**Money**
***Oxford Handbook of International Political Economy***

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## Introduction

One need only be a casual consumer of the news of the last decade to be aware of the pivotal role of money and exchange rates in the global economy and in international and domestic politics. In Europe, the Eurozone crisis and its painful economic aftermath have dominated events in the European Union since 2010, reshaping domestic politics in Greece and Italy and triggering sharp clashes between the "North" and "South" in the monetary union. In the United States and China, "currency manipulation" and exchange rates have been central to rising economic tensions between the two powers in both the Obama and Trump administrations.[1] In Poland, India, Argentina, Turkey, and elsewhere, currency crashes and exchange rate shocks have had enormous impact on domestic politics (Ahlquist et. al. 2020; Bhavnani and Copelovitch 2016; Steinberg 2015). And in both the Global Financial Crises and the COVID-19 crisis, central bank cooperation and the leadership of the US Federal Reserve have played a central role in managing economic upheaval and mitigating instability (McDowell 2017, Sahasrabuddhe 2019).

In short, it is not an exaggeration to say that monetary issues sit at the heart of every major political debate and policy issue in the world economy. In our view, this makes the study of the politics of money perhaps the single most important topic in international political economy (IPE). As Jeff Frieden notes in his 2015 book, *Currency Politics*,

> The exchange rate is the most important price in any economy, for it affects all other prices. The exchange rate is itself set or strongly influenced by government policy. Currency policy therefore may be a government's single most significant economic policy.

[1] https://www.npr.org/2019/08/06/748775639/u-s-china-trade-war-spreads-from-tariffs-to-a-battle-over-currencie; https://www.reuters.com/article/us-usa-china-obama-currency/obama-says-china-must-stop-manipulating-currency-idUSTRE49S7FQ20081029; https://thehill.com/homenews/campaign/509685-biden-under-trump-attack-casts-himself-as-firm-on-china

> This is especially the case in an open economy, in which the relationship between the national and international economies is crucial to virtually all other economic conditions.

Yet, despite its centrality in the world economy and world politics, money remains a niche topic of study in the field of IPE. This has long been a feature of the subfield. For decades, the study of money was almost exclusively the domain of economists (Broz and Frieden 2001), until a foundational group of IPE scholars began to explore the politics of exchange rates and the international monetary system in the latter years of Bretton Woods and the aftermath of its collapse (Cooper 1968, Kindleberger 1970, Strange 1971, Cohen 1977, Odell 1982, Gowa 1988). From these beginnings, scholars in the 1990s and 2000s pushed the literature forward, sharpening our understanding of the domestic and international politics of exchange rates, monetary policy, European monetary integration, and central banking (See, e.g., Frieden 1991, McNamara 1998, Broz and Frieden 2001, Bernhard et. al. 2002). Nonetheless, IPE — especially of the "American" or "*International Organization*" (*IO*) tradition — has long privileged the study of other topics (most notably international trade and foreign aid) over the politics of international money and finance. Even now — as one readily sees from journal tables of contents and conference programs — the number of scholars, papers, and publications on monetary policy, exchange rates, and financial crises in IPE remains quite small relative to those on international trade, foreign direct investment, and (more recently) migration.

The reasons for this ongoing disconnect between the centrality of monetary issues in the world economy and current public policy debates and its relative neglect within the field of IPE are unclear. In part, the answer is surely methodological and data-driven: the shift in political science toward micro-level experimental work in IPE – as elsewhere in political science – has been closely associated with a renewed focus on public opinion about trade and trade policy, while the explosion in data availability has seen a similar surge in studies of bilateral and multilateral foreign aid. As a result, scholarship in IPE on international money and finance remains limited by comparison. Nonetheless, the real-world shocks and events in the global economy since 2008 have inevitably and unavoidably brought monetary issues to the fore and sparked a new generation of outstanding scholarship on the political economy of central banking, exchange rates, and the international monetary system. Yet even within the relatively small group of IPE scholars studying money, the sharp divisions within the subfield described by Pevehouse and Seabrooke (this volume) remain clear, with scholars of different schools approaching the same empirical topics and puzzles from very different theoretical and methodological perspectives. The "constructive non-engagement" of scholars in these different camps is evident in the study of money, as in other issue areas.

In this chapter, we survey the IPE literature on money over the last two decades, highlighting this problem of "non-engagement." In taking stock of the field, we seek to identify the many important contributions of each camp, to note outstanding work and scholars that have recently begun to bridge this gap, and to highlight key empirical and theoretical topics where further constructive engagement would enrich our understanding of the politics of money. Substantively, we focus on three core issues, which form the bulk of IPE's problem-centered approach to studying money since the 1990s: the political economy of exchange rates, the political economy of monetary policy and institutions (primarily central banks), and the politics of the international monetary system. In each of these substantive areas, scholars in both the "*International Organization*" and "*Review of International Political Economy*" IPE traditions have made enormous progress in exploring how domestic and international politics shapes outcomes. And yet, as in other topic areas, the dialog and engagement between the two camps remains insufficient and limited. Nonetheless, as we describe here, this has begun to change and there is great scope for productive synthesis between the two camps.

### Niches within the niche: ideological divides in the IPE of money

Within international relations, IPE still remains something of a niche subfield, with the IPE of money a further specialty. As Seabrooke and Young document in their important 2017 *RIPE* article "The Networks and Niches of International Political Economy," IPE as a subfield of international relations remains quite balkanized, with scholars from different parts of the world and different intellectual traditions within IPE clustering into separate networks of citations, conference attendance, and topical/methodological approaches. They note, as illustrated below, that this is most clear in graduate school syllabi, where (broadly) scholars have clustered into two camps, which we might label the "*International Organization*" (*IO*) and the "*Review of International Political Economy*" (*RIPE*) schools, based on what is seen as the premier academic journal for each variety of IPE scholarship (Figure 1).

REVIEW OF INTERNATIONAL POLITICAL ECONOMY

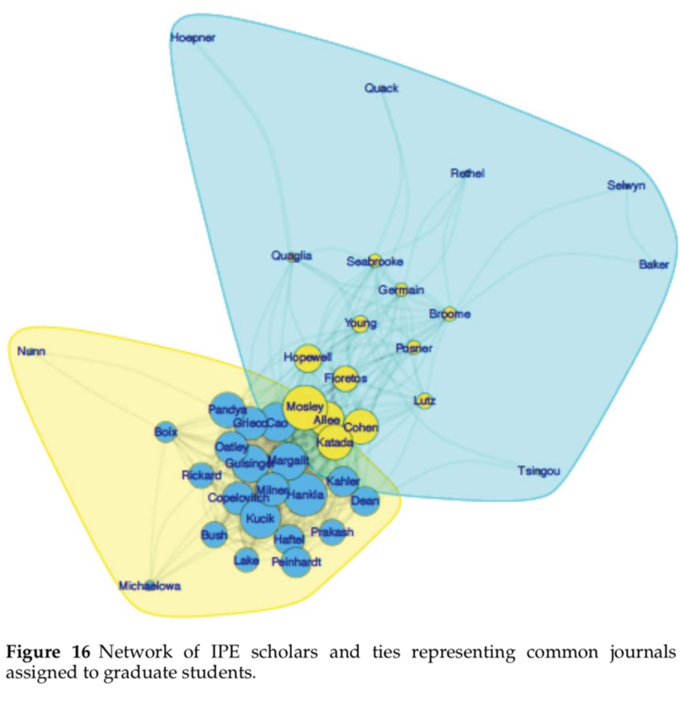



**Figure 16** Network of IPE scholars and ties representing common journals assigned to graduate students.

**Figure 1 (reprinted from Seabrooke and Young 2017)**

This stark division into separate but parallel research communities has sparked much consternation in the last decade, particularly from scholars more closely associated with the *RIPE* camp. Benjamin Cohen (2017), in particular, has lamented the dominance of the Open Economy Politics (OEP) paradigm in "American" (or *IO*-style) IPE (Lake 2010), and he has expressed his disappointment in the evolution of the subfield from the 1990s onward:

> The main message of this essay is – to be blunt – disappointment. Research has become increasingly insular and introspective, largely detached from what goes on in the real world. Two parallel developments are responsible, both reflective of wider trends in mainstream IPE. First is a steep decline of interest in broader systemic issues, as the pendulum has swung sharply toward the domestic level of analysis. And second is a marked loss of interest in practical policy solutions…. The fault lies, first and foremost, with the excessive priority given to formal scientific method (1).

Cohen laments that modern IPE scholars, especially in the IO camp, no longer do systemic analysis of the sort done by pioneering early scholars such as Strange (1971), Kindleberger (1973), and Cohen (1977). Quite clearly, given the scholars he cites, the lack of attention to money and the international monetary system is central to this lament.

Cohen raises important and thoughtful critiques of the IO camp and the OEP approach to studying IPE. Nevertheless in our view, Cohen's first lament about the decline of interest in systemic issues is an empirically inaccurate assessment of the subfield. Following the collapse of the Bretton Woods system in 1971–73, the world was left without a default standard in the international monetary system. In the absence of a clear organizing standard or norm for exchange rate policy and base currency — as in the gold, gold-exchange, and gold-dollar eras of 1870–1914, the interwar era, and Bretton Woods— the world has moved toward an international monetary "non-system" (Ocampo 2017), comprised of the national exchange rate policies of individual countries. In this post-Bretton Woods world, IPE scholarship was inevitably going to shift toward analyzing national policy choices instead of "systemic" analysis of the international monetary system, and scholars were inevitably going to shift their analysis toward domestic political factors as key explanatory variables. To lament this as "insular" or "introspective" is to lament history, not the evolution of the field of IPE or the literature on money.

Moreover, many IPE scholars *have* quite clearly continued to focus on systemic analysis. This is readily seen in the rich and diverse literature on the political economy of European monetary integration and the Eurozone crisis from scholars in both the *IO* and *RIPE* camps (see Copelovitch et. al. 2016; Matthijs and Blyth 2015). Even at the global systemic level, important new work in recent years has explored the political economy of reserve accumulation (Jäger 2016), foreign currency swaps (Sahasrabuddhe 2019), and the Federal Reserve's role in global monetary and financial governance (McDowell 2017). Indeed, our understanding of how domestic and international politics shapes national policy choices and international monetary cooperation is deeper and richer than ever. That this work, and the specific topics on which it focuses, are not the same as in the 1970s and earlier eras is to its credit. The world has changed enormously in monetary and financial terms in the post-Bretton Woods era of globalization. IPE scholars have done an admirable job adapting their research to that ever-changing world.

Cohen's second lament is that the IPE of money as a field has given up on finding "practical policy solutions," focusing instead on "puzzles to be explained" through the application of the scientific method to the political world (3). Here, as in earlier related work (Cohen 2010), Cohen lays the blame at "American" IPE in the "Open Economy Politics" (OEP) tradition (Lake 2010), which he criticizes as having sacrificed interesting questions and important policy-oriented research on the altar of statistical methods and rationalist ontology. Other "British" IPE scholars have leveled related criticisms of "American" IPE, claiming that IPE scholars' failure to predict major events in the world economy (e.g., Brexit, the 2008 global financial crisis) is evidence of the crisis of the subfield (Blyth and Matthijs 2017).

In our view, this juxtaposition of "practical policy solutions" against "puzzles to be explained" is a false dichotomy. Indeed, the best IPE scholars and scholarship of recent years stands out for simultaneously explaining important research puzzles *and* for speaking to contemporary policy debates and current events, including the Eurozone crisis, the global financial crisis, monetary policy debates, and Brexit. The very best IPE scholars, whether of the *IO* or *RIPE* camp, all do this. But there is a crucial difference between conducting policy-oriented research and trying to predict the future. The latter is most frequently a fool's errand, and the failure to predict discrete events represents neither an existential crisis for "American" IPE (indeed, it is a failure fully and broadly shared by nearly all "British" IPE scholars and nearly all economists) nor the falsification of the probabilistic hypotheses of any specific IPE theories.

Instead, as Seabrooke and Young's analysis (2017) makes clear of the field as a whole, the main problem with today's IPE scholarship on money is not that any particular school is on the wrong track. Rather the problem is that scholars from the different networks and schools do not engage sufficiently in conversation with one another. This is unfortunate, because IPE scholarship on money is flourishing around the world, and both the *IO* and *RIPE* camps have much to learn and offer to each other. Moreover, where conversations between the two camps have occurred, new communities are emerging that promise to push the field forward, moving us from fragmented niches to productive synthesis.

## "Constructive Non-Engagement" in the IPE of Money

Nearly two decades ago, Broz and Frieden (2001), in a still-essential survey of the political economy of international monetary relations at the time, identified three core challenges for the field: (1) clarifying outstanding theoretical and empirical ambiguities; (2) integrating study of the domestic and international politics of money; and (3) exploring the connections between money and other issues in IPE, including trade and finance. It is striking — particularly as one of us began studying IPE at exactly this time — to look back now and see how much more we know about the politics of monetary policy, institutions, and exchange rates than we did at the turn of the century. Although the schools of IPE noted by Seabrooke and Young have mostly been "parallel processing" over the last two decades, the accumulation of knowledge in the field has been deep and broad.

*Clarifying theoretical and empirical ambiguities*

Scholars of both the *IO* and *RIPE* camps have made enormous progress on the first challenge highlighted by Broz and Frieden: clarifying outstanding theoretical and empirical ambiguities in the field. Indeed, we know vastly about the sources of individual and firm preferences over exchange rate regimes and levels than we did thirty years ago, when Frieden wrote his groundbreaking piece, "Invested Interests" (1991), which drew on theories of the distributional consequences of trade and capital mobility to develop a theory of actors' preferences over both the level and degree of fixity of the exchange rate. Building on Frieden's work, scholars in the *IO* tradition have spent much of the ensuing two decades exploring further, in richer theoretical and empirical detail, how the distributional consequences of monetary and exchange rate policy choices shape domestic political coalitions for and against particular policies (e.g., Simmons 1994, Henning 1994, Broz 1997, Frieden and Stein 2001, Frieden 2002, Bearce 2003, Steinberg and Shih 2012, Steinberg 2015, Quinn and Weymouth 2020). Scholars have also made substantial progress in understanding how political institutions interact with interests to shape policy outcomes. One particularly rich literature has shown how the politics of money varies based on regime type. Traditionally, this work has focused on democracy and variation in democratic institutions (e.g., Leblang 1999, Broz 2002, Sattler and Walter 2010, Bearce and Hallerberg 2011), although important new work has extended this approach to authoritarian regimes (Steinberg and Malhotra 2014). Steinberg (2016) also shows that the key may be less about regime type than the government's role in the economy. He shows state control of the financial system, as is common in "developmental states," is associated closely with undervalued exchange rates in the developing world.

Stefanie Walter's work perhaps best exemplifies this *IO*-style approach to examining the interplay between material interests and institutions at the domestic level. Focusing on East Asian countries during the 1997–99 financial crisis, Walter demonstrates how domestic actors' material vulnerability to exchange rate and interest rate movements shaped their preferences — and government policy choices — over currency devaluation (Walter 2008). Similarly, in her outstanding 2013 book, *Financial Crises and the Politics of Macroeconomic Adjustment*, Walter shows how voter and firm preferences over internal vs external adjustment policies also shaped policy choices in response to the Global Financial Crisis. The strength of Walter's work, as well as the rich literature cited above, is its ability to pinpoint which specific economic and political actors favor particular monetary policy choices for material economic reasons. Consequently, it has provided us with a strong theoretical foundation from which to identify the individuals, firms, governments, and policymakers that favor or oppose fixed exchange rates, currency appreciation or depreciation, and interest rate changes in response to macroeconomic shocks.

At the same time, scholars in the *RIPE* tradition have also produced outstanding work highlighting how norms, ideas, and non-material factors also shape actors' preferences and policy outcomes in the realm of money. Kathleen McNamara's groundbreaking book on the ideational roots of European monetary integration, *The Currency of Ideas* (1998), remains a foundational work in the IPE of money. In more recent work, Matthijs and McNamara (2015) focus on how narratives shape policy responses to financial crises in the European Monetary Union. They show how a dominant narrative about "Northern Saints" and "Southern Sinners" pervasively shaped EU policymakers' response to the Eurozone crisis and prevented deeper fiscal integration that might have more effectively resolved the debt problems of Greece and other southern Eurozone countries. James Morrison's study of the role of ideas in determining Britain's fateful 1931 suspension of the gold standard provides a fascinating historical analysis with echoes ringing through today (Morrison 2016). Furthermore, several recent scholars have produced excellent work showing the role of socialization and ideas in shaping the politics of the International Monetary Fund, capital account liberalization, and policy responses to financial crises, policies closely linked to money and exchange rates (e.g., Chwieroth 2009, Nelson 2014, Farrell and Quiggin 2017).

In addition to the literature on the political economy of exchange rates, the literature on central bank independence and monetary institutions is a second area where scholars in both camps have made substantial progress in clarifying the theoretical and empirical ambiguities noted by Broz and Frieden in 2001. The early, foundational literature on central bank independence (CBI) focused exclusively on its domestic political economy origins (Kydland and Prescott 1977, Barro and Gordon 1983, Rogoff 1985), setting out the logic of delegation as a solution to the time-inconsistency problem. Subsequent work in economics and political science has highlighted the key role of other institutions, partisanship, and other contextual factors in shaping the effectiveness of CBI as a commitment mechanism for achieving low inflation (e.g., Hall and Franzese 1998, Iverson 1999, Franzese 2001, Bernhard et. al. 2002, Hallerberg 2002). Scholars in both the *RIPE* and *IO* traditions have also deepened our understanding of the adoption and spread of CBI and related monetary policy rules, such as inflation targeting, around the world (e.g., McNamara 2002, Johnson 2006, Mukherjee and Singer 2010).

More recently, new research has provided us with both better data and richer, more sophisticated theories of how the macroeconomic and institutional context in which independent central banks operate shapes policy outcomes (Copelovitch and Singer 2008, Broz and Plouffe 2010, Bodea and Hicks 2015, Garriga 2016). Cristina Bodea's excellent and prolific work exploring the complex interactions between CBI, exchange rate regimes (Bodea 2010), fiscal policy (Bodea 2013), and political institutions (Bodea and Hicks 2015) is emblematic of this important literature. A key takeaway from this work is that independent central banks cannot be understood merely as technocratic, global solutions to the time-inconsistency problem, but rather must be analyzed as agencies whose effectiveness is conditional and varies widely depending on the broader political and economic context in which they operate.

Indeed, IPE scholars in both camps have shown convincingly that central bankers are not simply technocrats, but rather deeply political actors, whose policy preferences and behavior are shaped by the domestic and international political context in which they operate. Adolph (2013) shows that central bankers' career incentives and trajectories matter. Specifically, he finds that central bankers concerned with future employment in private finance systematically adopt different monetary policy stances — favorable to the financial sector — than those from other backgrounds. Focusing on financial regulators (many of whom are central bankers), Singer (2004, 2007) demonstrates how regulators frequently pursue international regulatory harmonization as a way to circumvent or alleviate domestic political pressure. In related work, Clark and Arel-Bundock (2013) show that the US Federal Reserve is "independent but not indifferent," exercising partisan bias in its monetary policymaking. They find that interest rates are more likely to fall when Republicans control the White House, but more likely to rise when Democrats do. In other words, the Fed is not merely a technocratic agency, but rather a "conditional inflation hawk," whose policy behavior is deeply responsive to domestic politics.

A separate but equally important body of research has shed light on the role of trust, speech, ideas, and communication in central banking. Braun (2016) focuses on public monetary trust, arguing that central bankers nourish the public's folk belief that it directly controls the money supply to bolster their legitimacy and credibility. Braun (2015), Schmidt (2014), and others highlight how the management of expectations — both those of the public and those of the financial sector — poses challenges as well as opportunities for central bankers. Baerg (2020) also argues for the importance of central bankers' speech, demonstrating that the content of central bankers' statements has varying and substantial effects on both inflation and public opinion. Johnson (2016) highlights how the socialization of Eastern European central bankers in post-Communist countries into the transnational central banking community shaped their ideas about monetary policymaking. Collectively, this work makes clear that sociological perspectives have as much to offer in explaining the politics of central banking as rationalist materialist theories. A key challenge moving forward is for scholars of both the *IO* and *RIPE* camps to synthesize their work to understand the conditions and cases under which each set of theories and variables best explains variation in policies and outcomes.

*Integrating international and domestic politics*

IPE scholars of both camps have also made remarkable progress in meeting Broz and Frieden's second challenge: integrating the domestic and international politics of money. The articles in the 2002 *IO* special issue on the political economy of monetary institutions remain foundational (Bernhard e.t al. 2002), highlighting the central role of interest groups and political institutions in shaping monetary policy preferences and exploring the degree to which fixed exchange rates and central bank independence are complements and substitutes under different political circumstances (Bernhard and Leblang 2002, Broz 2002, Clark 2002, Hallerberg 2002, Keefer and Stasavage 2002, Freeman 2002, Frieden 2002). Related work by these scholars and others further developed our understanding of the politics of speculative attacks and currency crises by modeling the strategic interaction between international investors and national governments (Leblang 2003, Leblang and Satyanath 2006).

More recently, scholars have explored how international factors influence countries' vulnerability to currency and financial crises and shape governments' decisions to devalue or resist exchange rate movements. For example, Moschella (2015) shows how changing ideas about central bank policymaking — specifically, the rising transnational embrace of “macroprudential” tools and awareness of the financial stability risks of monetary policy and exchange rate fluctuations — led the Swiss National Bank to intervene in foreign exchange markets to prevent the Swiss franc’s appreciation in the face of large capital inflows. Focusing on the case of the Chinese renminbi, Weiss and Wichowsky (2018) find that US pressure shaped the timing of Chinese exchange rate adjustments in 2010. Finally, Bauerle Danzman et. al. (2017) show that global capital cycles — driven by the scale of US net borrowing in global financial markets — may be more important than domestic institutional and political factors in determining which countries experience banking and currency crises.

A related body of new research has shed light on the domestic political effects of monetary shocks and monetary policy. Focusing on Poland in the wake of the 2015 Swiss franc shock, Ahlquist et. al. (2020) show that exchange rate shocks can affect voters’ policy preferences, partisan policy responses, and voting decisions in foreign countries, when those voters are exposed to the shock through foreign currency borrowing. They find that Polish voters holding Swiss franc-denominated mortgages — and who were therefore directly exposed to the franc shock — favored generous bailout policies from the government and were more likely to switch their vote in the October 2015 Polish national election to the opposition party that offered it, the populist Law and Justice party (PiS). Gyöngyösi and Verner (2018) find similar evidence in Hungary, where foreign currency exposure increased support for Jobbik, the far-right party, in the 2010 election. This work demonstrates that exchange rate shocks can have substantial domestic distributional effects at the individual level, and that these effects can influence voters’ political preferences and voting behavior when foreign currency exposure becomes a politically salient electoral issue. It also shows how integrated global financial markets serve as a transmission belt carrying national economic policy choices beyond borders, with foreign currency-denominated capital flows and exchange rates as key mechanisms. In a related vein, Arias (2018) shows that spillovers from US monetary policy and global financial cycles affect patronage politics and corruption in developing countries by influencing the budget constraints of local and national governments. A key contribution of this work has been to specify and test more fine-grained theories emphasizing specific channels linking international monetary factors to domestic politics. This work also contributes to broader debates in political science about the sources of the rise of populist and far-right parties in recent years, highlighting the key role that global economic factors have played in several key cases.

Another important area of research integrating domestic and international politics has been the study of European monetary integration and the politics of the Eurozone crisis (Matthjis and Blyth 2015, Copelovitch et. al. 2016, Frieden and Walter 2017). Here, again, scholars in both the *IO* and *RIPE* camps have made enormous progress in recent years. Among the *IO* camp, a number of scholars have focused on the domestic politics of the Eurozone crisis, highlighting the distributional conflict surrounding crisis management in both deficit and surplus countries and exploring individual and firm-level preferences over Eurozone membership and crisis policies (Fernandez-Albertos and Kuo 2016, Bernhard and Leblang 2016, Walter et. al. 2018, Walter 2016). Others have focused on the international politics of the crisis, exploring the bargaining between Eurozone countries over the size and terms of IMF/Troika bailout packages (Schneider and Slantchev 2018) and within the European Commission over EU fiscal surveillance during the crisis (Baerg and Hallerberg 2016).

Within the *RIPE* camp, several scholars have emphasized how ideas and narratives about appropriate macroeconomic policies shaped German and European views about austerity policies and fiscal integration (Matthijs and McNamara 2015, Matthijs 2016). This work has been crucially important in showing how social narratives about frugal northern Eurozone countries and profligate Southern countries emerged and have come to dominate policy debates about monetary and fiscal policy in the Eurozone. Quaglia and Royo (2015) show how variation in the structure of national financial systems shaped how different Eurozone countries (specifically, Italy and Spain) experienced the crisis. Lütz et. al. (2019) argue that the differing bureaucratic cultures of the IMF, European Commission, and European Central Bank fueled clashes over how to resolve the Eurozone crisis and influenced decisions about conditionality and structural adjustment in Troika lending programs.

Finally, scholars in both camps have explored domestic and international linkages in promising new work on the politics of international reserve currencies. In two excellent papers, Liao and McDowell explore the rise of the Chinese renminbi (RMB) as a major reserve currency. In the first article (Liao and McDowell 2015), the authors explore the rise of bilateral Chinese currency swaps, showing that trade, investment, and related agreements make some countries more likely to enter swap agreements with China than others. In a second piece (Liao and McDowell 2016), the authors show that geopolitical distance from the US and affinity for China is a key factor explaining why some states diversify into RMB reserves faster than others. In related work, McDowell (2020) explores the opposite side of this issue: countries moving away from holding dollars as their primary international reserve currency. Focusing on Venezuela, Russia, and Turkey, he finds that US sanctions can increase “political risk” and weaken the attractiveness of holding dollars for targeted countries (McDowell 2020). A range of scholars in the *RIPE* camp have also explored the structure of the international monetary system and the sources of the dollar’s persistent hegemonic role (e.g., Kirshner 2008, Germain and Schwartz 2014, Cohen and Benney 2014, Norrlof 2014, Stokes 2014, Hardie and Maxfield 2016). Most recently, a cross-camp group of scholars has engaged on these topics in a symposium on “Global Monetary Order and the Liberal Order Debate” (Norloff et. al. 2020). The pieces in this symposium highlight the continued “centrality of the US dollar and American financial power” in the last decade, despite the Global Financial Crisis and broader concerns about US withdrawal from hegemony and isolationism under President Trump. Collectively, this work epitomizes the sort of “constructive engagement” that can occur when scholars from the *IO* and *RIPE* camps interact, and it provides a perspective markedly different from that presented by IR security scholars. Across both camps, IPE scholars have demonstrated how monetary and financial power, the embeddedness of the dollar as the dominant global reserve currency, and the increasing centrality of the Federal Reserve as the de facto international lender of last resort continue to bolster American hegemony, despite the rise of China in world affairs and the Trump administration’s hostility to globalization and international cooperation. This is a key contribution of IPE scholarship on money and an achievement enhanced by the diversity of our subfield.

*Links between money and related issues*

Finally, IPE scholars have made important, though less extensive, progress on meeting Broz and Frieden's third challenge: exploring the linkage between money and other issues in the field. This is most evident in the burgeoning literature exploring the political economy of trade and exchange rates in tandem. Scholars in the *IO* camp have made particular progress in this regard, focusing on the interplay between governments' trade and exchange rate policy choices. Copelovitch and Pevehouse (2013) show that countries are less likely to adopt fixed exchange rates and more likely to have undervalued currencies when they have a trade agreement with the "base" country to which they traditional fix their currency or whom is their largest trading partner. Betz and Kerner (2016), in a similar vein, show that developing countries are more likely to initiate WTO trade disputes when overvalued real exchange rates put exporters at competitive disadvantage. Both papers highlight how exchange rate fixity and level affect trade through multiple channels. This work builds on important work in economic history (e.g., Eichengreen and Irwin 2010) showing that trade policy and exchange rate policy also acted as substitutes during the Great Depression, when countries that remained on the gold standard longer were more likely to impose tariffs than those that devalued earlier.

In other work, scholars have focused on the firm level and found similar evidence that exchange rate policy and movements shape trade and investment flows and policy preferences. For example, Jensen et. al. (2015) find that persistent currency undervaluation is associated with increased vertical foreign direct investment and intrafirm trade by US multinationals, and that currency undervaluation is associated with more anti-dumping filings by US firms. Similarly, Broz and Werfel (2014) find that anti-dumping petitions by US firms are correlated with currency appreciation, but only in sectors where exchange rate pass-through is high. These studies highlight how carefully specifying government and firm level preferences over both trade and exchange rate policies shed light on the interaction between the two, linking what have traditionally been separate silos of IPE literature.

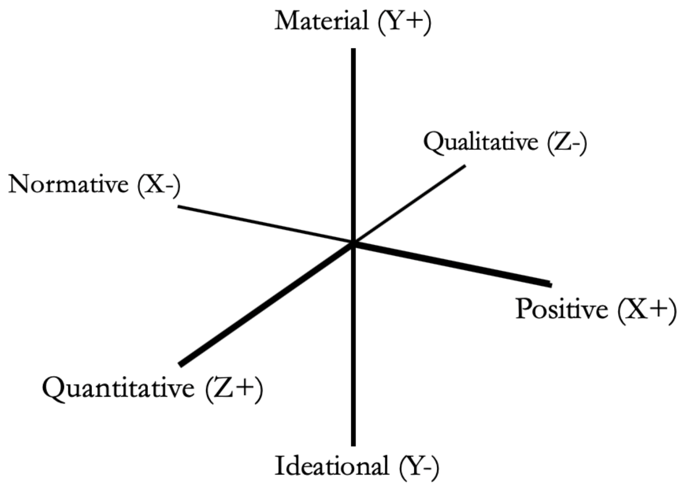
These advances are crucial, but there is clearly much more work to be done here. Given the exchange rate's position as the "single most important price in any economy" (Frieden 2015), as well as the pervasive influence of monetary policy — especially the US Federal Reserve's interest rate decisions — on global capital flows, money and exchange rates are inextricably linked to literally every other topic in IPE: trade, finance, migration, and others. Yet scholars have only just begun to scratch the service of bridging the classic silos of the field. Promising recent work points the way forward, theorizing and testing hypotheses about the interactions between exchange rates and remittances (e.g., Singer 2010), wage bargaining institutions (Manger and Sattler 2019), and migration (Peters 2015). More work in this vein is crucial and would contribute productively to the ongoing and important discussion in the subfield about taking network and systemic effects more seriously (e.g., Oatley 2011, Chaudoin et. al. 2015, Blyth and Matthijs 2017, Chaudoin and Milner 2017, Cohen 2017).

**Uniting the Clans? Toward more constructive engagement**

As this brief survey illustrates, IPE scholars of both the *IO* and *RIPE* camps have made enormous progress in meeting the challenges set forth by Broz and Frieden nearly two decades ago to further our knowledge of the politics of international monetary relations. Yet as this volume and chapter both make clear, much of that progress has occurred through a process of "parallel processing" or "constructive non-engagement." Too many of us (present company included) spend most of our teaching and research time within the clan that we were raised intellectually as scholars, from graduate school onward. This is unfortunate, as research from both perspectives has enriched our understanding of the politics of exchange rates, monetary policy, central banking, and currency crises. Moreover, any serious scholar of these topics will readily admit that the explanatory variables emphasized by the other camp — material interests and institutions on the one hand; ideas, norms, and socialization on the other — matter for understanding the domestic and international politics of money. Likewise, any serious IPE scholar will also readily admit that we do not yet understand enough about how these variables interact to shape economic, policy, and political outcomes, or about the specific cases and circumstances under which one set of variables is more influential than the other.

Figure 2 conceptualizes what we see as the three key dimensions of inquiry and variation in IPE between the *IO* and *RIPE* traditions. Although scholars in both traditions fall at all places along each axis, *IO* scholars have historically, as a group, fallen broadly within the positive X-Y-Z space: emphasizing more positivist and more materialist theories and tending to privilege quantitative methods over qualitative research. In contrast, *RIPE* scholars have historically, as a group, fallen broadly within the negative X-Y-Z space: emphasizing more normative and more ideational theories and tending to privilege qualitative methods over quantitative research. As this chapter has sought to illustrate, however, these broad-brush characterizations are increasingly obsolete stereotypes: scholars in both traditions in 2020 are scattered across all three dimensions, and productive interactions and conversations between scholars in the two camps have deepened substantially in the last decade. Where once one could discern two discrete vectors of IPE scholarship, there is now more of a cloud of multidimensional work. This is undoubtedly for the better.

**Figure 2. Dimensions of variation in IPE research on money**




And yet, the process of "constructive engagement" between scholars in the realm of money remains an ongoing and incomplete project. It is up to current and future generations of monetary scholars in IPE to "unite the clans" – or at least to bridge the gaps between them and ensure that the clans interact and collaborate with each other more frequently in the years ahead. One must be cautious about generalizing from personal experience, but our own sense is that this deeper engagement is beginning to happen, as cross-camp attendance at subfield conferences diversifies, as younger scholars become more accustomed than their predecessors to engage across subfield, geographic, and methodological divides earlier in their career, and as groups of scholars coalesce around specific substantive topics in spite of their different training and approaches. To date, these interactions still remain more of the exception than the rule. But one hopes that these steps toward "constructive engagement" grow into regular patterns of behavior in the years to come.

The study of money remains at the heart of IPE, and combining the theoretical, empirical, and methodological diversity of the two camps is the best way to understand the pressing research questions and policy debates of the day. Our subfield must continue to explore variation in the monetary (and fiscal) policy responses to the COVID-19 crisis, both across the Atlantic, within the European Union, and more broadly around the world. We must keep trying to explain the political factors behind the observed paradox in national policy responses to economic crises over the last decade — the combination of aggressive, unconventional, and countercyclical monetary policy coupled with extensive, procyclical fiscal austerity. And we must further engage with the future of dollar hegemony and the evolution of the international monetary system in a time of upheaval and uncertainty about the trajectory of trade policy, global capital flows, and the future of American leadership. Without a doubt, both camps have important things to say about these pressing topics, and the best and most policy-relevant scholarship going forward will take seriously both material and institutional factors and non-material and ideational variables, as well as the complex and inevitably important interactions between them.

Ultimately, more extensive interaction and collaboration between scholars of the *IO* and *RIPE* camps — and, dare we say it, increased cross-publication of authors in the relevant journals — will not only produce richer theoretical and empirical insights about the politics of international monetary relations, it will also represent a return to the founding years of the subfield. Indeed, as McNamara (2009) noted a decade ago in her discussion of the separate intellectual monocultures of IPE, “constructive non-engagement” is a “misguided departure from the pluralism that once defined the discipline” (74). In the study of money, as in other areas of IPE, it is long past time to return to first principles.

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