

EUI WORKING PAPERS

RSCAS No. 2005/10



Structural Power in International Monetary Relations

Eric Helleiner



EUROPEAN UNIVERSITY INSTITUTE

Robert Schuman Centre for Advanced Studies
Transatlantic Programme Series

EUROPEAN UNIVERSITY INSTITUTE, FLORENCE
ROBERT SCHUMAN CENTRE FOR ADVANCED STUDIES

Structural Power in International Monetary Relations

ERIC HELLEINER

EUI Working Paper **RSCAS** No. 2005/10
BADIA FIESOLANA, SAN DOMENICO DI FIESOLE (FI)

All rights reserved.

No part of this publication may be reproduced, distributed or utilised in any form or by any means, electronic, mechanical, or otherwise, without the prior permission in writing from the Robert Schuman Centre for Advanced Studies.

Download and print of the electronic edition for teaching or research non commercial use is permitted on fair use grounds—one readable copy per machine and one printed copy per page. Each copy should include the notice of copyright.

Permission for quotation should be addressed directly to the author(s). See contact details at end of text. Source should be acknowledged.

These papers were presented in a May 2004 workshop considering the political implications of competitive monetary systems.

ISSN 1028-3625

© 2005 Eric Helleiner

Printed in Italy in March 2005
European University Institute
Badia Fiesolana
I – 50016 San Domenico di Fiesole (FI)
Italy

<http://www.iue.it/RSCAS/Publications/>

Robert Schuman Centre for Advanced Studies

The Robert Schuman Centre for Advanced Studies carries out disciplinary and interdisciplinary research in the areas of European integration and public policy in Europe. It hosts the annual European Forum. Details of this and the other research of the centre can be found on:

<http://www.iue.it/RSCAS/Research/>.

Research publications take the form of Working Papers, Policy Papers, Distinguished Lectures and books. Most of these are also available on the RSCAS website:

<http://www.iue.it/RSCAS/Publications/>.

The EUI and the RSCAS are not responsible for the opinion expressed by the author(s).

Transatlantic Programme

The Transatlantic Programme of the Robert Schuman Centre for Advanced Studies conducts policy-oriented and basic research on the subjects of transatlantic relations and transatlantic governance. Our activities aim at improving public and scholarly understanding of transatlantic partnership, and the role of the transatlantic partners in issues of global governance. The Transatlantic Programme was established in Autumn 2000, thanks to a generous grant from BP.

For further information:

Transatlantic Programme

Robert Schuman Centre for Advanced Studies

European University Institute

Via delle Fontanelle, 19

50016 San Domenico di Fiesole (FI), Italy

Fax: + 39 055 4685 770

E-mail: atlantic@iue.it

<http://www.iue.it/RSCAS/Research/transatlantic/Index.shtml>

Abstract

What does the concept of 'structural power' contribute to the study of international monetary power? Responding to criticism that the concept has often been imprecise, this chapter proposes a framework for thinking about the significance of the structural power in interstate monetary relations. Monetary power in its structural form is exercised in important indirect and even unintentional ways that do not always receive as much academic attention as they deserve. It can also affect outcomes across a wider range of domains than are often studied by scholars of monetary power, relating not only to wealth extraction and macroeconomic preferences, but to financial regulation and crisis management, economic geography and identities as well. In addition, in the contemporary context, the concept of structural power provides insights into some wider ways that informal dollarization is bolstering US monetary power today.

Keywords

monetary relations, dollarization, international relations theory.

Introduction¹

A number of leading thinkers who have written about monetary power in inter-state relations have made reference to the significance of ‘structural’ forms of power in the international monetary realm. Cohen was the first to discuss the concept in his 1977 seminal work *Organizing the World’s Money* when he made a distinction between what he called ‘process power’ and ‘structure power’ in international monetary relations.² In her various writings from the early 1980s onwards, Susan Strange picked up this distinction between two kinds of monetary power, arguing that ‘structural power’ was becoming more important than what she called ‘relational power’.³ The concept of structural power also made an appearance in Jonathan Kirshner’s important 1995 work *Currency and Coercion* where he argued that dominant states derive both ‘overt’ and ‘structural’ power from the currency blocs they lead. He echoed Strange’s view of the importance of the latter, arguing that ‘the opportunity for structural benefits [...] is what motivates states to create monetary systems’.⁴

What does the concept of ‘structural power’ contribute to the study of international monetary power? While these three authors share a fairly similar definition of structural power, they apply the concept to the study of international monetary relations in different ways. Building on their various ideas, this paper proposes a framework for thinking about the significance of the structural power in international monetary affairs.⁵ The importance of examining structural power, I argue, is that it widens our sense of how monetary power is exercised and what it can accomplish. Monetary power in its structural form is exercised in important indirect—and even unintentional—ways that do not always receive as much attention from international relations scholars as they deserve. It can also affect outcomes across a wider range of issue areas—or what Andrews in his introductory essay calls ‘domains’⁶—than sometimes are studied in analyses of international monetary power. These relate to wealth extraction, macroeconomic preferences, financial regulation and crisis management, economic geography and even identities.

Drawing on this analysis, the final section of the paper explores briefly how the concept of structural power also contributes to our understanding of international monetary power in the contemporary age. In her many writings, Susan Strange argued forcefully that the concept was most useful in highlighting the continuing dominant power of the US in the international monetary system. In the final section of the essay, I suggest that she might have developed this thesis in more detail by devoting more attention to the phenomenon of informal dollarization. To date, the study of informal

1 Acknowledgements: For their support, I am grateful to the Social Sciences and Humanities Research Council of Canada and the Canada Research Chair programme. I also thank Jeffrey Chwieroth, Randy Germain, Joseph Jupille, Kathleen McNamara, Thomas Willett, and all the participants in this project, particularly David Andrews, for their helpful comments.

2 Benjamin Cohen, 1977. *Organizing the World’s Money*. New York: Basic Books, pp.53-77.

3 See especially Susan Strange, 1982. ‘Still an Extraordinary Power: America’s Role in a Global Monetary System’, in: R. Lombra and W. Witte, (eds.), *The Political Economy of Domestic and International Monetary Policy*. Ames, Iowa: Iowa State University, pp. 73-93; Susan Strange, 1986. *Casino Capitalism*. Oxford: Blackwell; Susan Strange, 1987. ‘The Persistent Myth of Lost Hegemony’, *International Organization*, 41, pp. 551-74; Susan Strange, 1988. *States and Markets*. London: Pinter Publishers; Susan Strange, 1988. ‘The Future of the American Empire’, *Journal of International Affairs*, 42 (1), pp. 1-17; Susan Strange, 1989. ‘Toward a Theory of Transnational Empire’, in: J. Rosenau and E.O. Czempiel, (eds.), *Global Changes and Theoretical Challenges*. Lexington: Lexington Books, pp. 161-76; Susan Strange, 1990. ‘Finance, Information and Power’, *Review of International Studies*, 16, pp. 259-74; Susan Strange, 1998. *Mad Money*. Ann Arbor: University of Michigan Press.

4 Jonathan Kirshner, 1995. *Currency and Coercion*. Princeton: Princeton University Press, p. 267.

5 Because of the nature of this project, I am restricting my analysis of structural power to that held by states. Structural power can also be held by non-state actors, as Strange and others have pointed out, e.g. Stephen Gill and David Law, 1989. ‘Global Hegemony and the Structural Power of Capital’, *International Studies Quarterly*, 33, pp. 475-99.

6 David M. Andrews, forthcoming 2006. ‘Introduction’, in: David M. Andrews, (ed.), *International Monetary Power*. Ithaca NY: Cornell University Press. Revised versions of EUI-WP RSCAS Nos. 2005/07-2005/15 will be included in this book.

dollarization has been dominated by economists whose analytical attention has not been focused on questions of power. But I argue that informal dollarization reinforces and expands Strange's thesis about the importance of US structural power in the monetary realm today.

What is Structural Power?

What exactly is 'structural power'? Since the concept of structural power has been most prominent in Strange's writings, let us begin with her answer to this question. The analysis of power—and the distinction between relational and structural power, in particular—was at the centre of most of Strange's theoretical writings about the global political economy after the early 1980s. She argued that scholars of international relations had devoted too much attention to relational power which she described as 'the ability of A to get B by coercion or persuasion to do what B would not otherwise do'.⁷ In her view, structural power was much more important in the contemporary world. She described this kind of power as 'the power to shape and determine the structures of the global political economy within which other states, their political institutions, their economic enterprises, and (not least) their scientists and other professional people have to operate; structural power, in short, confers the power to decide how things shall be done, the power to shape frameworks within which states relate to each other, relate to people, or relate to corporate enterprises'.⁸

Strange's concept of structural power has been criticized for its lack of precision.⁹ A key question asked is: by what specific causal mechanism does this form of power affect outcomes? Relational power influences outcomes by an application of direct pressure or threat of direct pressure. In the case of structural power, Strange suggested that the causal mechanism was more indirect. In her words, 'the possessor is able to change the range of choices open to others, without apparently putting pressure directly on them to take one decision or to make one choice rather than others. Such power is less 'visible'. The range of options open to the others will be extended by giving them opportunities they would not otherwise have had. And it may be restricted by imposing costs or risks upon them larger than they would otherwise have faced, thus making it less easy to make some choices while making it more easy to make others'.¹⁰

Stefano Guzzini has usefully noted how Strange in fact suggested two distinct causal mechanisms by which structural power is exercised in this indirect manner.¹¹ First, a dominant state may influence other states' behaviour by actively altering or shaping the structures of the global political economy within which they operate. This 'indirect institutional power'—to use Guzzini's term—involves the intentional manipulation of the rules of the game by a state through specific decisions or even what Strange called 'non-decisions'. Strange was keen to point out that she was concerned with 'more than the power to set the agenda of discussion or to design (in American academic language) the international regimes of rules and customs that are supposed to govern international economic relations'.¹² While international regimes were significant, the global economy was governed, in her view, not just by states but also by other various arrangements established by non-state authorities

7 Strange, 'Toward a Theory', p. 165.

8 Quotes from Strange, *States and Markets*, pp. 24-5. As Strange notes (*Retreat*, p. 19), the concept bears some similarity to Joseph Nye's concept of 'soft power' in his *Bound to Lead* (New York: Basic Books, 1990). Susan Strange, 1996. *The Retreat of the State*. Cambridge: Cambridge University Press.

9 Robert Keohane, 2000. 'Foreword', in: T. Lawton, J. Rosenau and A. Verdun, (eds.), *Strange Power*. Aldershot: Ashgate, pp. ix-xvi; Ronen Palan, 1999. 'Susan Strange 1923-1998: A Great International Relations Theorist', *Review of International Political Economy*, 6, p. 130.

10 Strange, *States and Markets*, p. 31

11 Stefano Guzzini, 1993. 'Structural Power: The Limits of Neorealist Power Analysis', *International Organization*, 47 (3), pp. 443-78; Stefano Guzzini, 2000. 'Strange's Oscillating Realism: Opposing the Ideal—and the Apparent' in Lawton *et al.*, *Strange Power*, pp. 215-28.

12 Strange, *States and Markets*, p. 25.

(especially private corporations) and the operation of market forces. As these arrangements have become more important in the contemporary age, she argued that power within the global political economy was increasingly held by those states which were best able to alter and shape them.

Structural power can also be exercised by what Guzzini calls ‘non-intentional power’. As Strange put it, structural power ‘need not be confined to outcomes consciously or deliberately sought for’.¹³ Because of its dominant position, a state can influence outcomes ‘involuntarily and unintentionally’ simply through its unilateral actions or even by the way it has organized the global political economy.¹⁴ In Strange’s words, ‘Power can be effectively exercised by ‘being there’, without intending the creation or exploitation of privilege or the transfer of costs or risks from oneself to others, for instance’.¹⁵ Guzzini notes that international relations scholars who embraced an agency-driven conception of power—particularly those of a realist persuasion—have often neglected this form of power. But he points out that this neglect ‘leaves the analysis with a specific blind spot, namely, the tacit power of the strong’. Ignoring this form of power also can privilege the study of power from the standpoint of the dominant state by only judging its actions when they involve an intentional exercise of power. By contrast, the study of ‘non-intentional power’ examines structural power from the ‘receiving side’.¹⁶

It is worth taking a moment to discuss how these ideas presented by Strange relate to the discussion of power presented in the introduction to this collection,¹⁷ particularly because of the potential confusion over different uses of the term ‘relational power’. As Andrews notes, social power theorists use this term to refer to power as a social fact; that is, the idea that A’s relationship with B is making B behave in certain ways, even if A did not intend to exert this power. They distinguish relational power from ‘instrumental power’ which refers to the deliberate use of that power to achieve outcomes. This is a broader meaning for the term ‘relational power’ than Strange intends—her usage is in fact closer to the idea of ‘instrumental power’—and it even seems to overlap with her notion of ‘structural power’, particularly in its acceptance of the idea of non-intentional power. But this overlap should not be overstated. Strange emphasizes that her central goal was to develop a conception of power as control *over structures* instead of control *over other states*.¹⁸ She was, in other words, explicitly trying to move away from a conception of power that was conceived in terms of direct relationships between states. Admittedly, her conception of structural power was still a social one because the exercise of structural power by state A *indirectly* influences the behaviour of state B by controlling the structures within which the latter exists. But Strange often seemed inclined to define power *not* in terms of the ability of State A to influence State B’s behaviour but rather in terms of the ability of state A to influence outcomes more generally within the global political economy in ways that serve its preferences.¹⁹ In other words, using the terms Andrews presents in the introduction, the *scope*, or target, of State A’s power included not just than State B but also various non-state actors and market forces. If the behaviour of these non-state actors and market forces could be influenced in ways that served State A’s preferences—even *without influencing State B*—this appeared to constitute a successful exercise of structural power from Strange’s perspective.

Since the focus of this book is on the study of monetary power in the context of inter-state relations, the broader conception of structural power will not be employed here. To be consistent with the definition of power offered in the introduction, structural power will be discussed only in terms of

13 Strange, *Retreat*, p. 26

14 Strange, ‘Still An Extraordinary Power’, p. 77

15 Strange, *Retreat*, p. 26

16 Guzzini, ‘Structural Power’, p. 461.

17 Andrews, forthcoming 2006. ‘Introduction’, *International Monetary Power*. Revised versions of EUI-WP RSCAS Nos. 2005/07-2005/15 will be included in this book.

18 See for example Strange, *Retreat*, p. 26

19 See for example Strange, *Retreat*, p. 17

one state's ability to *alter the behaviour of other states* through the indirect means of controlling the structures within which they exist.²⁰ And to avoid terminological confusion, the term 'direct' power will also be used to refer to Strange's concept of relational power.

How does this conception of structural power compare with that of Cohen and Kirshner? These two authors did not discuss the meaning of structural power in as much detail as Strange did. But their writings suggest some similar thinking. Cohen, for example, defined structural power as 'the ability to gain by rewriting the rules of the game' (whereas 'process power is the ability to gain under the prevailing rules of the game'). Although this phrasing seems to emphasize primarily the causal mechanism of 'indirect institutional power', Cohen also made clear that he embraced the idea of 'non-intentional power': '[power] need not be exercised with conscious intent; the behaviour of others or the outcome of events can be controlled or influenced simply as a by-product of 'powerful' acts (or potential acts)'.²¹

Most of Kirshner's analysis of international monetary power in *Currency and Coercion* focuses on 'direct power'. He developed a very useful framework for thinking about three ways in which states 'consciously' use international monetary relations 'as an instrument of coercive power'²²: currency manipulation (involving attacks on the stability and value of a foreign currency), systemic disruption, and the fostering and exploitation of monetary dependence. He discussed structural power in his discussion of monetary dependence, noting that the leading state of a currency bloc derives not just 'overt' power but also a less visible form of power that is derived 'from the structure of the system'.²³ While the former is exercised directly through the threat of 'expulsion' from a monetary bloc or through 'enforcement' of the bloc's rules (e.g. altering the availability of the dominant state's currency to the target state), this structural form of power is exercised in a more indirect ways that I describe below. These include not just the manipulation of the rules of the system but also the cultivation of dependence which takes places through 'the simple act of participation in a monetary system'.²⁴

Although Kirshner's conception of structural power was similar to that of Strange in these respects, he deliberately narrowed his analysis to examine only cases where monetary power was consciously exercised. As a result, he did not examine the 'non-intentional' dimensions of structural power that interest Strange. Interestingly, this focus led him to worry more than Strange about the measurability of structural forms of power. As he put it, they 'are exerted invisibly, which makes it difficult to tell if there is an influence attempt in effect'.²⁵ This concern was absent from Strange's writings because the exercise of power takes place independently of the question of intentionality. Because of her broader conception of the scope of structural power, she seemed in fact often to measure this power simply according to whether outcomes in the global political economy reflected the preferences of the dominant state. This approach has its limitations; outcomes may reflect a state's preferences for reasons unrelated to the exercise of power. This approach is also not consistent with the more narrow conception of structural power discussed in this paper in which the target of the exercise of structural power is only other states. To measure this kind of structural power, it is necessary to assess the underlying preferences of the targeted state in order to evaluate whether it has been prompted to alter its behaviour because of the power relationship. As Andrews notes in the introduction, this is difficult task.

20 Some may see this approach as unjustly downplaying the novelty of Strange's concept within IPE, but my focus on this more specific aspect of Strange's broader concept of structural power is simply designed to be consistent with the concerns of this project. For a discussion of the tension within Strange's thought itself on some of these issues, see Guzzini, 'Strange's Oscillating Realism'.

21 Cohen, *Organizing*, pp. 54, 56.

22 Quotes from Kirshner, *Currency*, pp. 3, 45.

23 Kirshner, *Currency*, p. 117.

24 Kirshner, *Currency*, p. 268.

25 Kirshner, *Currency*, p. 243.

To sum up, all three authors share a fairly similar conception of the distinctive meaning of structural power in the context of inter-state relations. They argue that structural power is a kind of power that is exercised indirectly by influencing the environment within which other states operate. This indirect influence, in turn, can take place in one of two ways. The first involves an intentional and active manipulation of the rules of the game by the dominant state. The second—embraced by Strange and Cohen, but not Kirshner—does not require any intentionality or agency on the part of the dominant state, but may result from that state's unilateral actions or even simply from the way it has structured the international monetary system.

Applying Structural Power to the International Monetary Realm

If the three authors agreed on the general meaning of structural power in inter-state relations, how did they apply this concept to the study of international monetary affairs? Here we find some interesting differences between the authors. Let us begin again with Strange. Her analysis of the monetary realm was wrapped up in her broader analysis of the 'financial structure' which she defined as 'the sum of all the arrangements governing the availability of credit plus all the factors determining the terms on which currencies are exchanged for one another'.²⁶ Her discussion of power in this financial structure was linked closely to her argument that many scholars had overstated the extent of the decline of American power since the 1970s. The first wave of arguments about declining US financial power came during the 1970s in response to the breakdown of the Bretton Woods monetary regime. During the 1980s, many began to argue that Japan was replacing the US as the world's dominant financial power when it emerged as the world's largest creditor and the US descended into debtor status. From Strange's perspective, the US decline in global finance was exaggerated. While Japan's creditor status did give its state growing direct power, she argued that the US retained its dominant 'structural power' within this order.

In monetary relations, US structural power stemmed from the fact that the US dollar remained the leading international currency. In her view, the dollar's global role was important in three respects. First, it enhanced the US's ability to extract wealth from foreigners. This capability, in Strange's words, 'may well be the most significant attribute of power in the international monetary system'.²⁷ When foreigners held dollars, they provided the equivalent of an interest-free loan to the US, thus easing America's ability to finance external payments deficits and contributing to what Cohen calls 'The Power to Delay' in his paper in this collection of working papers.²⁸ They also became vulnerable to US decisions to depreciate the currency in which it borrowed. The decision to shut the gold window in 1971 was one such decision and Strange argues that it signalled the power—not the weakness—of the US for this reason. As she put it, 'the US government was exercising the unconstrained right to print money that other could not (save at unacceptable cost) refuse to accept'.²⁹ More recently, Japanese investors also experienced this vulnerability to US dollar depreciation during 1985-87 period. To be sure, there were limits to the exercise of this kind of indirect structural power; foreigners eventually reacted to dollar depreciation by dumping their dollar holdings, as happened briefly in 1979 and 1987. But the process of creating attractive alternative world currencies in which to hold assets—challenging US structural power in this realm—has been a very slow one.

The dollar's central role has also enabled the US to indirectly project its macroeconomic preferences worldwide. In *Casino Capitalism*, Strange put this case in the following way: 'when US domestic monetary policy changed direction, and when interest rates in the United States responded to changes of policy, other states had no choice but to adjust their own interest rates and their domestic policies to

26 Strange, *States and Markets*, p. 88.

27 Strange, 'Still an Extraordinary Power', p. 81.

28 Benjamin J. Cohen, 2005. *The Macroeconomic Foundation of Monetary Power*. EUI Working Papers RSCAS No. 2005/08.

29 Strange, 'The Persistent Myth', p. 569.

such changes, whereas it never happened the other way around'.³⁰ One of her favourite examples involved the US decision to combat domestic inflation by hiking interest rates in the late 1970s, a move that prompted a worldwide shift towards restrictive monetary policy.³¹ A key reason that US monetary policy had had this global influence is that the US retains a unique capacity to attract internationally mobile financial capital. This 'pulling power' over footloose global funds is linked partly to unparalleled depth and openness of US financial markets but also to the dollar's international role.

Strange was concerned with an issue discussed by many other papers in this collection of working papers: the US ability to prompt foreign governments to assume the macroeconomic burden of adjustment to US payments imbalances. This 'Power to Deflect'—to use Cohen's phrase—has been exercised partly in a direct fashion via international diplomacy and pressure. But it has also been exercised indirectly by talking down the dollar's value. As Henning discusses in his contribution to this collection of working papers,³² this indirect 'exchange rate weapon' has altered incentives facing foreign governments in ways that encourage them to embrace the macroeconomic outcomes preferred by US policymakers.

The dollar's central global role has also given the US indirect power to influence regulatory trends and crisis-management in international financial markets. On the regulatory front, Strange argued that the emergence of more liberal and deregulated global financial markets since the 1970s was largely a product of various US decisions and 'non-decisions'. Because of the dominant position of the US dollar in the markets, the US had considerable power to slow down or even reverse this process, a power it chose not to exercise. Strange argued that this US policy stance, in combination with its own domestic deregulation and liberalization moves, had the effect of indirectly prompting foreign states, often reluctantly, to follow the US regulatory lead because of their fear of losing financial business and capital to liberal and deregulated US dollar markets. While this indirect US role of influencing global regulatory trends was often unintentional, she suggested that it also sometimes reflected a conscious recognition of the benefits that might accrue to the US from the dominant role of American financial markets and US financial institutions within the newly liberalized global financial markets.³³

The dollar's worldwide role has also ensured that the US remained the key international lender-of-last-resort during financial crises. Strange highlighted how the US played a lead role in determining the outcome of the debt crisis of the early 1980s partly for this structural reason: 'it possessed two weapons more powerful than those of any other government: it could make advances in dollars to meet an emergency; and it could twist the arms of the largest and most influential banks [i.e. the American ones] in the system to follow its example with renewed medium-term credit'.³⁴ In this way, the global role of the dollar—and that of US banks—ensured that US decisions about whether to provide lender-of-last-resort lending to private institutions played the decisive role in shaping the global financial environment within which foreign states operated during the crisis. This, in turn, altered the incentives those states faced in ways that prompted them to accept an approach to the resolution of the crisis that the US favoured.

Each of these examples represents an important case of the exercise of 'structural power' in the international monetary realm. In each instance, the US state influenced the behaviour of foreigners not directly through a direct exercise of coercion or force but indirectly by controlling and shaping the monetary environment in which they operate. The fact that it issued and managed a currency they use enabled the US to change the range of choices they face without directly applying pressure on them.³⁵ In

30 Strange, *Casino Capitalism*, p. 22.

31 e.g. Strange, *Casino Capitalism*, p. 55.

32 C. Randall Henning, 2005. *The Exchange Rate Weapon, Macroeconomic Conflict and Shifting Structure of the Global Economy*. EUI Working Papers RSCAS No. 2005/11.

33 See especially Strange, *Casino Capitalism*.

34 Strange, 'The Persistent Myth', p. 569.

35 Strange's example of international lender-of-last-resort lending (ILLR) is one which may, in some instances, straddle the concept of 'relational' and 'structural' power since direct pressure can certainly be applied on foreign states as part of the

some instances, the exercise of structural power appeared to be ‘non-intentional’, such as the decision to tighten monetary policy in 1979 (whose primary goal was domestic) or many of the ‘non-decisions’ that fostered financial globalization. In other instances, power has been exercised more deliberately as ‘indirect institutional power’ (e.g. the use of the ‘dollar weapon’ or the closing of the gold window).

Let us now compare Strange’s application of the concept of structural power to international monetary relations with that of Kirshner and Cohen. Kirshner’s discussion was both narrower and broader. It was narrower in that he did not discuss the ways in which the issuing of a key currency can generate structural power relating to macroeconomic preferences or financial regulation and crisis-management. This narrower focus might reflect the fact that Kirshner explicitly confined his analysis to examining how monetary power is used only to ‘advance security-related or other non-economic goals’.³⁶

In another respect, however, Kirshner’s discussion helped to widen Strange’s analysis. He outlined two specific ways in which a state derives structural power from its dominant position within a currency bloc. The first was one that Strange also identified—‘extraction’—which he defined as ‘the use of the rules and consequences of the system to extract wealth from the member states’. He argued that this could take an overt form in which the dominant state demanded the payment of dues for membership in the currency bloc. But it may also take a more indirect or ‘subtle’ form if ‘the leader exploits its position as issuer of the core currency for the system’.³⁷ During World War Two, Kirshner noted how Britain helped to fund its spending by restricting members of the sterling bloc from drawing on the bloc’s pooled reserves.³⁸ The value of ‘sterling balances’ held by members of the bloc was then reduced unilaterally by Britain after the war with the sterling devaluation of 1949. Like Strange, Kirshner also cited the example of US behaviour during the 1960s and early 1970s when the US ‘chose to extract wealth from the system and ultimately to free itself of the constraints that system imposed on its most privileged member’. He also echoed her view that the enduring global role of the US dollar after the breakdown of Bretton Woods ensured that ‘the United States was less constrained and therefore more powerful at this level after the collapse than before it’.³⁹

The second mechanism Kirshner identified was one that Strange did not mention: ‘entrapment’. Kirshner defined entrapment as involving ‘the transformation of interests that results from participation in a currency system’.⁴⁰ He highlighted how membership in a currency bloc diverts trade and strengthens private sector coalitions with close economic ties to the dominant state. It also ensures that member governments acquire an interest in the stability and value of the dominant state’s currency. These developments reinforce the dependence of the subordinate state on the dominant state in ways that are difficult to measure but are highly significant.⁴¹ Indeed, Kirshner argued that the goal of entrapment has been the most important reason why currency blocs have been created by dominant states in the past such as Britain, France, as well as Germany during the 1930s.⁴²

Kirshner’s discussion of ‘entrapment’ highlights two broader analytical points. The first is that currency relations contribute to state power by influencing economic geography. When Kirshner noted that a currency bloc can alter trade patterns to foster dependency, he was calling attention to the fact that currency arrangements alter transaction costs. A fixed exchange rate with a dominant country’s currency can facilitate cross-border economic transactions by eliminating the costs associated

(Contd.) _____

extension of such lending. Strange’s idea of ‘structural power’ is more applicable when ILLR activity is extended to private institutions in global financial markets.

36 Kirshner, *Currency*, p. 4.

37 Quotes from Kirshner, *Currency*, pp. 118, 117.

38 Kirshner, *Currency*, pp. 143-6.

39 Quotes from Kirshner, *Currency*, p. 157.

40 Kirshner, *Currency*, p. 118.

41 Kirshner, *Currency*, pp. 167, 268.

42 Kirshner, *Currency*, pp. 169, 249, 267.

exchange rate volatility. If the foreign country goes further and even adopts the dominant state's currency—thus eliminating even the costs associated with currency exchange—recent analysis by Andrew Rose suggests that the implications for trade patterns may be even more significant.⁴³ The resulting reorientation of a country's economic geography may not only reinforce the dependency of the subordinate state on the dominant one. It may also facilitate trade and investment flows to and from the subordinate state that directly benefit the dominant state. In these instances, the dominant state achieves the outcomes desired not through an exercise of direct coercive power but by controlling the spatial dimensions of the structural environment within which they operate.

Although Strange's analysis neglected this important domain of structural power in the monetary realm, it has often attracted the attention of state authorities. During the age of imperialism during the late nineteenth and first half of the twentieth century, the desire to influence economic geography provided a key rationale for the dramatic monetary reforms launched in colonized regions. Most imperial powers completely transformed the colonial monetary environment by demonetizing pre-colonial currencies and introducing new currencies whose values were tied tightly to that of the imperial power (and in some cases were the same as that of the imperial power itself). These reforms were designed to support the imperial goal of constructing export-oriented colonial economies that could supply commodities designed to support industrialization in the imperial centre. They did this not just by eliminating exchange rate risk between colonies and the 'home country'—an outcome that also encouraged private banks, companies and individuals in many colonial regions to export savings and liquid funds to financial markets in the imperial power. The elimination of pre-colonial currencies was also designed to undermine pre-colonial commercial circuits and to force local inhabitants to join the colonial economy as wage labourers in colonial enterprises, producers of cash crops for export, and payers of taxes to the colonial state. Given these goals, it is hardly surprisingly that this transformation of the monetary 'rules of the game' often prompted enormous resistance among the colonized.⁴⁴

Equally important was Kirshner's observation that participation in a currency bloc will encourage member governments and societal groups within their countries to take an interest in the stability and value of the dominant state's currency. This will be particularly true if the dominant state's currency has been adopted as their domestic currency. Indeed, in this instance, the entire population of these countries will suddenly find themselves with a key stake in the management of that currency. Like it or not, they will be forced to recognize that the value and use of their money is now dependent on the actions of dominant state that issues and manages the money. This dependence, in turn, is likely to encourage a certain identification of their interests with those of the dominant state.

Participation in a currency bloc may foster closer identification with the dominant state in other ways that Cohen has identified in his more recent writings. In his 1977 book, Cohen argued that structure and process power were relevant to only two aspects of monetary relations, those relating to balance of payments adjustment and the creation of international liquidity.⁴⁵ In his more recent writings, however, Cohen has widened his focus (while dropping the distinction between structure and process power), arguing that currency arrangements influence state power in four ways relating to: seigniorage, macroeconomic management, insulation (a concept that he draws from Kirshner's notion of monetary dependence, especially as it relates to 'enforcement'), and symbolism.⁴⁶ The first three concern issues we have already identified, but the fourth raises a mechanism that involves much more than the concept of 'entrapment'. It is associated with the broader influence of currency to sway the identities of subordinate groups.

43 Andrew Rose, 2000. 'One Money, One Market: Estimating the Effect of Common Currency on Trade', *Economic Policy*, 30, pp. 7-33.

44 Eric Helleiner, 2003. *The Making of National Money*. Ithaca: Cornell University Press, ch.8.

45 Cohen, *Organizing*, p. 57.

46 See especially Benjamin Cohen, 1998. *The Geography of Money*. Ithaca: Cornell University Press.

Currencies have often been used historically to bolster state power in a symbolic manner. Because coins and bank notes are ‘among the most mass-produced objects in the world’, the imagery placed on them offers what Virginia Hewitt calls ‘an unparalleled opportunity for officially-sanctioned propaganda, to colour the recipient’s view’.⁴⁷ The fact that money is encountered so regularly in the context of daily routines only contributes to the potential force of imagery on money. More generally, because money has long been seen as a key symbol of sovereignty, the issuer of a currency often derives symbolic authority from this function.⁴⁸ Structural power in the monetary realm may thus enable a dominant state to influence the symbolic environment within which others operate in these ways.

This goal was also a prominent one in the earlier age of imperialism. Some members of US Congress at the turn of the last century, for example, argued that the US dollar should be introduced into newly acquired colonies as a way of teaching the locals ‘the lessons of the flag and impress upon him the power and glory of the Republic’.⁴⁹ Similarly, Hopkins noted that in Africa ‘[m]oney was not only a means of assisting commercial transactions but also a medium of values: accepting colonial currencies was a symbol of submission’.⁵⁰ Kirshner also pointed out that Japan introduced distinct currencies into the parts of China they occupied during the 1930s partly as a means of delegitimizing the Chinese government by removing this symbol of its sovereignty.⁵¹ Many imperial powers also saw their control of the imagery on colonial currencies as an opportunity to influence the identities of the colonized. Both Mwangi and Hewitt, for example, highlight very effectively how the imagery on colonial notes often was designed to reinforce colonial ideologies of conquest, cultural superiority and the ‘civilizing mission’ in various ways.⁵²

I have suggested elsewhere that the link between currency structures and identities need not even be restricted to these symbolic issues or the sense of a common economic interest in a currency’s value that Kirshner mentioned.⁵³ The ways in which currency use is linked to a deeper intra-community ‘trust’ may have important consequences for identities. The use of a common money may also foster a sense of community because money acts, like language, as such a basic medium of social communication. Similarly, when people share a common currency, their sense of common identity may be fostered by the fact that they experience monetary phenomena together.

These kinds of relationships between identities and money deserve much more study than they have so far received. Indeed, the topic is one that should interest scholars working in the ‘constructivist’ theoretical tradition. These relationships call attention to a point long recognized by sociologists and anthropologists: if we want to explore how currency structures influence power, we must embrace a wider lens that see money not just as an economic phenomenon but also as a cultural and sociological one.⁵⁴ As one of what Braudel called the basic ‘structures of everyday life’, money is deeply and intricately embedded in cultural and social life.⁵⁵

47 Virginia Hewitt, 1994. *Beauty and the Banknote*. London: British Museum Press, p.11.

48 In the context of his discussion of currency manipulation, Kirshner also notes that the stability of currency is linked to national honor and prestige; Kirshner, *Currency*, pp.11-12.

49 Quoted in Edwin Kemmerer, 1916. *Modern Currency Reforms*. New York: Macmillan, p. 303.

50 A.G.Hopkins, 1997. ‘Review of Money Matters’, *The International Journal of African Historical Studies*, 29, p. 584.

51 Kirshner, *Currency*, p. 62.

52 Wambui Mwangi, 2002. ‘The Lion, The Native and the Coffee Plant: Political Imagery and the Ambiguous Art of Currency Design in Colonial Kenya’, *Geopolitics*, 7 (1), pp. 31-62; Virginia Hewitt, 1999. ‘A Distant View: Imagery and Imagination in the Paper Currency of the British Empire, 1800-1960’, in: E. Gilbert and E. Helleiner, (eds.), *Nation-States and Money*. London: Routledge, pp. 97-116.

53 Eric Helleiner, 1998. ‘National Currencies and National Identities’, *American Behavioral Scientist*, 41, pp. 1409-36; and *The Making of National Money*, ch.5.

54 See for example Viviana Zelizer, 1994. *The Social Meaning of Money*. Basic Books: New York; D. Akin and J. Robbins, (eds.), 1999. *Money and Modernity*. Pittsburgh: University of Pittsburgh Press.

55 Fernand Braudel, 1985. *Civilization and Capitalism*. London: Fontana.

In sum, by building upon the ideas of Strange, Kirshner and Cohen, we can see how structural power in international monetary relations can be used to influence outcomes relating to five distinct issues areas: wealth extraction, macroeconomic preferences, financial regulation and crisis-management, economic geography, and identities. Following Andrews' introduction to this collection,⁵⁶ we can call these the five 'domains' of monetary structural power which include both macro-level and micro-level considerations. Within each domain, we have also identified a number of specific causal mechanisms by which structural power influences outcomes. These are summarized in Figure 1. In these ways, the concept of 'structural power' opens the door to quite a wide understanding of the potential significance of monetary power.

Figure 1: The Domains and Causal Mechanisms of Structural Power in the Monetary Realm

Domains of Monetary Structural Power	Causal Mechanisms By Which Power Influences Outcomes in Each Domain
1. Wealth Extraction	→ Seigniorage
2. Macroeconomic Preferences	→ 'Pulling power' in global financial markets → Exchange rate weapon
3. Financial Regulation and Crisis-Management	→ Regulation of financial markets using core currency → Lender-of-last resort activities vis-à-vis private institutions
4. Economic Geography	→ Altering transaction costs to foster economic links with core economy
5. Identities	→ Common interest in value and stability of core currency → Symbolic role of money (images and association with sovereignty) → Shared trust in community using and issuing core currency → Common 'economic language' → Collective monetary experiences

Dollarization and America's Structural Power

How does the concept of structural power contribute to analyses of international monetary power in the contemporary era? As we have seen, Susan Strange argued that it was particularly useful in highlighting the enduring international monetary power of the United States. In this final section of the paper, I

⁵⁶ Andrews, forthcoming 2006. 'Introduction', *International Monetary Power*. Revised versions of EUI-WP RSCAS Nos. 2005/07-2005/15 will be included in this book.

suggest that her thesis could have been developed more fully. We have already seen how she did not devote attention to the spatial and ideational significance of the dollar's international role. An equally important limitation of her analysis was her neglect of the phenomenon of informal dollarization.

At the core of Strange's thesis about the growing importance of structural power was her belief that all states are losing power to global market forces and various non-state authorities. Given this belief, it is odd that Strange's writings about the international role of the dollar were rather conventional. When she discussed the dollar's importance within the global political economy, she focused primarily on its prominence in the foreign currency reserves of states, international financial markets, and international trade. She did not devote much attention to one of the most interesting ways in which many poorer states are losing power in the monetary realm: the fact that the dollar is increasingly used *within* their domestic monetary systems as a store of value, unit of account and even medium of exchange. In many countries where this informal 'dollarization' has been very extensive (e.g. in Latin America), the US currency now makes up an important part of the domestic money supply.⁵⁷

As Cohen has pointed out, informal dollarization is a largely market-driven process that is linked to a deeper 'deterritorialization' of monetary structures encouraged by financial globalization and the diminishing power of nation-states.⁵⁸ Individuals in poorer countries have turned to the use of the dollar as a way to insulate themselves from domestic inflationary conditions as well as broader domestic economic and political uncertainty. Some governments have attempted to stop the trend with anti-inflationary programs and regulatory means. But this has proven difficult to do in contexts where the state's credibility is weak, and its authority to regulate and influence the activities of its citizens is not high. The globalization of finance has also undermined these initiatives by making it easier for domestic citizens to respond by moving their wealth into dollar-based financial instruments offshore. Indeed, massive capital flight of this kind has often forced governments to quickly back down from 'de-dollarization' initiatives.

In the context of this deterritorialization of currencies, Cohen suggests that the contemporary world monetary system is in fact best thought of as a kind of currency pyramid in which the US dollar sits as the 'top currency' whose authoritative domain is very wide and no longer corresponds with territorial borders. He argues that the dominant position of the dollar within this transformed monetary order has important implications for the distribution of power within the global political economy that have not been adequately appreciated by IPE scholars. In addition to augmenting the power of markets vis-à-vis states, informal dollarization has bolstered the power of the US vis-à-vis other states.

Cohen's analysis of the significance of informal dollarization reinforces Strange's broader argument about the enduring role of US power in the world monetary system. Indeed, his description of the deterritorialized authoritative domain of the US dollar is quite reminiscent of a point Strange⁵⁹ often made: that the US increasingly resembles a new kind of 'nonterritorial empire'. This nonterritorial empire rested, in her view, on the structural power of the US. Cohen does not use the distinction between direct and structural power when discussing the ways in which dollarization has bolstered US power. Let me suggest, however, that the study of informal dollarization provides an excellent example—albeit one that Strange overlooked—of the point Strange was trying to make about the contemporary significance of US structural power.

In what ways has informal dollarization bolstered US power? Although literature about informal dollarization is now quite large, this question has not received much attention. Scholarly analyses of informal dollarization have been dominated by economists who have been less interested in this political question. Both Cohen and Kirshner have, however, briefly addressed the subject. They each highlight how the US has a new ability to directly 'coerce' dollarized countries by controlling access to dollars. They cite the case of Panama which found its access of dollar resources cut off by the US as

57 Cohen, *Geography*.

58 *Ibid.*

59 e.g. Susan Strange, 'The Future of the American Empire'.

part of a sanctions program directed against Noriega's rule in that country in the late 1980s. As Kirshner notes, this case was an excellent example of how monetary dependence can leave a state vulnerable to the direct power of 'enforcement'.⁶⁰

While this episode was important, this exercise of direct monetary power by the US was an isolated case which has had few successors. The more important implications of dollarization for US power involve the ongoing exercise of structural power across the five domains discussed in the previous section. Cohen, for example, mentions how the dollar's use abroad has strengthened US power in a macroeconomic sense and also in terms of its ability to earn seigniorage revenue.⁶¹ He also highlights how dollarization may influence identities abroad. This influence is partly at a symbolic level. In his words, the dollar's global role becomes 'an important source of status and prestige—a highly visible sign of elevated rank in the community of nations'. In the country experiencing dollarization, the opposite is experienced: 'an instrument [the national currency] intended to symbolize the power and nobility of the nation becomes instead a daily reminder of inadequacy and impotence [...] Governments that issue such money are not apt to command much respect either'.⁶²

Cohen also suggests briefly that dollarization may influence identities in a more concrete sense because 'the more a foreign currency is used domestically in lieu of national money, the less the citizens will feel inherently connected to the state or part of the same social entity'.⁶³ This suggestion is a very interesting one since it raises the point about entrapment that Kirshner mentioned, i.e. that the holding of dollars may generate a stronger interest in the stability and value of the currency and thus a closer identification with the state which issues and manages it. It also highlights the broader sociological point that users of dollars in effect join a wider dollar-based 'trust' community and find themselves sharing collective monetary experiences with other holders of dollars rather than with their fellow citizens who still use the national currency.

These points are particularly important when we recognize that dollarization is generally experienced very unevenly in class terms across Latin America and elsewhere. In most countries, the wealthy elite have 'dollarized' much more extensively than the poor. As a result, the two groups increasingly operate in two separate monetary universes. The broader sociological implications of this situation have received very little attention in existing scholarly literature. One exception, however, is a study by the anthropologist Alaina Lemon who examined the socio-cultural implications of dollarization in Russia during the first half of the 1990s. At that time, Russia experienced considerable dollarization, and Lemon noted how this monetary phenomenon reinforced social divisions within the country. Elites with dollar holdings did not, for example, experience the inflation of the rouble to nearly the same extent as the rest of the population. They also had much greater access to foreign goods and private stores that would sell only to customers in dollars. Indeed, she noted how 'journalists coined the term *currency apartheid* to label ways in which public space was being separated into "ruble" and "dollar" sides, for instance, in the two separate dining rooms in the Moscow Pizza Hut'. More generally, she observed that dollars were seen 'as a passport to restricted or faraway exchange'.⁶⁴

These observations about how dollarization was linked to social division and the broader internationalization of Russian elites relate in an interesting way to a broader argument that Strange made about the nature of the 'nonterritorial' empire of the US. She drew a parallel to the Roman empire in which 'citizenship was not a matter of domicile and [...] there were gradations of civil and

60 Cohen, *Geography*, pp. 44-6, 126-8; Kirshner, *Currency*, pp. 158-66.

61 Cohen, *Geography*. See also Kenneth Jameson, 1990. 'Dollar Bloc Dependency in Latin America: Beyond Bretton Woods', *International Studies Quarterly*, 34, pp. 519-41.

62 Quotes from Cohen, *Geography*, pp. 120, 121.

63 Cohen, *Geography*, p. 120.

64 Quotes from Alaina Lemon, 1998. "'Your Eyes and Green Like Dollars': Counterfeit Cash, National Substance, and Currency Apartheid in 1990s Russia', *Cultural Anthropology*, 13 (1), pp. 41, 45.

political rights and responsibilities, ranging from slaves to senators, which did not depend on what we, today, understand by ‘nationality’, indicated by possession or nonpossession of a passport’. Similarly, she argued that participation in the cultural and financial dimensions of US empire today depends not on passports but on such things as competence in English, involvement with US-based professional organizations and ‘possession and use of US dollars and dollar-denomination assets’. As she put it, ‘in financial and cultural matters, the distinction between first-class, passport-holding citizens and second-class, non-passport-holding participants is increasingly blurred. The peripheral allies have been unconsciously recruited into the American Empire’.⁶⁵

In addition to influencing extraction, macroeconomic preferences, and identities, the framework developed earlier in this paper suggests that informal dollarization may also bolster US structural power in two other domains: those relating to economic geography and the financial environment of dollarized countries. Concerning the former, dollarization lowers transaction costs associated with commerce with the US, and thus encourages market actors in these countries to cultivate closer economic ties with the US. This may have fostered not only the kind of ‘entrapment’ that Kirshner identified but also specific trade and investment flows that benefit the US. These might include not just US exports and investment to dollarized countries but also the outflow of local savings to the US.

Concerning the latter, dollarization has strengthened the US’s ability to project its regulatory preferences in the financial sector onto dollarized economies. For example, by imposing regulations relating to the control of money laundering on users of US-based dollar-clearing networks, the US can indirectly pressure dollarized countries to follow its regulatory lead.⁶⁶ Some analysts have also noted that dollarization has left US banks with a competitive advantage in the local financial system because of their privileged access to the Federal Reserve’s lender-of-last-resort lending and discount activities.⁶⁷

The significance of this point was highlighted historically in Cuba when it was a US protectorate during the early twentieth century. Like other Caribbean basin countries that fell under US direct and indirect influence in this period, Cuba’s domestic monetary system became increasingly dollarized during the first two decades of the twentieth century. When a financial crisis struck in 1920-1, Cuban owned banks collapsed because they had no access to the lender-of-resort facilities of the US central bank. US banks quickly then emerged in a dominant position in the Cuban financial system. In this way, US exerted a major influence over the Cuban financial system simply by what Strange would have called a ‘non-decision’; that is, the fact that it did not provide lender-of-last-resort support to Cuban banks. Interestingly, after this crisis, the US Federal Reserve Bank of Atlanta (as well as that of Boston between 1923-6) established an agency in Cuba to carry out lender of last resort functions.⁶⁸

In sum, it is unfortunate that Strange did not devote more attention to the study of informal dollarization since it reinforces her thesis about the enduring power of the US in the international monetary system. This phenomenon bolsters the power of the US not just because the door is opened for it to exert a kind of direct form of coercion, Panama-style. More significant is the less visible structural form of power that accrues to the US in the five domains noted above. In these respects, informal dollarization appears to be recreating the kind of monetary dependence that characterized the era of colonial currency blocs.⁶⁹ But it is not taking place within the context of the kinds of formal

65 Strange, ‘The Future of the American Empire’, p.11.

66 See for example Eric Helleiner, 2002. ‘The Politics of Global Financial Regulation: Lessons from the Fight Against Money Laundering’, in: L. Taylor and J. Eatwell, (eds.), *International Capital Markets*. Oxford: Oxford University Press, pp. 177-204.

67 See for example, Benjamin Cohen, 2002. ‘US Policy on Dollarization: A Political Analysis’, *Geopolitics*, 7 (1), pp. 63-84.

68 Henry Wallich, 1950. *Monetary Problems of an Export Economy: The Cuban Experience 1914-1947*. Cambridge, Mass.: Harvard University Press, p. 69; Eric Helleiner, 2003. ‘Dollarization Diplomacy: US Policy Towards Latin America Coming Full Circle?’ *Review of IPE*, 10, pp. 406-29.

69 See for example Jameson, ‘Dollar Bloc’.

empires that existed in the first half of the twentieth century. Indeed, as we have seen, the US has played little direct role in promoting dollarization abroad. In this sense, the phenomenon also seems to fit well with Strange's notion that the US resembles a kind of 'nonterritorial'—and we might add in the context of dollarization, 'unintentional'—empire.

Conclusion

What is structural power? How is it exercised and what can it accomplish in international monetary relations? Responding to the criticism that this concept is an imprecise one, this paper has attempted to develop a framework for understanding the significance of structural power in the context of inter-state relations. I have argued that structural power is a form of monetary power that is exercised indirectly—and even sometimes unintentionally—through the shaping and controlling of the monetary environment within which others must operate. Building on the ideas of Strange, Cohen and Kirshner, I have then specified five domains in which structural power is exercised in the monetary realm as well as various mechanisms by which monetary power influences outcomes within each domain.

With this framework in mind, let us return to the question asked at the outset of this paper: what does the concept of 'structural power' contribute to the study of inter-state monetary power? One contribution is obviously to highlight that monetary power is not always exerted in a direct or even intentional fashion. A focus on 'structural power' also prompts analysts to explore how international monetary power has wider significance than sometimes suggested. As we have seen, a dominant state's ability to shape the monetary environment within which others operate provides that state with indirect influence over outcomes relating not just wealth extraction and macroeconomic preferences but also financial regulation and crisis-management, economic geography and even identities. Finally, when applied to the contemporary world, the concept provides some insights into the nature of US monetary power today.

Although the concept of structural power contributes to our understanding of international monetary power in these ways, its importance should not be overstated. In their respective writings, Strange, Cohen and Kirshner all highlighted how the structural power of the US, like that of all other states, is increasingly constrained by global market pressures and non-state actors. Any analysis of US structural power today thus must be qualified in the following way: the US is powerful *only insofar as it is able to influence global structures*. These three authors also noted that structural power relies on subordinate states remaining dependent on the currency the dominant state controls. If subordinate states throw off their dependence, they will free themselves from this structural power. The prospect of this kind of 'exit' strategy will obviously increase when there is more than one dominant world currency. It may also be encouraged if the dominant state begins to exploit its dominant monetary position excessively either in a direct manner (e.g. enforcement strategies) or an indirect structural manner relating to, for example, extraction.⁷⁰

The *concept* of structural power in the monetary realm also has some analytical limitations. It is primarily useful in addressing the issues of how monetary power is expressed and what it can accomplish. It is less helpful for analyzing the sources of monetary power. To understand this latter issue, Strange suggested—but never discussed in any depth—that we would need to explore how a state's structural power in the financial realm may be reinforced or undermined by its structural power in other realms such as security, production and knowledge. Structural power in each of these areas was, in her view, 'supported, joined to and held up by the other three'.⁷¹ Equally important, the relationship between structural power and more direct forms of power would also need to be examined. We have seen how the former is sometimes highly dependent on the latter. The colonial currency blocs that provided

70 See for example Kirshner, *Currency*, pp. 119, 168-9, 249, 267; Eric Helleiner, 2000. 'Still an Extraordinary Power, but for How Much Longer?' in: Lawton *et al.*, *Strange Power*, pp. 229-48.

71 Strange, *States and Markets*, p. 26.

imperial powers with structural power, for example, were created and sustained only with the highly coercive power of the colonial state. At the same time, structural power is not always so reliant on more direct forms of power. The US structural power derived from informal dollarization, for example, has resulted largely from market forces. The relationship between structural and more direct power is thus clearly a complicated one that requires greater analytical attention.

Finally, it is worth noting that the concept of structural power poses measurement problems for researchers. One problem concerns the difficulty of measuring the kinds of indirect causal mechanisms that are at the core of the exercise of structural power. As Kirshner put it, 'it is very difficult to measure the extent to which the relationships under consideration have caused desired, or altered undesired, preferences in the absence of overt coercion'.⁷² Equally important are complexities involved in analyzing outcomes relating to some of the specific domains of monetary structural power identified in this paper. While extraction of wealth is quite easily measured, the task of evaluating an outcome such as identity transformation raises a set of methodological issues that are complex, as current debates about the constructivist research project in international relations highlight well. The study of structural power, thus, clearly requires an openness to methodological eclecticism.

Eric Helleiner
Department of Political Studies
Trent University
Peterborough
Ontario
Canada K9J 7B8

Email: ehelleiner@trentu.ca

⁷² Kirshner, *Currency*, p. 118, fn 5.