

# Science and the System: IPE and International Monetary Politics

Stephen Chaudoin and Helen V. Milner

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## I. Introduction

Cohen's recent article expresses disappointment with IPE research on the flow of money across borders. He blames two interrelated trends in the discipline: an over-emphasis on the scientific method and an exclusive focus on domestic variables at the expense of systemic analysis.

Cohen raises important points and the fault lines he identifies in IPE research, be they continental or methodological, or both, may feel familiar to many scholars.

However, Cohen's argument creates a false choice between systemic and critical analysis, on the one hand, and scientific analysis of domestic forces on the other. In reality, nothing precludes a rigorous, scientific study of systemic factors, just as with domestic ones. Existing IPE research on money considers "the system" in many forms, each of which can be analyzed scientifically. While Cohen asks whether the "swing of the pendulum" in mainstream IPE can be reversed away from a solely domestic focus, we show the vibrant, recent, and growing body of literature demonstrating that it already has.

Ultimately, this false dichotomy is likely to be harmful to the cross-continental dialogue that Cohen espouses. To begin to help each side build a common language and understanding for more meaningful dialogue, here, we present a clear classification of these types of systemic influences, giving substantive examples of each from existing literatures. We point out that in this era of globalization most scholars are well aware that both domestic and systemic factors and their interactions are critical influences. And in doing so, we demonstrate that Cohen's belief in the inability of scientific analysis to advance our knowledge of the politics of the international monetary and financial system is not valid. From a more positive perspective, we hope that this classification gives scholars, heterodox and orthodox, a common language for studying international monetary affairs.

We think that much can be learned by being open to the scientific analysis of "the system," in its many forms, as well as to domestic variables. The field of IPE does not need to choose *ex ante* which set of factors deserves emphasis, whether as causes or outcomes. Rather, individual scholars should choose important questions and rigorously assess theories and

empirical patterns related to those questions.<sup>1</sup> This allows versatility – the ability to apply theories based on domestic or systemic factors as the question demands – while retaining rigor – an epistemological emphasis on precisely stating what we think we know and how we know it.

When scholars develop theories that focus on domestic factors, they should be open to controlling for and allowing for systemic forces. When scholars are simply seeking an inductive explanation for empirical variations, they should also be open to both types of forces. The common thread in both approaches is that neither takes an *ex ante* stance on whether systemic forces deserve emphasis vis-à-vis domestic forces. Ultimately, the usefulness of either approach, measured by its ability to advance our understanding of empirical phenomena and prescribe beneficial policy changes, is adjudicated by competition among research programs and empirical analyses.

These are important advantages to departing from Cohen’s preferred approach: heterodox theoretical accounts of crisis and power. In practice, these studies have insisted on the perpetual presence of crisis in the international monetary system, a launching point that is debatable. In practice, these works are often heavily normative, advocating for fundamental transformations of global capitalism, liberalism, globalization, etc. Both features mean that some of this work is as distant from policymaking and people’s everyday lives as the work Cohen criticizes.

We do two things in this paper. In section II, we discuss what a system is and in particular what the international monetary and financial system is. We outline four different mechanisms by which the system can affect outcomes, whether those are at the domestic or systemic level. We show that IPE research has not overlooked this systemic level. Even the study of domestic preferences involves the systemic level. Finally, in section III we discuss the many important advantages of the scientific method. We demonstrate how there is nothing about the scientific method that encourages concern for the mundane at the expense of tangible, real world policy advice. Conversely, Cohen’s preferred approach has emphasized the same arguments over large spans of time, despite potentially contradictory evidence, and often has operated at too high of an altitude, theoretically and ideologically, to provide policy guidance.

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<sup>1</sup> Cohen argues for trying to solve problems and pose policy solutions instead of explaining puzzles. We think this misses the way most scholars work. They usually have questions they feel are very important and want to try to answer, such as why do countries choose fixed or flexible exchange rates and how does this matter (Frieden 2015, Yeyati, et al. 2010, Walter 2008, Bodea 2010). Or questions like why do financial crises occur (Leblang and Satyanath 2006, Reinhart and Rogoff 2009), who adjusts when there are disequilibria or crises (Simmons 1994, Walter 2013), why is the dollar the key currency and will it stay that way (Eichengreen 2011). In doing so they show the actual possibilities and constraints on different policy choices, which allows for informed policy discussions.

## II. Too Little Room for What System?

Before analyzing whether IPE research on money has omitted systemic analysis, it is first helpful to ask: what is the system? Reading Cohen's article, the answer is unclear. One notion is that it refers to "how money flows are structured and managed on a global basis" (4). Since there is no global monetary institution that does this, it is not clear who is structuring and managing these flows. Hence Cohen, at other times, says "systemic questions" refer to those about which countries are most powerful in global finance (18), how states manage the externalities inherent in the balance of payments (14-15), what can be done to improve overall governance of the monetary system (4), and what explains slow growth rates and shocks or crises like Brexit (22). It is not clear that all of these questions are systemic ones, rather than domestic ones. Without a global monetary institution, it is national governments that make these types of decisions and adopt policies that affect each of these issues. As he admits about the lack of centralized structures organizing monetary relations, "In a decentralized system of world politics, where territorial states cling to as much of their traditional sovereignty as possible, incoherence may be unavoidable."<sup>2</sup> That is, national governments are the ones making the choices; and if their preferences diverge, then outcomes on the global level will be incoherent or worse. Furthermore, Cohen later summarizes critical systemic analysis as concerned with questions having to do with the evolution of the system as a whole, understood in terms of "vast and complex social structures."

It is clear from this lengthy list of possible descriptions that the concept of the system and hence systemic analysis remains poorly defined. We think there are at least four ways to conceive of "the system," each implying different types of analyses. Here, we draw on previous work from Chaudoin, et al. (2015). Though that piece focused on international trade, its typology of conceptions of the system provides a useful roadmap for the study of money as well.

Before delving into the systemic level, it is important to make a point about what are so-called domestic factors. Cohen criticizes scholars for focusing on domestic preferences and institutions along the lines of the OEP model of IPE. But this classification is misleading. The derivation of preferences about policy choices in the monetary area relies on the relationship between a group's assets and the international system. An actor's position relative to other countries or to the global economy tends to be the defining characteristic of their preferences in IPE. For example, Frieden's (1991) classification of preferences depends on how business and bankers are connected to the international economy: are they oriented toward it and actively

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<sup>2</sup> While Cohen claims this is true for all of IPE (20), not just monetary politics, this seems an untenable. Studies of the WTO and the global trading system's management via regional and multilateral organizations such as the EU, PTAs, etc. are abundant (e.g., Davis 2003, Pelc 2010, Busch and Pelc 2010, Rosendorff and Milner 2001, Mansfield and Milner 2012). The difference is that there is no global financial institution to match the WTO, or even the EU or the various PTAs that have centralized and legalized world trade.

participate in it or are they purely domestic? The classification of firms as export-oriented or import-competing also relies on their connection to the world economy. Whether groups are international debtors or creditors also depends on their relative position in the world economy. Or for Liao and McDowell (2016), it is the country's relative proximity to the foreign policy preferences of the US and China that determines a country's preferences about the world's reserve currency. The point is that these preferences are not just domestic; they are fundamentally derived from actors' relative positions in the international economy. And hence these policy preferences of domestic actors are systemically derived.

Second, understanding these preferences is critical to any understanding of the possibilities and constraints on policy choices in international monetary affairs. As Cohen is well aware, national governments are making these policy choices, not some global government. Whether there will be conflict among the policies chosen and whether there will be a need for policy coordination globally all depend on what these domestic preferences are. If domestic preferences across countries do not diverge much and conflict is low, then international policy coordination is not necessary, as economists stress. However, if there is much divergence across countries in preferences, then the probability of international cooperation depends heavily on the degree of preference divergence among countries (Milner 1997). Further what policies are possible and likely to be adopted depends as well on the structure of these preferences. That is, to make realistic policy proposals, scholars must understand the structure of preferences within and among countries and on the institutions that aggregate them. Otherwise, these proposals will be irrelevant and possibly irresponsible.

What are the different ways to conceive of the system and how have they been used in existing research? The first conception of the system treats the system as one of two types of explanatory variables, systemic and domestic, and is most often concerned with the effect of each type of variable on some outcome of interest.<sup>3</sup> In this first type of approach, a system is composed of a group of units. Domestic variables usually describe a property or attribute of the unit, which is most often a country but could be units such as firms or non-governmental organizations (Waltz 1979: 39). These variables tend to vary both across countries and over time, though some country-specific characteristics may change slowly or be invariant for a long time.

In contrast, systemic variables describe features of the world that apply to all units within a particular system, not just one particular unit. The scope of the system can be defined in various ways, and does not necessarily include all units in the world. The researcher defines the relevant system and its units, and different conceptions of the system may be appropriate in different contexts. The broadest conception of the system is global: the group consisting of every state in existence, or all units (think banks perhaps) that exist on this planet. A system could also denote the states or units inhabiting a particular region or continent. The system

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<sup>3</sup> Cohen's article does an excellent job of laying out many of the outcomes of interest in many analyses of money, such as the adjustment policies adopted by individual states, their exchange rate policies, or the causes and consequences of crises like Brexit.

Cohen is talking about seems to be the global monetary and financial one, which is made up of states and their institutions like central banks, as well as financial institutions such as banks, insurance companies, hedge funds, and stock exchanges.

Systemic variables thus characterize features of the entire system—that is, all the units that compose the system— and are not specific to a particular state’s characteristics. They describe the context in which states and units in that system operate. They may be aggregations of many states’ characteristics or a result of these units’ behaviors and interactions, but they must describe the system as a whole and not its component parts. For any single time interval, the researcher can only observe one system, and that system is the same for each of the countries and other units inhabiting it.

Systemic variables only vary over time, often very slowly, and they do not vary across countries who are within the system at any one point in time. For example, most of Cohen’s discussion of power (pp. 19-20) conceives of the monetary system in this way, as a characteristic of the environment that all units inhabit. His system is characterized by a dominant United States that enjoys “exorbitant privilege.” Its currency is primary; its banking system is the largest; its financial markets, the deepest and biggest; its financial technology, the most advanced, etc. It is of course a capitalist system, based on free enterprise and open markets. But the prevailing notion of this system is one dominated by US markets, policies and actions. However, at times the research Cohen refers to seems to describe this system differently: it appears as a very globalized one consisting of immense capital flows and dominated by non-state actors. As noted above, it is not clear what exactly the international monetary and financial system refers to in his article.

### *Direct Effects*

Within this conception of the system as a variable whose measure is equivalent across units, researchers emphasize several types of relationships between systemic variables and the outcome of interest. The first relationship describes how systemic and domestic variables can have a direct effect on the outcome of interest, whether it is systemic or domestic. In this relationship, both types of variables are examined with equal emphasis; both can simultaneously affect outcomes, maybe at different levels of impact, however.

There are numerous examples, from both the OEP tradition that Cohen dislikes and the more critical literature that he endorses. For example, Liao and McDowell (2016) analyze how the geo-political shift in preferences away from US hegemony has encouraged countries to invest in the Chinese renminbi. The systemic variable for Liao and McDowell is a general shift in global preferences, which in turn affects the outcome for each unit, i.e. countries’ investment in the renminbi. Copelovitch, et al. (2016) introduce a special issue of *Comparative Political Studies* on the Eurozone crisis. They argue that systemic trends, such as the deepening of European integration, are an important component of understanding the Euro crisis. The introduction, and subsequent contributing articles, each highlight the domestic political tensions of crisis politics, against the backdrop of systemic integration. Gallagher (2014) argues that the

international system has increasingly been characterized by intense volatility in financial flows which has affected the choices of many emerging and developing countries regarding capital controls and other policies. Others have directly linked systemic trends like deepening international financial exposure to individual level preferences over international conflict (Jha and Shayo 2016).

### *Mediation*

Also within the conception of the system as a distinct variable, many researchers make arguments about mediation relationships. In these relationships, a systemic or domestic variable affects some outcome *through* its effect on another variable. This is a common characteristic of research emphasizing how systemic variables affect the preferences of domestic level actors, which in turn affect outcomes. This type of relationship is commonly studied because of the *international* component of IPE, where the preferences of domestic actors are strongly influenced by their or their country's position in the global economy. As noted above, this is the main way in which the preferences of domestic actors are derived in IPE.

Some examples of mediation relationships argue that certain domestic factors affect the system, which in turn affects outcomes. Oatley (2015) argues that US military spending, which is an attribute of one unit in the system, has been a key driver of US deficits, which in turn affect the global economic system, periodically generating crises like those in the 1960's, 1980's and the more recent subprime crisis. Prasad (2014) argues that institutional features of the US, a domestic variable, made the country an attractive destination for foreign capital, which has in turn created the conditions for the US dollar to become and stay the system's dominant currency. Not all research has focused on the effect of US variables on the system as the first link in a mediation argument. For example, Kathleen McNamara (2016) and David Steinberg (2016) built on Liao and McDowell's (2016) argument about the Chinese RMB. They both highlighted how political and economic factors within China might affect the viability of the RMB as a global currency, which in turn, affects the relationship between systemic and domestic variables analyzed by Liao and McDowell.

Other research provides the foundations for mediation arguments in which the international system can affect a domestic variable, which might then affect some policy choice. For example, DiGiuseppe and Shea (2016) examine how global credit conditions, a systemic variable, affect leader survival, a domestic variable. The identity and retention of power by leaders has clear implications for future policy choices, so the systemic variable affects outcomes *through its effect on leaders*. Bernhard and Leblang (2016) argue that the Greek financial crisis had a direct effect on politics in Germany, because German citizens considered the costs of a bailout. The crisis also had an indirect effect on German politics through its effect on migration out of Greece. As they note the complex interplay of domestic and international pressures in Germany, "the [global] financial crisis reshaped this basic calculation of political support. First, the nature of the crisis broadened the electorate's focus to include economic and financial factors beyond the domestic context.... As the crisis in the periphery worsened,

German voters became acutely aware of the fiscal conditions in the other economies. As the fiscal condition of the PIIGS were likely to affect their own economy, debt conditions in other countries entered into electoral calculations of political support for the Merkel government.” Meredith Wilf (forthcoming) argues that the Basel III international negotiation process affected the economic returns of United States banking stocks. As international negotiations progressed and announcements about likely regulations were made, some affected US banks experienced lower returns. These returns then tells us about the preferences of these banks about international financial regulation, an important component into the bargaining process over these global regulations.

### *Moderation*

An additional type of argument assesses relationships where one variable moderates the effect of another. For example, a domestic variable can moderate, i.e. change, magnify, mute, or reverse, the relationship between a systemic variable and the outcome of interest. The classic argument of Rogowski (1987) about domestic political cleavages created by international trade was one of moderation. For him, a first step is that systemic variables, like the costs of shipping and overall levels of global economic integration, changed. Then, however, the effect of this change on a country’s political cleavages (i.e., the outcome of interest) depended on that country’s land, labor, and capital ratios (i.e., domestic variables).

Some examples of these types of arguments have arisen in studies of the IPE of money, with domestic variables moderating the effects of systemic ones and vice versa. For example, Nelson, et al. (2016) argue that a country’s place in the international system moderates the relationship between democratization and capital account liberalization. Transitions to democracy can spur liberalization, depending on the country’s “external capital policy context,” meaning the degree to which their peer countries have liberalized. Bernhard and Leblang (2002) argue that the level of financial openness in the global system moderates the effect of fixed exchange systems on longevity of domestic governments. Under conditions of high exposure to international capital markets, fixed exchange rates and central bank independence can improve the government’s durability.

We suspect that there may be even more examples of moderation research on the horizon. The Financial Crisis created a systemic shock that affected virtually every country. However, the effect of that shock has been magnified and muted by domestic political factors such as particular countries’ policy responses and initial susceptibility to the shock.

### *Contagion and Interdependence*

The second conception of the system emphasizes not just features that are common to all units in the system, but the set of relationships that constitute the system. The system is not simply one variable taking on different values, but a matrix of relationships and ties among all the units. Some of the most recent research on the IPE of money explicitly describes systemic trends from this perspective using tools like network analysis. A perceived dearth of this type

of research potentially caused Cohen’s remark that “There is simply no excuse, other than analytical convenience, for assuming that the broader structure of monetary relations necessarily remains stable over time” (pp. 26).

In reality, a very large amount of research takes a scientific approach to doing exactly that.<sup>4</sup> For example, Oatley, et al. (2013) use network analysis to emphasize how the global financial systemic is distinctly hierarchical, with the United States firmly at the center of capital markets. Winecoff (2015) uses a similar approach to analyze whether and to what degree the US financial crisis eroded the US’ prominent position at the center of the financial network, ironically, finding that the US has increased in prominence according to some measures. An extensive literature in economics develops theoretical models and empirical measures of the degrees of connectedness between financial actors, such as banks (Glasserman and Young 2016). This literature focuses on questions such as “Does increasing interdependence among financial actors facilitate the transmission of shocks across the financial network or help dissipate shocks?”

Other research emphasizes the system as characterized by differing degrees of contagion, which describes the intensity with which one country’s outcome affects another country’s outcome. For example, Bodea and Hicks (2015) argue that competition to attract foreign capital drives contagion of central bank reforms across countries. They estimate the effect of spatial lags of the level of central bank independence in a country’s peer group on that country’s own decisions, finding a strong correlation. Xun Cao (2010) argues for similar peer-group effects in the diffusion of tax policy. Brooks and Kurtz (2012) argue that decisions over capital account liberalization are also affected by peer countries’ decisions, and this contagion is conditional on a country’s history of import-substituting industrialization. Brooks, et al. (2015: 598) argue for similar peer-group effects among countries, even in the pricing of sovereign debt, saying “Sovereign credit risk is therefore not entirely sovereign. Instead, it depends on the credit risk of—and, ultimately, the policies of—countries with which a sovereign borrower is categorized.” Chaudoin, et al. (2015) described how to assess these examples of contagion from a time-varying perspective, allowing the intensity of contagion to vary across different time periods.<sup>5</sup>

Still other examples include scholars applying the emerging insights of New Interdependence (Farrell and Newman 2014) to the IPE of money. They emphasize how outcomes and policies in one country affect those of other countries. For example, they describe the importance of rule-overlap, where the existence of MNCs ensures that one country’s regulations influence others’, since countries compete to attract investment from such firms. Rules, such as capital requirements for banks in a leader country, can also affect the likelihood of other countries mimicking or eschewing those rules.

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<sup>4</sup> For two recent surveys of these topics, see Glasserman and Young (2016) and Graham, et al. (2013).

<sup>5</sup> For a survey of empirical approaches to these problems, see Franzese and Hays (2008).

Yet another type of research that conceives of the system as a set of relationships seeks to explicitly model individual relationships within the system of complex relations among countries. This research emphasizes how the system can involve much more complex relationships than just contagion across two units, to include triadic or other higher order network dependencies. While models of higher order network dependencies have not been applied to the IPE of money, at least to the best of our knowledge, they have been applied to many related IPE topics. For example, Cao (2010) and Cao and Prakash (2010) study capital taxation policies, locating countries in international economic networks and assessing how their international position similarity affects competition. Ward, et al. (2013) estimate latent space models of the global trade network, and Cao and Ward (2014) use similar models to analyze international portfolio investment flows. They use empirical models designed to allow for the possibility that trade relationships between countries are interdependent on one another.

In sum, these works often ask the exact questions that Cohen yearns for. They ask questions like how the system has evolved over time, if at all. They ask how features of the system, such as the distribution of power, affect the decisions of individual units, and how those decisions feed back into the system. They ask about the prevalence of crisis and the channels of its transmission.

For the international monetary system, we expect these systemic pressures to be less related to the presence of international institutions and global governance since there are few if any such institutions in this area. This is unlike in trade where there exists the WTO, EU and many regional trade agreements, and even unlike foreign investment where there are hundreds of bilateral investment and tax treaties. We thus expect that these systemic pressures come from two other sources. First, the distribution of capabilities in the finance area, in particular US hegemony, matters.<sup>6</sup> And second, globalization pressures from capital flows and the power of transnational capital will be of most importance (Simmons 2001, Drezner 2007). This latter includes competition for such capital among states.

### III. Too Much Scientific Method?

If Cohen's argument holds significant disdain for IPE's under-emphasis of the system, it holds an equal amount of disdain for IPE's overemphasis on data and the scientific method. The scope of this part of Cohen's critique is very broad, applying to both quantitative and qualitative research. He writes:

In effect, methodology plays a key role in defining what can be studied, automatically marginalizing questions that cannot be reduced to a manageable set of regressions or structured qualitative analysis (pp. 28).

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<sup>6</sup> The Basel Accords and International Accounting Standards Board (IASB) are two sources of international regulation, but they are fairly narrow and weak (Lall 2015).

The scientific method, with its supposed emphasis on “puzzles to be explained” instead of “problems to be solved,” has resulted in research that Cohen describes at various points as disappointing, trivial, “lacking substantive content,” and “detached from the anxieties of everyday life.” As a consequence, he argues, the research is irrelevant for policymakers and fails to result in an accumulation of knowledge.

Like the imagined tension between studying the “system” and the use of the scientific method, the tension between scientific study of puzzles and real world problems is also a false choice. Important puzzles are ones motivated by important problems. If puzzle-driven research fails to connect the investigation of a particular puzzle to variation in real-world outcomes that matter for people’s lives, then this is the fault of the researcher, not her method. We would wholeheartedly agree that the ability to speak to the anxieties of everyday life is a desirable trait of all research, if not the *most* desirable trait.

However, we do not see evidence of a disregard for important problems in the research that Cohen dislikes. For example, Cohen identifies balance of payments adjustment and exchange rates as central problems. But this is what many of the scholars he impugns focus on. Stefanie Walter (2013) assesses the effects of countries’ electoral vulnerability profiles on policymakers’ willingness to reform macroeconomic policies. Frieden (2015) links firm and industry interests to exchange rate policy choices. The key policy choices he identifies—exchange rate systems and levels (pp. 6-7)—are the ones the authors he dismisses are trying to better understand. Without some understanding of the domestic political preferences of actors making such policies, it is hard to imagine how one advocates for realistic policies.

OEP scholars are often focused on the policy choices faced by governments everyday: such as “depreciation, deflation and direct controls” to use Cohen’s words. To us, the scientific method is critical to understanding these choices and proposing better ones in the future. It is the same method that economists use, and they tend to have far more policy influence than any political scientist, especially in the monetary area. The scientific method entails laying out assumptions, using logic to derive hypotheses consistent with the assumptions, and then assessing whether patterns in the real world are consistent with those hypotheses. In any one article or even book, scholars often examine only a few hypotheses because developing logically consistent and empirically corroborated hypotheses is no small task. Each of these then makes a contribution to the accumulation of knowledge. Notably, nothing in the approach necessitates a focus on big or small, pressing or trivial questions.

Ironically, when viewing the discipline and its body of research as a system comprised of many parts, the narrow research Cohen dislikes actually comprises an expansive and rich tableau. Many examples of important work assess parts of the broader picture, grouping arguments, comparing and contrasting sets of narrower pieces, and laying out agendas for future research. This has been apparent in the study of money in IPE. For example, Frieden (2016) surveys a broad array of research, to assess the likelihood of international, systemic change in the global governance of finance. He identifies numerous works analyzing different particular actors, like governments and banks, at different levels, both domestic and systemic, to conclude that the

world is at least somewhat headed in the direction of more global governance of finance. Copelovitch, et al. (2016) introduce a special issue of *CPS* that examines an array of domestic and international factors involved in the Eurozone crisis, as well as how the European-wide crisis influenced trends in domestic politics across countries. They argue that the Eurozone crisis helped change the relationship between mass public attitudes and financial policy, heightening awareness of previously arcane and mundane monetary issues among the broader public and strongly affecting domestic politics. This is one way that research makes progress. Individual research projects develop and rigorously test hypotheses that form parts of the whole, and scholars show how these cumulate by zooming out and taking stock of broader sets of research, often competing.

It is also important to consider the merits of a particular approach as compared to its alternatives. We do not see a clear connection between the approach Cohen advocates and the accumulation of knowledge or attention to the “anxieties of everyday life.” For starters, it is not clear what Cohen proposes as an alternative to the scientific method. Cohen mentions a heterodox approach that includes critical, historical, or interpretative research, and links those approaches in dialogue with more mainstream approaches. He likens this to Katzenstein’s “analytical eclecticism” (c.f. Katzenstein and Sil 2008). We are left to infer the properties of this approach from the examples given.

While it is beyond the scope of this paper to survey everything Cohen mentions, critical theory and much of the work following that of Susan Strange have focused on three recurrent claims: that governments have been losing control of the global economic system as global capital grows in power, that the world economy is crisis-ridden and not productive because of nature of global capitalism, and that US hegemony and neoliberalism have been at the roots of these processes. While much of this research contains many interesting nuggets of plausible hypotheses, it has also been starkly at odds with the history of the last several decades.

Regarding the global monetary system, the past fifty years have not seen total loss of government control over the monetary system and continuous crisis. Governments have not ceded control to transnational firms, and indeed, one could argue that governments are more powerful than ever. Their national policies and regulations remain central elements of the system. Other than the Basel accords there are very few international rules and regulations for the monetary system. And this is one reason why looking at national policy choices has remained an important scientific endeavor. It is also not clear that US power in the system has been the source of every crisis and problem in the past fifty years. Neoliberalism, which is often connected to US hegemony, is also seen as bearing the blame for every problem in the system. But again periods of growth and stability, which have been important since the 1970s, are never attributed to either US power, neoliberalism or globalization. The varying levels of growth, stability and rare crises cannot be explained by constant factors like US hegemony or neoliberalism.

Critical scholarly work has also emphasized the persistence of crisis. Four of the seven books Cohen mentions favorably have “crisis” in the title or subtitle, and all of them treat it as a main

theme. When evaluated with data, claims of constant crisis and the impending collapse of capitalism seem to have been wrong most of the time, even if they have epiphenomenal veracity resulting from their constant repetition. Capitalism seems to have performed better than any other economic system in the past few centuries, and crisis among advanced, capitalist economies have actually been rather rare. For the advanced industrial countries since Britain in the early 1970s, there hadn't been a severe global monetary crisis until 2008-9. Reinhart and Rogoff (2009: 260) describe the Great Recession as the only global crisis since the 1950's. This is also not simply an artifact of their particular coding. Three different datasets (Laeven and Valencia 2013, Jordà, et al. 2017, Reinhart and Rogoff 2009 ) reach a similar conclusion: the bulk of banking, currency, inflationary, and debt crises occur in developing economies. Using Laeven and Valencia's data it seems that for any country in any year, it has a 5% chance of experiencing a financial crisis. This is a fairly low level of risk. But the counterfactual needs posing: would a system without US leadership have fewer crises and more growth? Would one without capital mobility have fewer crises and more growth? The answer is not obvious.

In a further irony, Cohen's call for more systemic research is at inherent odds with the idea of problem-driven research. Several watershed events loom large in the international political economy of money in recent history: for instance, the Asian, Euro and US financial crises and Brexit. These topical, pressing events create and amplify the everyday anxieties on which Cohen calls for greater focus. While the sources of these events are undoubtedly diverse and complex, most explanations — including those found in Cohen's article — highlight a domestic trigger and then a transmission of the crisis across borders. Had scholars chosen *ex ante* to focus only on large systemic questions and theories, they might have had less to say about these important problems. If we started with the study of the vaguest abstractions — monetary power, epochal systemic transformation, and capitalist crisis — we would be left wondering: How should we understand these watershed events? How can we resolve these problems, which are real world issues that demand realistic policy solutions?

## **Conclusion**

Moving forward, we are excited to see the progression of research on the IPE of money that uses a variety of methodological tools, whether qualitative or quantitative, under the umbrella of the scientific method to ask and answer questions of importance for everyday life. Indeed, much of the "orthodox" research already does so, even though its analysis is framed by the scientific method.

Rather than widening the divide between approaches, we want to lay out a common language for discussing the causes and effects of systemic and domestic factors and forces. In laying out a set of ways of conceiving of systemic and domestic forces and their interactions, we found clear examples for many different approaches and relationships within existing studies of the IPE of money. We suspect that those veins of literature will deepen, as future research deals with an ever more globalized world with more dispersion of monetary power among countries.

Even beyond demonstrating the compatibility between systemic analysis and the scientific method, we hope that our roadmap of these relationships provides useful guidance for the accumulation of knowledge on this important issue.

Fortunately, this type of progress is already occurring. A recent International Studies Quarterly symposium discussed Joseph Weinberg's (2016) piece about the European Union. Weinberg identified how the supranational governance of the EU (a systemic characteristic) rendered problematic studies which analyzed national policies governed by EU law. Notably, and contrary to Cohen's lamented lack of systemic analysis, each of the responding and commenting authors agreed with the importance of incorporating systemic factors into analysis. The authors had clearly moved beyond debate of whether the system "mattered." The disagreement, to the extent that there was much disagreement at all, consisted mostly of what types of approaches within the umbrella of the scientific method to use when incorporating the system. We have no doubt that studies of the IPE of money will also benefit from these types of arguments.

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