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International Monetary Power: A Comparative Capitalism Perspective

This chapter develops an analytical framework that combines the concepts of the international monetary power literature with those of the comparative capitalism literature. It will be argued that these two strands of literature can complement and reinforce each other, thereby offering new insights that will be elaborated in subsequent chapters. While both were developed in the 1990s and 2000s and share an interest in the issue of national autonomy in the context of financial globalization, there has been a remarkable lack of interaction between both approaches. The international monetary power literature has mostly focused on the international distribution of costs associated with the adjustment of nations to unsustainable balance-of-payments disequilibria – costs that are usually defined in terms of lost macroeconomic autonomy. Scholars working in this field have explained why these costs are typically distributed asymmetrically between nations and why some nations are able to avoid costs and/or deflect them onto weaker nations in the global monetary system. One of their main insights is that the capacity of a nation to avoid the burden of adjustment depends on the extent to which its currency is internationalized. At the same time, however, the literature on international monetary power has neglected the important role of domestic institutions in determining the specific macroeconomic goals nations pursue as well as for understanding the outcome of the international struggle over the distribution of adjustment: it will be maintained in this chapter that the domestic sources and purpose of a nation’s international monetary power are closely linked to the specific institutions of its national model of capitalism.

By exploring these links I will offer new insights that will allow me to challenge and address several shortcomings of the prevailing
understandings of the contemporary relations of international mone-
tary power between the United States, the Eurozone and China. The
focus on power in determining the outcome of international balance-
of-payments conflicts also allows an examination of the interaction of
different national models of capitalism in the global monetary system.
Scholars of comparative capitalism have only very recently begun to
explore how domestic institutions of divergent national models of cap-
titalism have underpinned diverse national growth regimes that can be
associated with distinct balance-of-payments dynamics (Hancké 2013;
Kalinowski 2013). While being interested in the autonomy of nations to
pursue institutionally embedded growth strategies, these scholars have
neglected how these nations’ particular insertion in the global mone-
tary system can result in specific balance-of-payments dynamics that
either reinforce or disrupt these growth strategies. In other words, just
as scholars of international monetary power should pay more attention
to domestic institutional variables that shape the sources and purposes
of the autonomy a nation pursues in the context of balance-of-payments
disequilibria, scholars of comparative capitalism should pay more atten-
tion to the way these external imbalances can affect its capacity to
adopt a particular growth strategy that is consistent with the domestic
institutional logic of its model of capitalism.

This chapter is divided into two main sections. In the first I give an
overview of the concepts and insights of the international monetary
power literature as well as of the literature’s prevailing understandings
of the international monetary power of the United States, the Eurozone
countries and China. In the second I discuss the different models of
capitalism and growth regimes in these three jurisdictions and discuss
how a comparative capitalism perspective can challenge these prevailing
understandings.

The political economy of international monetary power

International monetary power: Concepts and definitions

The issue on power in international monetary relations – which can
be defined as “a relational property that exists when one state’s behav-
ior changes because of its monetary relationship with another states”
(Andrews 2006b: 11) – has received growing scholarly attention in
IPE over the past three decades. Given that the balance of payments
is the ultimate accounting record of a nation’s monetary relationship
with the rest of the world, the consensus view – bundled in a volume
by Andrews (2006a) – is that the issue of macroeconomic adjustment