayman doing, and what is Nassau [The Bahamas] doing? How do their laws give them any advantage? What advantages do we have?" So the Government perceives Cayman to be its principal competition' (Williamson, Research Interview, Bahamas, 1994).

The Bahamas and Cayman offshore centres, specifically their regulatory authorities, compete vigorously to attract business through offering an attractive legal environment. Offshore financial investors are in a particularly strong position *vis-à-vis* potential host governments when they use factors of production that are easily substitutable across countries; business can play one place off against another to gain additional incentives. Attractive tax and secrecy laws exist in many places so it would not be surprising to find strong competition between places in the offshore sector. However, an important part of the package which OFCs offer—trust in their ability to maintain a suitable blend of profitability, security and secrecy—is less substitutable across countries.

The competitiveness of the offshore sector and the constraints this puts on each individual centre is widely recognized in the Bahamas and Cayman. As one Bahamas-based banker clearly stated: 'there is no reason whatever to suppose that if this country introduced a tax, Cayman or Bermuda would follow such an example and thereby forfeit the advantages which would accrue to them from the elimination of the Bahamas as a competitor' (Murray, 1981: 112, Chairman of Nassau branch of Nova Scotia Bank in 1976 address to Bahamas' Chamber of Commerce). Offshore financial business is seen as foot-loose and fickle, able and likely to leave a centre at the first sign of trouble, trouble which may include changes to the secrecy laws, political instability, labour problems, increased licence fees, and problems with work permits (Research Interviews, Bahamas and Cay-

man, 1994). An interviewee in the Bahamas accepted that banks 'don't have to be here, they really could do it anywhere else' (Woodward, Research Interview, Bahamas, 1994). This is a familiar story; the *Financial Times* provides a typical rendition: 'as long as the banking industry is confident over the political stability of The Bahamas and as long as there are adequate incentives The Bahamas will retain their position as an international financial centre. But the big banks would not think twice to move out to other neighbouring offshore centres if they really got worried' (Financial Times, 1981). That is, banks would leave if they felt unable to trust the ability of the local regulatory authority to maintain an attractive regulatory environment.

Regulators in the OFCs are constantly reminded of the possibility of losing business to a competing centre by altering local regulations and prices. A 1988 increase in bank fees in the Bahamas met a barrage of criticism from the local banking community. Local newspapers reported fears that 'this legislation may trigger a flight to the Cayman Islands where fees are now much lower' (Tribune, 1988a); described an 'exodus of banks from the Bahamas . . . Some European banks are reportedly preparing to leave the Bahamas in search of other Caribbean locations' (Bahamas Journal, 1988); and asked the question, 'another boost for the Caymans?' (Tribune, 1988b). The competitive threat posed by Cayman was always felt in the Bahamas, and local financiers would remind the Bahamas' Government of this fact whenever an increase in bank fees was contemplated.

Through such stories, and through looking at events such as capital flight from Panama following Noriega's arrest, the OFCs' regulatory authorities are reminded of their vulnerable position in relation to mobile financial capital, and reminded that they must be amenable to the wants of international finance. As Walter Wriston, one-time Chairman of Citibank, explained: 'even though markets are now blips on a screen and not geographic locations, sovereigns still try to protect that part of the market which functions within its jurisdiction. Yet even this becomes increasingly difficult, for if one sovereign becomes unreasonable in the severity of its regulatory demands, the market node in that country withers and is replaced by the node "residing" in more hospitable climes' (Wriston, 1992: 80—cited in Roberts, 1995: 32).

The offshore centres' regulatory authorities—the central banks and governments—seek to create an attractive regulatory environment, well-positioned in the regulatory landscape to attract offshore financial business. The regulatory authorities contribute to the social construction of places for offshore finance through the creation of regulatory environments which offer advantages to businesses which choose to use them. The competing jurisdictions have different characteristics and try to construct themselves as more attractive to offshore business than their competitors. In Johns' terms, offshore centres engage in processes of 'frictioneering', competing by offering relatively frictionless environments where financial activity can take place with the minimum of interference from government (Johns, 1983). In such a situation, offshore centres rarely cooperate with each other in the construction of their regulatory environments, for fear of losing their competitive edge.

One might expect that competition between two offshore centres to host offshore business, footloose business that is attracted in part by the relative absence of regulation in the offshore centres, would lead to competitive deregulation or a 'race for the bottom'. The argument here is that as the centres strive to create themselves as more attractive to offshore financial activity they end up undercutting each other, offering looser and looser regulatory environments. Gorostiaga explains that 'this competition between International Financial Centres in the same geographical area weakens their position *vis-à-vis* the Trans-National Banks. It makes them highly vulnerable, forcing them to become even

more liberal' (Gorostiaga, 1984: 48). Bryant similarly notes that 'the regulatory, tax, and supervisory incentives designed to attract financial activity to offshore centres can be described . . . as a "competition in laxity"' (Bryant, 1987: 139).

This story of competitive deregulation between the Bahamas and Cayman is initially persuasive, but I wish to raise two related sets of issues which complicate the picture: the nature of the Bahamas and Cayman as potentially competing places; and, the ways in which their position in the wider regulatory and relational landscape of customers, banks, offshore, onshore and international regulatory authorities shapes and constrains their competitive strategies. The story of competitive deregulation rests on certain assumptions. These are: that the Bahamas and Cayman are usefully conceptualized as coherent actors—billiard balls in a realist approach to International Relations—each with a clear purpose and strategy which includes beating the other; and, that, as autonomous competing actors offering their banks and customers a profitable location for financial services, they compete in terms of laxity of regulation. This story is too simple.

To challenge the first assumption, the Bahamas and Cayman are not pre-given autonomous coherent places. The identities of the Bahamas and Cayman as places for offshore finance are socially constructed through processes of regulatory bargaining among a variety of actors—customers, banks, offshore, onshore and international regulatory authorities—many of which operate across the jurisdictional boundaries of the OFCs. In particular, multinational banks, who negotiate with local regulatory authorities in the social construction of the offshore regulatory environments, often have a presence in both the Bahamas and Cayman. The presence of multinational banks in the centres—the way in which really-existing financial globalization is manifest in the Bahamas and Cayman—actually undermines the coherence of place, problematizing a conceptualization of locality as agent (Cox and Mair, 1991). Multinational banks may not identify with particular places. This complicates the picture and makes the story of place competition less plausible, and the outcome of competitive deregulation less inevitable.

To challenge the second assumption, it may well be the case that the Bahamas and Cayman—to the extent that they can be considered as competing actors—actually compete with each other in terms of the quality and reputation, as well as the profitability of, their regulatory environments. Their competitive strategies cannot be assumed to lead to competitive deregulation as such competition may undermine the trust upon which the social construction of the Bahamas and Cayman as places, or socio-spatial institutions for offshore finance, is based. As the OFCs need to be trusted by actors in the wider regulatory landscape, processes of competitive deregulation which damage their reputation or trustworthiness may be ruled out.

Multinational banks and the social construction of offshore places

Multinational banks have played an important role in the construction of the Bahamas and Cayman as places for offshore finance. The presence of multinational banks with branches or subsidiaries in several different jurisdictions significantly complicates the picture of 'place competition' in two ways. Whereas at first glance one might assume that it is simply a case of two places competing with each other for market share by progressively reducing the levels of their regulatory environments, on closer inspection it is apparent that the presence of multinational banks makes matters more complex. Firstly, multinational banks do not have a long-term allegiance to place. So, although they were attracted to a centre by a particular sort of regulatory environment, they do not really care about how successful the centre is in attracting other banks, and may even prefer

stability over changes which are in their view detrimental to the trusted regulatory environment which initially attracted them. Secondly, it may be that a bank with branches in two competing OFCs—the Bahamas and Cayman for instance—avoids becoming embroiled in a game of place competition and competitive deregulation, a game which could be to the detriment of the branches' parent company.⁴ These two related complications—multinationality and dual nationality—undermine the coherence of place and make competitive deregulation between places far from inevitable.

Multinationality and allegiance to place

Other commentators have noted the complicating factor of multinational banks. Johns and Le Marchant argue that the offshore sector's 'allegiance is to the wider global company advantage and not to any narrow specific national territorial advantage' (Johns and Le Marchant, 1993a: 69). This observation was echoed by the Manager of a Bahamas branch of a US Multinational bank: 'Being a multinational bank, as many of our competitors are, we're not primarily concerned whether it's Cayman or the Bahamas as long as we get the business' (Campbell, Research Interview, Bahamas, 1994). Given such a situation one would expect multinational banks to be reluctant to participate in the promotion—marketing campaigns, advertising in the financial press, and the organization of onshore seminars and presentations—of a specific jurisdiction. The logic is: if a bank has branches in both Cayman and the Bahamas, funds spent promoting each centre would simply cancel each other out. I asked several of my interviewees whether this logic held in reality. Here is an extract from an interview with a Bahamian Government official:

AH: Then thinking about the private sector's promotional activities, why don't banks with entities in competitor offshore centres just say to the Government when they are asked to contribute to promotions, 'We have presences elsewhere, we don't care whether business goes to Cayman or comes here, so we're not funding promotions'?

Smart: That's a reality yes. As a matter of fact when we approached the AIBT [Bahamas Association of International Banks and Trust Companies] they were very frank and let us know that they might not contribute to this particular promotional campaign because many of their members have branches or arms in other jurisdictions, and so really they would not necessarily say 'come to the Bahamas', they would just say try this bank or that bank. So that's a fact. (Smart, Research Interview, Bahamas, 1994)

An interview with a leading British banker in the Bahamas recalled the same request from the Government to the AIBT for funds for promotional activities:

AH: You said that most of the big banks are concerned with getting business, no matter where, whereas the Government is concerned specifically with promoting the Bahamas as an OFC. Does this produce a conflict? Why do the big banks get involved in helping the Government to promote the Bahamas?

Campbell: The offshore banks—and we sometimes have to say this to the Government—we are somewhat fickle. If things change here and go wrong then we're out of here. We've only got the furniture here really . . . Like any other smart businessman, if you've got a foot in either camp then you can move either way you want and keep your options open. (Campbell, Research Interview, Bahamas, 1994)

In Smith's terms the multinational banks are in a powerful position *vis-à-vis* the Bahamas and Cayman OFCs because through their mobility they operate at a higher scale (Smith, 1992, Smith, 1993). In this way, their spatial organization—operating across borders in multiple jurisdictions—improves their bargaining position as they maintain an exit option. Through their mastery of space—their power in, or over, the regulatory landscape—multinational banks do gain some leverage in their negotiations with regulatory authorities, negotiations which construct the places for offshore finance.

Other bankers I interviewed emphasized that their bank would not promote the Bahamas, Cayman or any other centre *per se*, rather they would promote their bank. A Bahamian central banker explained:

'The advertising, its effect, comes from the players themselves, the banks. What you will see is, say, Coutts and Co. would have an advertisement running in a major publication, and below it they would list their offices in Cayman, the Bahamas, Hong Kong and so on. What they're saying is, "we're a global bank, wherever you wish to have your business done, we can do it for you." So they're pushing the Coutts capability and logo as opposed to the place'⁵ (Peterson, Research Interview, Bahamas, 1994).

Once again, from the other side of the Government-offshore sector relationship here is a banker talking about the advertising policy of his bank:

AH: In terms of who promotes the Bahamas why should a bank with entities in competing jurisdictions bother promoting the Bahamas?

Nicholas: Well that is an integral part of our bank's philosophy which may differentiate us from our competitors. We do not market particular jurisdictions. What we do is we try to satisfy our clients' needs. I think the advantage of having a selection of jurisdictions is that it gives us the flexibility to tailor our product offering to meet the needs of the client and not the other way around. What we do is we tailor our product offering and marketing to the needs of the client. So we do not promote the Bahamas to the exclusion of other jurisdictions. We market our service as a global international private banking institution with offices in all of the key financial markets around the world which enables us to tailor our products to meet the needs of our clients no matter what the diversity is. So from that perspective it is not the case that we are promoting the Bahamas or Cayman or Uruguay. (Nicholas, Research Interview, Bahamas, 1994)

The presence of multinational banks which have little allegiance to place in the OFCs certainly complicates the picture of competing places, making the OFCs almost branch-plant economies. As Johns and Le Marchant comment, OFCs have 'exemplified internationally the regional phenomenon within countries of the "branch plant" economy, as internally their economic activity became substantially geared to the special needs of externally controlled enterprise and non-resident investment' (Johns and Le Marchant, 1993a: 19). The difference that multinationality makes is that it alters the power relations involved in the social construction of places for offshore finance putting multinational banks in a better position in relation to local regulatory authorities. Places have always been socially constructed, but the presence of multinational banks alters the power relations involved in the processes of regulatory bargaining through which places are constructed for offshore finance. Theoretically, this could lead to a process of competitive deregulation, but in practice the fact that many multinational banks have entities in both the Bahamas and Cayman, and that the OFCs must maintain good trustworthy working

relationships with onshore and international regulatory authorities, makes this far from inevitable.

Dual-nationality and complementarity

A second complexity generated by the presence of multinational banks in the competing OFCs relates to the policies of the multinational firms. That is, do sister branches in the Bahamas and Cayman compete with each other? The logic of this situation, making the assumption that the corporation is globally rational,⁶ is that branches in different centres will not compete with each other, or, more precisely, will not compete with each other in ways which damage the wider company of which they are a part. If the branches of a bank engage in processes of competition which undermine their ability to provide their customers with a trusted blend of profitability, security and secrecy they may all lose out. In this way, the Bahamas branch of a bank is unlikely to try to persuade the Bahamian regulatory authorities to reduce the local level of regulation—lower licence fees or greater tax benefits—just so that it can turn in a better profit than its Cayman branch. I asked the Bahamian manager of a bank with entities in the Bahamas and Cayman whether the branches competed with each other. He explained that:

'I think competition from an efficiency stand-point is good. It's good for the clients who are the end-users of the product. To the extent that companies within a particular group compete on efficiency and quality of product there is an incentive for them to improve both. On the other hand outright competition for business is counter-productive . . . To my mind it would be very short-sighted and selfish. It's not something that I would say happens in CashBank. We try to market our business along the line of "Country Market Management" teams who basically are located in different geographical jurisdictions around the world. Basically a manager is responsible for marketing the products to a particular country of clients. So the marketing is not a local marketing effort, it's a global marketing thrust that permits us to focus our attention more on the needs of the client rather than on the individual jurisdiction' (Nicholas, Research Interview, Bahamas, 1994).

This idea of multinational banks being organized so that branches complement rather than compete with each other was echoed in other interviews. A British manager of a US bank with entities in both centres explained:

'Most of the international banks are represented in both places. They are not necessarily staffed up to the same levels in both jurisdictions, and what tends to be the case is that rather than being in competition with one another, which actually hurt both of us [Nassau and Cayman branches], because we tend to be bidding against each other for the same piece of business and reducing our fees, we've developed a strategy so that there are different private banking services run out of Cayman and here' (Campbell, Research Interview, Bahamas, 1994)

Financiers explained to me that different jurisdictions offer different services, and so a client who wanted to set up an International Business Company, say, might be directed to the Nassau branch, whereas someone interested in setting up a Captive Insurance Company may be directed to Cayman. This also reflects the ways in which banks in the offshore centres get their business. That is, much of their business is referred from representative offices in say, New York, London, Mexico City and Caracas, which will channel business to the appropriate offshore jurisdiction. In this way entities of the same

bank in different centres may be complementary rather than competitive. Although banks' offshore entities do compete for business to some extent, they each have their particular speciality or niche in the market for offshore financial services. Here's an extract from an interview in Cayman with the manager of a European bank with entities around the Caribbean:

AH: Does AssetBank get business channelled to the different centres from representative offices in New York and Amsterdam, or will clients travel round the centres?

Neill: Most of it is channelled through our representative offices in Mexico, New York, Venezuela, Amsterdam.

AH: So your representative offices know what the specialities of the centres are and channel business accordingly?

Neill: Yes. Most of our clients come to us because of referral and personal contacts and very much rely on our advice. (Neill, Research Interview, Cayman, 1994)

Such a complementary business strategy certainly seems to make more sense than branches competitively undercutting each other to the detriment of the corporation's global profits and trustworthiness. Rather than the activities of multinational banks necessarily leading to a levelling down of the regulatory landscape—the end of geography—multinational banks seem to use and reproduce the unevenness of the regulatory landscape. Financial flows are channelled to the jurisdiction with the most appropriate regulatory framework, the place which offers the most suitable blend of profitability, security and secrecy for the financial service which the customer requires. Rather than competing jurisdictions being arranged along a continuum from high to low levels of regulation, competing jurisdictions are qualitatively different, specializing in particular varieties of offshore finance. As Allen, Massey and Cochrane put it, developing Massey's conceptualization of place as nexus, 'variations over space are conceptualized in terms of differentiated articulations of social relations/processes rather than in terms of continuous but varied surfaces' (Allen *et al.*, 1998: 50). Multinational banks make use of the qualitative differences between OFCs rather than seeking to construct the Bahamas and Cayman as identical places for offshore finance.

Two general points can be made about the impact of multinational banks. Firstly, through their mobility in the regulatory landscape of international finance, multinational banks are in a powerful position in relation to individual OFCs' regulatory authorities. However, whether they use their power to flatten regulatory space or to improve the quality of their offshore niche in other ways is a different matter, which depends in part upon the ways in which sister branches relate to each other and their onshore parent company, and, perhaps more importantly, upon the relationship between offshore and onshore regulatory authorities.

Offshore-onshore relations and the social construction of offshore places

Places for offshore finance are constructed through processes of regulatory bargaining between local and extra-local banks and regulatory authorities. Just as multinational banks undermine the coherence of OFCs, so the position of OFCs within a wider regulatory

landscape which is largely beyond their control and yet which shapes their actions, complicates the picture of place competition and makes competitive deregulation far from inevitable. The OFCs—specifically the Bahamas and Cayman regulatory authorities—may be competitors but their competitive strategies are dynamic, shaped in part by extra-local actors in the wider regulatory landscape. The OFCs' regulatory authorities have to be able to deal with a variety of actors: customers; banks; other offshore, onshore and international regulatory authorities; and, the international media. They have to negotiate agreements—about access to information for instance—and so they, and the agreements they reach, have to be trustworthy. Whereas in the early years of their development competitive deregulation did take place—Cayman setting itself up as a flexible, loosely regulated alternative to the newly independent Bahamas—since the early 1980s their strategies have shifted towards an emphasis on reputation and stability rather than laxity of regulation. This change in strategy was linked to increasing US concerns about the use of the Bahamas and Cayman OFCs for money laundering and tax evasion/avoidance. In such a context reputation and trust became all-important. I discussed the changing competitive strategies of the Bahamas and Cayman, and their position in the wider regulatory landscape, with interviewees in the Bahamas and Cayman. One Bahamas financier talked of a reputational barrier to competitive deregulation:

'amongst the jurisdictions themselves, being deregulated . . . Well first of all there's no central regulation of all the various OFCs so they're each doing the same thing. What you will find is that the market literally dictates, in the first instance in any event, what one does. Hence what you find is that when some legislation goes into a place, say Cayman or BVI [British Virgin Islands], if the Bahamas wants to compete it will quickly follow in line with that, and probably refine the legislation to go a step further and better it. Hence the element of competition comes into play, and then it's up to the others to decide whether to go one step further. Normally that doesn't happen, so I think in practice the idea of competitive deregulation can exist, but there's only so far that any jurisdiction is going to go in the first instance. You do have an artificial, invisible barrier there, namely in terms of reputation, and how you're going to be able to deal with the other regulatory authorities around the world. You're going to have to keep some type of regulation. There is a reputation baseline, below which competitive deregulation is unlikely to take place' (Young, Research Interview, Bahamas, 1994).

Other interviewees talked of the importance of reputation and a good image to the OFCs. A Government official in Cayman remarked:

'Well I would say to you that image is everything. If you don't project the right image to a person who is considering investing in your country or setting up a bank or a multinational corporation branch or an insurance company, if he's not turned on by your image, there's very little chance that you're going to get him' (Morton, Research Interview, Cayman, 1994).

In this way, offshore regulatory authorities are unlikely to alter their regulatory environment in ways which may expose them to scandals and risk losing their reputations as quality OFCs. As a Cayman Islands Government advertisement put it 'Reputation is our most important asset'. I asked interviewees about whether they felt the importance of image had changed in recent years. A banker in Cayman remarked that:

'When Cayman's offshore centre first started to develop we had sort of open doors to anyone who wanted to come in. There probably was not that much

of a vetting of clients, a vetting of business coming on to the island. We just took anyone probably who came in. That changed primarily I think in the 1980s, when the pressure started to increase. We had a reputation I would say that Cayman was just a place to launder your money, and people could walk in with suitcases of money, and they'd be alright. That's changed. I think now the image that we want to portray is one that Cayman is a regime or a place where it's safe to do business, where it's well regulated, and everything is above board' (Hanson, Research Interview, Cayman, 1994).

An extract from an interview with a Cayman-based lawyer makes a similar point about the increased importance of a reputable image:

AH: You talk about how image is important particularly to institutional business. Is it reasonable to say that image has become more important relatively as the real difference between places has become less?

Lonsdale: I think that's very very true. I mean it's the areas where somebody has a scandal. BCCI for example was not our problem; it was England's or Luxembourg's which we happened to end up with. But other jurisdictions immediately attacked Cayman for that. So reputation, it seems to me, is the sole selling feature. That it's a crime-free environment, that there is international cooperation on criminal offences to keep it that way, that it's relatively easy to get good people into the jurisdiction. That's what sells Cayman. (Lonsdale, Research Interview, Cayman, 1994)

Having argued that 'reputation'—which is largely developed through discourses and representations of the OFCs in the international financial community, financial newspapers and the wider media—is the sole selling feature, the same interviewee suggested that corporate business was likely to be more concerned than individuals with the image of a place, so, as the relative importance of corporate business increased, the importance of a good image to the OFCs increased:

'for a business group, the kind of business that Cayman wants to attract—it's no longer Mr. or Mrs., it's the corporation—for the New York corporation or the Japanese corporation to want to do business in or through Cayman it's got to be a good address. They don't want themselves to be seen as in the wrong jurisdiction and unless the image and reputation of the host country, the Cayman Islands, is such that it's a first class address they'll go elsewhere. That's all pressure because through public relations the US can give the illustration of whether you're a good location or a bad location. The statement, "we're very happy with our relationships with the UK and Cayman and their first class efforts in fighting international crime", is what you want them to say' (Lonsdale, Research Interview, Cayman, 1994).

As well as explaining the importance of image to corporate clients this passage also tells of the power of the US media to produce images of the Caribbean OFCs, images which influence the OFCs' success by influencing how they are represented and seen. This illustrates another way in which extra-local actors play an important role in the construction of the Bahamas and Cayman as places for offshore finance. The USA, through the statements of its politicians, news media and financial publications plays a central role in the production and distribution of representations of the Bahamas and Cayman OFCs, representations which contribute to making the places what they are.

Interviewees in the Caribbean talked of three main themes that they saw as contributing to a good image. The three interconnected themes were 'stability'; 'a genuine centre';

and 'a reputable centre'. Here's an extract from an interview with the former Attorney General of the Bahamas:

AH: What image does/did the Bahamas try to portray?

Anderson: Stability, stability, stability, stability, stability. (Anderson, Research Interview, Bahamas, 1994)

Interviewees in both centres highlighted the importance of their centres being seen as 'genuine' OFCs, in contrast to jurisdictions such as Vanuatu and the Cook Islands which were unworthy of the tag, and also in contrast to the Bahamas and Cayman in earlier years. An English banker in the Bahamas explained that 'they all want to be treated as genuine OFCs which have certain products and services to offer which are more effective and better for their international clientele. They don't just want to be used for laundering money' (Williamson, Research Interview, Bahamas, 1994). It was the ability to provide financial services other than secrecy for money-launderers which differentiated genuine from non-genuine centres. The same interviewee described the image that the Bahamas tries to maintain, saying that 'it tries to give an image of being somewhere where you can genuinely do business, not just somewhere for money laundering. It wants to be clean' (Williamson, Research Interview, Bahamas, 1994). Even a Bahamian Government official who rejected my suggestion that image had become all important accepted that 'today the emphasis truly is on stability, reputation, quality, and service', rather than laxity of regulation and low prices (Smart, Research Interview, Bahamas, 1994).

'Reputation' was the term used most frequently by my interviewees to describe what image they used as a selling point. So, if reputation is the selling point for places in competition, how can reputation be enhanced or maintained? A Bahamian banker talked of the importance of avoiding upsetting large countries such as the US, explaining that the OFC may then be subject to the production of some less-than-flattering images: 'essentially one has to be careful of going totally afoul of any of the major players, because then they send out a "red alert" about the country and then people may say "it's blemished, let's not go there"' (Young, Research Interview, Bahamas, 1994). A commentator with some foresight argued that 'the challenge facing the Caribbean offshore banking centres will be to maintain an image of respectability, because a series of bank failures would drive business elsewhere' (Bhattacharya, 1980: 44).

The importance the OFCs attach to a clean image and a good reputation makes their competitive relationship and the impact of this relationship on their development more complex than a simple 'race for the bottom' cycle of competitive deregulation. Although a cut in licence fees or regulatory requirements, for instance, may give an OFC an initial boost, it may also have the longer-term side effect of harming the reputation of the centre if questionable business and scandal is attracted. A good reputation is quickly lost, and slowly regained. Reputation and trustworthiness cannot be bought or easily transferred between places as trust develops slowly over time (Hudson, 1998b). Reputational concerns alter the game of regulatory competition between OFCs in important ways. As a Bahamian ex-Central Banker observed, the Bahamas 'tries to persuade the world that it is regulating properly and well. *I mean that's promotion nowadays: to be a good regulator is now a promotion*' (Talbot, Research Interview, Bahamas, 1994—my emphasis). To prosper in an uncertain world of fast-moving financial flows OFCs must offer a trustworthy reputable environment.

Whereas the Bahamas and Cayman were once reluctant to tighten up their regulation and supervision, fearing the loss of business to their competitors, in the 1980s they felt

that ‘the increased supervision has had the effect, not of chasing banks away, but of enhancing Cayman’s reputation as a reputable offshore centre and probably encouraging good banks to establish a Cayman branch or subsidiary’ (Cayman Islands Government, 1987). Johns and Le Marchant argue that the OFCs have ‘nothing to fear from the process of prudential reregulation and global supervisory harmonisation so long as they continue to enhance their reputation with new best-practice but flexible legislative frameworks and if their economies remain politically stable and independent’ (Johns and Le Marchant, 1993b: 66). They note that some, but not all, offshore centres have opted for the ‘good reputation’ path to success, saying that ‘some offshore centres [such as the Bahamas, Barbados, Bermuda, The Cayman Islands, Cyprus, the three British Isle centres and Malta] have had the confidence to become increasingly “mainstream” in their attitudes to regulation and supervision, thereby enhancing their reputation for “quality” business’ (Johns and Le Marchant, 1993a: 251—brackets in original).

Another way of looking at the development of the OFCs and their changed behaviours—competing through reputation rather than laxity of regulation—is in terms of the actions of rational actors in a dynamic environment. In order to survive and prosper in an environment where the US controls the rules of the game, the OFCs modified their behaviour, and resisted the pressures to competitively deregulate. Thus the shift in OFCs’ behaviours can be seen as part of a long-run survival instinct rather than a fundamental change. A bank regulator in London explained that the Bahamas and Cayman:

‘are competitors, but they have learnt not to knock each other. For example they have signed Mutual Legal Assistance Treaties with the USA. They now see a common threat. For example, some US senators would like to send a couple of Tomahawks to The Bahamas and The Caymans. They cooperate by not being destructive to each other. They have a common interest, and have realized that there is enough cake for everybody’ (Wilberforce, Research Interview, London, 1993).

Many interviewees in the Bahamas and Cayman talked about the altered behaviour of the OFCs in terms of self-interest, and survival in a dynamic environment. Johns and Le Marchant argue that ‘as for reputation, in the emergent politico-economic business climate of the 1980s, it became internationally “politically correct” for local systems of regulatory control not only to be seen to exist but to be rigorously applied’ (Johns and Le Marchant, 1993b: 58). They further suggest that ‘in these circumstances, it seemed possible that the newly emergent extraterritorial global “level playing-field” approach to regulation standards might undermine the previously presumed indestructibility of the sovereign economic separatism of offshore financial centres within the global trading system’ (Johns and Le Marchant, 1993a: 70). The development of the Bahamas and Cayman as places for offshore finance cannot be understood unless we pay attention to their position within the wider regulatory landscape, their relationships with onshore regulatory authorities and other extra-local actors, and the importance of trust and reputation in making these relationships work.

OFCs are the site and outcome of processes of regulatory bargaining as different actors negotiate to achieve their own aims. These bargaining relationships require a degree of trust between the parties, and simultaneously introduce an element of dependency and vulnerability into the development process. Dependency and vulnerability to external factors is recognized by the Cayman Islands Government, as the following extract from their development plan shows:

'The country's position as a major international offshore financial centre is of a tenuous and fragile nature being dependent upon a number of factors outside its own control and the extent to which it can retain the confidence of outside concerns in its stability, policies and international relationships, with particular reference to the financial world' (Cayman Islands Government, 1986, Economic Development Plan: 21).

The position of the Bahamas and Cayman OFCs and their local regulatory authorities within the wider regulatory landscape undermines their autonomy to choose their competitive strategy, complicating the picture of place competition and making competitive deregulation far from inevitable. If the Bahamas and Cayman were simply involved in a two-player game to attract offshore financial activity which preferred a loose regulatory environment, then a process of competitive deregulation may develop. However, the picture of such a game between the Bahamas and Cayman—by abstracting from the wider context of regional geopolitical pressures and international regulatory bodies in which the jurisdictions are placed—neglects the importance of reputation and trust in the development of the OFCs. Their position in a wider regulatory landscape structures competition between the Bahamas and Cayman and sets limits on their options, providing 'a reputation baseline'. Looking at competition between the Bahamas and Cayman is a start, but we must remember that such competition is shaped by regional and international relationships and institutions. The construction of the Bahamas and Cayman as places for offshore finance involves a variety of local and extra-local actors, and, for the (meaning of) the places to be stabilized there must be trusted stable expectations between the various actors. As Massey puts it: 'All attempts to institute horizons, to establish boundaries, to secure the identity of places, can in this sense therefore be seen to be *attempts to stabilize the meaning of particular envelopes of space-time*.' (Massey, 1994: 5).

Conclusions: scaling spaces, trusting places

'geographical scale is the focal setting at which spatial boundaries are defined for a specific social claim, activity or behavior' (Agnew, 1997: 100).

In this paper I have challenged the globalization-hypermobility-competitive deregulation thesis through an examination of the development of the Bahamas and Cayman OFCs. Working with Massey's idea of place as nexus I have argued that, rather than inevitably leading to place competition and a race to the bottom, globalization actually changes the nature of places by altering the range, positions, powers and interests of actors involved in the social construction of places for offshore finance. Places have always been socially constructed—this is nothing new—but processes of globalization increase the extent to which local places are constructed by extra-local actors. This is especially so in the case of OFCs as their very role is to attract extra-local onshore actors to their regulatory environments. The simplistic story of place competition and competitive deregulation is based upon a faulty conceptualization of place which treats places as pre-given, permanent, bounded actors.

Internally the story is complicated by the fact that the banks must be trusted by their customers, and the local regulatory authorities must be trusted by their banks, particularly multinational banks with ample exit options. These two sets of clients require security, stability and secrecy as well as profitability and so are not driven to simply push for minimal regulation. As Cox remarks, the outcome of globalization and hypermobility depends in part on the identities of competing agents (Cox, 1995), and the form which

globalization takes. If globalization undermines the coherence of places as banks establish multi-national networks, then direct competition which damages the global corporation and/or the trustworthiness of the jurisdiction is unlikely. Externally, the outcome of globalization and hypermobility depends upon the wider regulatory landscape in which places are situated. Extra-local actors, particularly powerful onshore US regulatory authorities, constrain the actions of banks and offshore regulatory authorities, setting a baseline below which competitive deregulation cannot take place.

In fact the boundary between internal and external is problematized by the fact that social relations and processes do not stop at state borders. Place is nexus, with temporary more-or-less porous borders which are negotiated and agreed by local and extra-local actors (Hudson, 1998a). For these borders to stabilize the identity of place they, the agreements which they are based upon, and the actors who make the agreements, must be trusted. There must be relatively stable expectations as to the meaning of the border and the nature of the place which the border identifies. Even within the sphere of intangible offshore finance, and perhaps because of the intangibility of money and the speed with which it flows, trust and reputation are crucial. This is particularly so in the context of financial globalization and the development of OFCs. OFCs work by unbundling sovereignty (Burch, 1994; Hudson, 1997; Palan, 1996; Ruggie, 1993), allowing local regulatory authorities to establish the local regulatory environment, whilst encouraging multinational banks to make use of their jurisdiction. In this context the border and its meaning are all important, institutionalizing a delicate balance which allows the local regulatory authorities to both retain, and in effect sell, some of their powers over their space. Place is nexus; the construction of a place for offshore finance remakes the place as a new sort of social institution, an offshore place.

Palan argues that 'offshoreness', or, more generally, the unbundling of sovereignty, is central to processes of globalization and the reshaping of the regulatory landscape; 'with this ingenious device, both the state system and an increasingly integrated market can live comfortably with each other—for a while' (Palan, 1996: 2). As a new sort of place or socio-spatial institution, offshore places are particularly reliant on the trust of various actors involved in their construction. Trust generates stable expectations about the meaning of the border and the nature of the place, stabilizing the rules of the game and leading to convergent views about what the offshore place is. As Rosenau explains, these expectations and understandings are institutionalized through law: 'for a while the law does stabilize relationships and institutions as its precepts evoke compliance and introduce regularity into public affairs. But eventually the political side of the balance resumes its evolution, at which point habits of compliance begin to attenuate, ambiguity begins to spread, and the legal arrangements undergo recodification' (Rosenau, 1997: 217). But, in order for the law to work, participants in the legal arrangements must trust each other. Although it is possible to stabilize trust through law, the imposition of trust makes no sense.

Discussions of globalization and place have often been framed in terms of a tension between the local and the global. However, the empirical difficulties of drawing a boundary around 'the local' suggest that the global-local debate works with an unhelpful conceptual dualism (see Thrift, 1996; Swyngedouw, 1997). Some commentators have recently begun to move beyond this sterile debate and frame the issue in terms of scale, its production and politics (Jonas, 1994). Scale, or the process of scaling, is crucial, because, as Herod puts it, after Smith (1990), 'the tension between mobility and immobility, equalization and differentiation, cooperation and competition is literally inscribed in space by the material construction of scale' (Herod, 1997: 147). The construction of

scaled places within the regulatory landscape provides a moment of fixity within the flux of capitalist development, a socio-spatial moment of fixity which involves 'the manipulation of relations of power and authority between overlapping or mutually inclusive political territories, by actors operating and situating themselves at different geographic scales' (Leitner, 1997: 125). Places are temporary trusted resolutions in the dynamic socio-spatial landscape; they are the site and outcome of processes of regulatory bargaining. So, rather than leading to the end of geography, globalization involves the re-scaling of places.

Treating places as actors and neglecting the processes through which places are made, the globalization-hypermobility thesis and its predictions of competitive deregulation between places is too simple. Globalization remakes places rather than plunging already-existing places into a game of competitive deregulation. As Allen, Massey and Cochrane put it 'There is . . . no "essential place" which exists in its real authenticity waiting to be discovered by the researcher' (Allen *et al.*, 1998: 34). Globalization entails, not the end of geography, but rather the reconstruction of geographies through new regulatory bargains. Places have always been messy—my argument is not that this is a new thing—but, globalization makes places qualitatively different because it alters the positions, powers and scales of operation of the actors involved in the processes of regulatory bargaining through which places are socially constructed.

Acknowledgements

In addition to the referees for *Political Geography*, I would like to thank John Agnew, Christian Berndt, Jo Casebourne, Stuart Corbridge, Kevin Cox and Ron Martin for reading various drafts of this paper and providing many constructive criticisms.

Notes

1. The term 'deregulation' is somewhat misleading as it implies—contra the approach of political economy—that markets are 'naturally free'. However, as Fagan and Le Heron make clear, 'deregulation is just as much an intervention in the capital accumulation process as was the Keynesian regulatory regime which it is designed to replace' (Fagan and Le Heron, 1994, p.281). Unfortunately the term 'deregulation' has passed into common usage to mean a shift of regulation from public/state to private/market institutions.
2. It is for this reason that my analysis excludes the views of residents in the Bahamas and Cayman who have a relatively marginal role in the regulatory construction of the Bahamas and Cayman as places for offshore finance. They do play a role through the democratic process, but this aspect of the regulatory construction of place and the marginalization of resident populations, although interesting and important in making OFCs seem 'apolitical', is not dealt with in this paper (Hudson, 1996).
3. BIS data for the end of 1991 show the external positions of reporting banks *vis-à-vis* individual countries as: Barbados \$2661m; Bermuda \$28312m; Grenada \$42m; Netherlands Antilles \$66326m; Turks and Caicos \$296m; whilst the Bahamas and Cayman are most heavily used by the international banks with outstanding positions of \$287027m and \$441712m, respectively (BIS, 1993).
4. In 1993 many of the big-name banks had entities in both centres. Such banks included: Barclays Bank; Royal Bank of Canada; Bank of Nova Scotia; Canadian Imperial Bank of Commerce; Citibank; Lloyds Bank; Coutts and Co.; Swiss Bank; Banco Bilbao Vizcaya; Banco do Brasil; and Bank of America.
5. Coutts and Co. is a prestigious British bank with branches in the Bahamas, Cayman and many other financial centres.
6. Given the hierarchical organization of many multinational banks this is a reasonable assumption. Further research might usefully explore the ways in which the internal organization of firms affects processes of economic development.

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