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Money for nothing: everyday actors and monetary crises

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Why do monetary unions fail? Structural approaches that focus on shifts in the distribution of capabilities ascribe non-elites limited agency to influence large-scale political and economic change. Existing agent-centred approaches tend to simplify the social dynamics of the everyday politics of money by concentrating on how elites determine formal changes within monetary systems. Answers to this question from a material-based perspective often point to a breakdown in elite political support, driven by actors' material incentives to cheat on their multilateral commitments rather than cooperate to overcome the collective action problem that a monetary union entails. Recent ideational perspectives have focused on the role of shared economic ideas among elites, as well as elite struggles over national identity, as crucial ingredients in the construction, maintenance, or failure of a monetary union. While drawing on the insights of rationalist and constructivist theories, this article uses a historical sociology approach to argue that the everyday actions taken by *non-elites* as survival strategies in a monetary crisis provide an important additional ingredient for understanding monetary system change. This approach is illustrated through a case study of the collapse of the ruble zone monetary union over 1991–1993.
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Introduction

The best-laid plans of international organizations and governments often go awry. Reforms to a state's economic policy settings that are sponsored by international organizations do not automatically translate into the intended changes in economic practices in a particular jurisdiction. Rather, the success of top-down attempts at monetary system change depends on altering the patterns of people's everyday behaviour. In this respect, there is a potential disconnect between the policy decisions taken by political elites and non-elites'

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everyday actions, one which is easily ignored if we only focus on formal policy change to serve as a sufficient explanation of the sources of 'real' change.

In order to function effectively, formal economic institutions must be embedded in the political and social order of a given society (cf. Polanyi 1944/2001; Fligstein 1996; Carruthers 2005). While the formal rules governing monetary systems might be changed overnight, people's everyday behaviour cannot be changed so easily, especially when a country is in the middle of an economic crisis. Theoretical frameworks for understanding macro-level political change in international relations often diverge between material-based and ideas-based approaches, where either an actor's individual calculation of exogenously given material interests drives their behaviour, or the intersubjective ideas an actor holds in common with others constitutes their social identity and structures how their material interests are understood (Reus-Smit 2002: 127, 130). This point of contention has generated a well-worn ontological debate between rationalists and constructivists over whether individuals are fundamentally 'atomized utility maximizers', or are motivated by ideas, norms, and values they absorb from their social environment (see Adler 1997; Checkel 1997; Ruggie 1998; cf. Quirk 2008: 521).

When actors rather than structures take centre stage in explanations for monetary system change, the focus for both material and ideational approaches is usually on *elites* as the key actors that decide the monetary 'rules of the game'. From a material perspective, scholars tend to concentrate on the level of elite political support for a monetary union (Cohen 2003: 278–9; cf. Andrews and Willett 1997). Particular attention has been focused on whether elites have material incentives to comply with their multilateral commitments, or whether they face a collective action problem where the distribution of benefits and costs from cooperation is uneven and states disagree over how to divide up the monetary pie (Goldberg *et al.* 1994; Dąbrowski 1997; Anthony and Hallett 2000; Broz and Frieden 2001; cf. Hay *et al.* 2006). From an ideational perspective, scholars have focused on how the formation of an ideational consensus among elites and contests over collective identities have enabled or constrained the opportunities for effective monetary cooperation (Marcussen 1999; McNamara 1999; Risse *et al.* 1999; Abdelal 2001; Kaelberer 2003; cf. Helleiner 1998).

In this article I challenge this restricted focus on elites, and draw on a historical sociology approach to achieve two objectives. First, I explore the interconnection of material and ideational factors as motivations for actors' behaviour when they are confronted with the 'cognitive uncertainty' (Rathbun 2007: 535) generated by a systemic monetary crisis. This allows us to move beyond understanding actors' preferences 'as materially telegraphed from structural positions' (Widmaier *et al.* 2007: 749). Second, I draw on the insights of historical sociology to argue that the informal 'everyday' actions taken by non-elites as survival strategies in a monetary crisis provide an important additional factor that should be taken into account for understanding monetary system change. My claim here is straightforward: understanding how monetary systems change requires greater attention to examining the actions of non-elites — which are based on how everyday actors interpret the circumstances they face — rather than concentrating primarily on how elites determine new formal monetary rules. When the actions of non-elites are left out of accounts of macro-level change we are unable to understand the wider social dynamics that shape the outcomes of formal changes in national policy settings. Including a greater focus on non-elites' everyday behaviour is necessary for understanding why new policies may fail, and why policymakers may choose to abandon their previous commitment to one policy strategy in favour of another.

In an attempt to 'bridge the rationalist–constructivist divide' over whether interests or ideas 'matter more' for explaining political change (cf. Checkel 1997; Nielson *et al.* 2006), I add to the insights of rationalist and constructivist theories by drawing on the conceptual toolkit of historical sociology to understand monetary change, in order to avoid rehashing the debate over the explanatory power of ideational *vs* material perspectives conceived as dichotomous alternatives. Historical sociology approaches to the study of international relations have sought to explore 'the interaction between social action (both deliberate and unintentional) and structural forces' (Lawson 2007: 346), often with a focus on how political elites engage their societies in order to augment — or simply to *enable* — the execution of state power (Hobson 2002: 76; Reus-Smit 2002: 123–4). More recent work has examined how non-elites' 'everyday actions' are an essential ingredient for understanding the sources of large-scale political change and continuity (Davies and Neimann 2002; Amoore 2004; Seabrooke 2006; Hobson and Seabrooke 2007; Maybee 2007; Paterson 2007; cf. Gould 2005). This article contributes to the emerging international relations literature on 'everyday politics', 'everyday life', and 'cultural political economy', and argues that existing ideational and material approaches can be enhanced by exploring how macro-level political outcomes are shaped by the everyday actions of non-elites.

The article shows how the changing political and economic environment in the former Soviet Union during the period in which the ruble zone monetary union was maintained was driven by inseparable material-ideational dynamics. Everyday actors continued to act in accordance with extant social norms and relied on interpersonal trust for exchange, but these actions collectively helped to undermine macroeconomic stability and the effectiveness of formal policy changes. In short, non-elites' everyday actions played an important part in transforming their material environment, and thereby constraining the execution of state power. The article explores the background conditions that shaped the breakdown of the ruble zone common currency area from 1991 to 1993, and focuses in particular on the social and economic consequences of the haphazard attempts to maintain a monetary union among the Soviet republics after the Soviet Union was dissolved at the end of 1991. As the following discussion shows, the everyday politics of money became crucial to the process of institutional change in the ruble zone, where money formed a 'critical nexus' between economic policy reform and post-Soviet state-building (Abdelal 2003a: 56).

The article proceeds as follows. The first three sections discuss the breakdown of monetary control with the demise of the Soviet Union. This initially led to demonetization and the growth of barter economies, rather than the market-based monetary system that Western governments and the International Monetary Fund (IMF) hoped could quickly replace Soviet economic institutions. Here I emphasize the social dimension of everyday actors' monetary practices and the monetary policy challenges that accompanied the breakdown of the Soviet economy and the chaotic shift from a central planning system. The final three sections focus on the political struggles over 'the meaning of money' that characterized the efforts to achieve monetary cooperation in the former Soviet Union. I chronicle the key events in the demise of the ruble zone during 1991–1993, and discuss how everyday actors' monetary practices constrained the ability of post-Soviet policymakers to make the ruble zone work despite their professed commitment to a multilateral solution. As the article shows, rationalist and constructivist approaches to institutional change concentrate on explaining different dimensions of the politics of monetary cooperation, but when these perspectives are combined with a focus on non-elites' everyday actions this provides greater understanding of the informal dimension of systemic change, and, in particular, why top-down policy changes may fail to change people's behaviour in practice. In broader conceptual terms, the article suggests that by engaging with diverse theoretical perspectives on political and economic change, we can obtain a more comprehensive understanding of the intentions behind both elite and everyday responses to the cognitive uncertainty generated by an economic crisis than we can achieve by maintaining theoretical parsimony.

The Breakdown of Soviet Monetary Control

People's beliefs about money and ideas about how monetary rules should be organized have real effects. Monetary systems work best when money is taken for granted as representing a 'true' measure of value, and when the system itself has strong collective legitimacy (Seabrooke 2006: 191), but there is nothing natural about the contemporary uses of money in everyday life or the institutional frameworks governments devise to regulate such uses. Rather, the creation of money and debates over alternative regulatory frameworks and policy targets are intensely *political* processes at every step of the way. To borrow Jonathan Kirshner's (2003: 646) metaphor: 'Even if all the passengers on an otherwise sound plane don't think it will take off, it will. But if just enough of the holders of a given currency don't think an otherwise sound monetary reform makes sense, it won't fly'. Actors' intersubjective understandings about a currency — and the actions taken based on such understandings — therefore help to shape aggregate monetary outcomes (Widmaier 2004: 436).

The shift from central planning to market mechanisms involved a fundamental clash between entrenched intersubjective understandings about the function of money in the Soviet economy and new monetary ideas supplied by external actors. Of particular importance here was the IMF, which promoted policies aimed at taming inflation and improving public finances to enable post-Soviet governments to build 'policy credibility' in the eyes of both public and private external creditors (Broome 2008). Following John Gerrard Ruggie (1998: 869), the role of shared monetary ideas in post-Soviet economies is understood not as a specific *cause* of people's everyday actions but rather as an important *reason* for their actions. This conception of the impact of ideas helps us to understand how actors interpret the circumstances they face, and why they choose a particular course of action, without treating ideas as an overriding determinant of behaviour. In post-Soviet economies, everyday actors' intersubjective ideas informed how they understood their rapidly changing material circumstances, as well as the survival strategies they adopted to cope with new forms of economic hardship and the breakdown of existing authority structures.

The construction of post-communist monetary systems involved an enormous redistribution of financial resources from some groups in society to others, as well as the risk that economic actors would seek to transfer a large volume of wealth overseas (Brovkin 2001). In particular, one of the most pressing monetary issues during 1991 was the question of whether the ruble would be maintained as the common currency among the Soviet republics, or whether policymakers would choose to adopt independent national currencies with the associated risks of widespread disruptions to inter-republican trade and production networks. With the rapid disintegration of the Soviet Union during the second half of 1991, the everyday politics of money became crucial to the ability of elites to achieve macroeconomic stability.

International actors such as the IMF quickly realized that transforming the structure of economic governance to market mechanisms in the former Soviet centrally planned economies (CPEs) would depend upon fundamentally changing peoples' ideas of the role that money and credit should play in economic activity (IMF *et al.* 1990). Under the Soviet system, bank money functioned mainly as a passive unit of account to assess firms' compliance with an economic plan designed in Moscow, with cash money mostly used to pay wages and to purchase the consumer goods that firms produced (McKinnon 1993: 124–5). Interest rates played no role in determining the allocation of credit among economic actors. Instead, firms in the Soviet economy were accustomed to a financial system that set no hard constraints on the extension of credit, with the balance between supply and demand approximated by central planning (McKinnon 1991: 110). The state savings bank (*Sberbank*) received household deposits at low rates of interest, most of which were transferred to the State Bank of the Soviet Union (*Gosbank*). Based on a credit plan and a cash plan decided by the central planning authorities, the *Gosbank* then determined the volume and allocation of credit to different sectors of the economy, as well as the volume and allocation of cash issuance (Pazarbaşioğlu and Willem van der Vossen 1997: 27). The intended function of the banking system was therefore to 'lubricate' the economy with soft credit, to ensure that firms had access to enough funds to fulfill centrally determined production targets (Bigman and Leite 1993: 3).

The uncertainty over future political and economic relations between the Soviet republics, as well as their different rates of economic reform, contributed to growing monetary disruptions in the Soviet economy during 1991. This intensified following the political disintegration of the Soviet Union in December 1991 and the emergence of the Soviet republics as nominally sovereign and independent states. The decline of central planning mechanisms and other Soviet institutions caused major disruptions to inter-republican trade, which hampered efforts to reach new agreements on economic relations between the newly independent states and created incentives for policymakers in each republic to ignore the agreements that were already in place (Melliss and Cornelius 1994: 5, 7). The rapidly changing monetary environment generated 'cognitive uncertainty' among political actors (understood here simply as policy *confusion*, see Rathbun 2007: 546), which severely hampered the capacity of firms and households to cope with the ruptures of the economic transition. Russia's liberalization of 90 per cent of prices in January 1992, which was quickly emulated to varying degrees by the other former Soviet republics, immediately led to rapid inflation. Among the former Soviet republics, monthly inflation generated by price liberalization ranged between 100 and 300 per cent in January 1992, and in most cases remained in double figures each month over the next two years (Koen and De Masi 1997: 27). In this environment, firms faced a high 'inflation tax' on their bank deposits because policymakers continued to maintain nominal interest rates at a very low level (Poser 1998: 165).

The rapid rise in inflation contributed to widespread shortages of cash currency throughout the former Soviet Union during 1992. The inability of firms to pay wages and governments to make pension and social welfare payments in cash prompted everyday actors to purchase essential goods on credit wherever possible (Conway 1997: 7). In such circumstances the exchange value of cash rubles (*nalichnyye*) and credit rubles (*beznalichnyye*) diverged, which further depreciated the value of household savings and firm deposits leading to rapid disintermediation, a lack of trust in the banking system, and a consequent growth in *barter economies* (Poser 1998: 165). Although price liberalization was intended to stimulate a shift from the central allocation of resources among economic actors to the marketization of financial resources via relative price changes, rapid inflation initially impeded the potential for market mechanisms to function at all (Pomfret 2002: 32).

The Sociology of Barter Economies

Economic exchange relies on social relations of interpersonal trust. Defined as 'a confident expectation of a favourable outcome of insecure prospective encounters with one's associates' (Lascaux 2008: 1), interpersonal trust can help to mediate uncertainty that might otherwise hinder two or more actors from engaging in mutually beneficial transactions. Because trust is not simply epiphenomenal to economic exchange but informs how both elite and non-elite actors in a particular social context *interpret* the circumstances they face (Aykens 2005: 329), exploring the survival strategies that actors adopt based on interpersonal trust can help us to understand why, in a crisis, people may take actions that make sense at an individual-level yet worsen their economic welfare overall. As firms and households developed survival strategies based on established interpersonal relations of trust in response to the crumbling Soviet financial system the newly independent states inherited, their everyday actions contributed to a swift process of demonetization that worked against official efforts to achieve monetary stability. These alternative forms of economic activity helped to provide an informal safety net for non-elites but worked against the achievement of policymakers' macroeconomic goals, such as sustaining tax revenues, reversing demonetization, and increasing social spending to cope with unemployment, despite being wholly rational at an individual level as basic survival strategies (Rose 1993: 420, 422).

The contributors to Paul Seabright's (2000a) *The Vanishing Ruble* show that demonetization and the rise of barter economies in post-Soviet states stemmed from two interconnected factors. First, as firms became heavily indebted due to cash flow problems, banks had strong incentives to withhold new loans that might only be used to repay other creditors rather than to enhance a firm's capacity to repay the bank by investing in productive activity. Large firms facing the problem of 'debt overhang' sought to induce their suppliers to extend credit for payment in kind as a way to bypass the claims of existing creditors on cash revenue. Second, because of the uneven distribution of credit constraints among firms in post-Soviet states, allowing some industrial customers to pay for goods through barter still enabled a firm to sell its products for a high cash price to those who could afford to pay with currency. While this strategy helped firms to prop up selling prices and there by maintain cash revenue that would have been lost if firms simply slashed their prices to a level their credit-constrained customers could afford to pay, it hindered policymakers' efforts to control the rate of inflation (Seabright 2000b: 5–6).

As Seabright (2000b: 6) points out, post-Soviet production chains were highly conducive to the emergence of barter arrangements because the immediate economic interests of industrial partners in trading networks were interdependent. In addition to inhibiting official attempts to lower inflation, once barter economies had emerged, they quickly became an entrenched feature of the economic environment with firms limiting their operations to a virtual 'information island' shared by the members of their personalized trading networks. This phenomenon made the job of economic transformation even more difficult as firms sought to shelter from competition within the mutual interdependence of defensive trading networks, rather than reorienting their products toward new customers (Seabright 2000b: 6–8).

While barter trade had played an important informal role in economic relations between firms during the Soviet era, the currency shortages following price liberalization and the authorities' subsequent attempts to impose hard constraints on bank credit prompted a rapid growth in barter economies. In the Central Asian republics, for instance, a 1999 European Bank for Reconstruction and Development/World Bank enterprise survey found that 64 per cent of Kazakh firms in the sample reported they had resorted to barter and non-monetary exchange transactions for some sales. The figures were somewhat lower for other Central Asian states but still indicated the development of an extensive non-monetary economy, with 53 per cent of Kyrgyz firms and 32 per cent of Uzbek firms in the sample reporting that they had arranged barter transactions (Carlin *et al.* 2000: 241). Rather than embarking on a process of marketization, firms in the former Soviet CPEs shifted toward the *barterization* of their economic relations, which worked against official efforts to achieve monetary stability and structural economic transformation.

Demonetization and rapid inflation in post-Soviet economies hit most households even harder than firms because they were accustomed to paying for consumer goods with cash. On average, households in the former Soviet

Republics experienced falling living standards and rising income inequality as the changes wrought by the breakdown of the Soviet system led to a redistribution of wealth between different social groups, radical changes in people's life chances, and the abolition of social benefits that people previously took for granted (Pomfret 2006: 139). In these circumstances informal social organizations, or 'clans', became increasingly important as social networks that enabled individuals to meet basic needs and helped to provide the interpersonal trust necessary for economic exchange in the absence of effective formal rules (Collins 2006: 50).

Like firms, many households relied on strategies of reciprocity to cope with the monetary chaos that characterized the early period after independence, epitomized in the popular Russian proverb 'better a hundred friends than a hundred rubles' (Kuehnast and Dudwick 2004: 13). Such strategies included the reciprocal exchange of gifts consisting of cash money and other everyday necessities, the giving and receiving of help among relatives and friends similar to barter, as well as the exchange of illicitly obtained resources (Coudouel *et al.* 1997; Nazpary 2002: 75–81). Similar to barterization among firms, the everyday strategies adopted by non-elites, which depended upon circuits of mutual obligation within social networks, also worked against official efforts to establish new market institutions, as individuals struggled to survive by relying on informal social networks that were geared towards resisting or illicitly profiting from structural economic change (Nazpary 2002: 89; Collins 2006: 49). Household survival strategies further undermined the government's tax base, depreciated the value of firms' assets, and increased the process of demonetization when individuals faced with cash shortages withdrew from the formal economy by cutting consumption expenditure and engaging in non-taxable barter activities (Howell 1996: 57–9; Clarke 2000: 194–5).

Accompanying the emergence of barter economies among firms, the increase in a refusal to pay for goods led to a rapid build up of informal inter-enterprise arrears, defined as the nominal value of 'payment demand orders' not executed by banks due to insufficient funds in the payer's account. Following price liberalization in Russia, for instance, firms faced a debt blowout as inter-enterprise arrears increased to 3 trillion ruble during the first half of 1992, at the same time as firms accumulated large arrears on bank loans and tax payments (Bigman and Leite, 1993: 1). Because the Soviet tax system was based on a firm's revenues and running up tax arrears did not attract interest penalties, firms had an incentive to reduce their taxable revenue through barter and to delay tax payments by reducing their bank balances to benefit from the surge in inflation (Noguera and Linz 2006: 721). This contributed to a severe budget crunch, as the newly independent states faced a precipitate decline in tax revenue at the same time as the demand for public spending increased

(Pomfret 2002: 37; Broome 2006: 127, 129–30). Indicating the weak capacity of the state to enforce changes in economic behaviour simply by enacting new formal rules, local governments in Russia began to accept 'non-cash' tax payments by firms, a practice later accepted by the federal government that led to an estimated 25 per cent of state revenue accounted for by 'in kind' payments in 1996 (Abdelal 2003a: 58–9).

The growth of inter-enterprise arrears was accelerated via a chain of strategic actions by firms pursuing their immediate economic interests — based on how they interpreted their environment — where already difficult circumstances were made worse by the inefficiencies and delays of the paper-based Soviet payments system. Some firms engaged in 'refusals to pay' as a survival strategy in response to the new phenomenon of rapid inflation and the emergence of credit constraints following price liberalization, causing more firms to suspend their payments when their customers refused to pay. Other firms that could afford to settle their accounts with suppliers then suspended payments with the expectation that, in line with existing financial norms, the central bank would be forced to step in and cancel inter-enterprise debts to avoid a systemic economic collapse (Bigman and Leite, 1993: 5–6, 9).

Economic actors continued to exhibit a 'central planning mentality' in other ways. For example, firms continued to act on the basis of existing norms of reciprocity in an attempt to reduce the transaction costs of exchange (cf. Ouchi 1980: 137–8). In particular, firms with established relations of interpersonal trust continued to supply goods and services to each other without expecting to receive payment, assuming that if they reached their production targets the authorities would step in and cover their wage costs (Bigman and Leite, 1993: 9). Worsening material conditions suggested that sufficient state support for firms to settle wage claims was unlikely to be forthcoming, but entrenched intersubjective ideas regarding the state's responsibility to sustain employment and production through soft credit provided important reasons for firms' behaviour. The erosion of the tax base made greater state support for industry even less likely as governments found themselves increasingly strapped for cash, while the monetary situation deteriorated further when firms began to seek innovative ways to convert rubles into dollars in order to avoid a depreciation of their capital through inflation. Some firms established their own insurance companies or small companies registered overseas as a way to export capital, while others founded their own banks in order to acquire a license to operate on foreign exchange markets where they could exchange their depreciating rubles for hard currency (Poser 1998: 165). The weakening of Soviet institutions also led to the growth of 'uncivil' economies (Rose 1993), where economic actors began to rely on private security forces and the threat of violence as a means to enforce contracts and protect their profits (Clarke 2000: 178–9; Volkov 2000).

Intentional Rationality and Economic Behaviour

From a historical sociology perspective, systemic change is not a path-dependent process whereby the structures inherited from the past largely determine the future decisions of elites in a 'punctuated equilibrium' model of linear evolution (Seabrooke 2007: 396–9). While inherited structural constraints may shape the playing field for political action, actors are not 'robots' simply responding to external stimuli (Aligica 2003: 91) that continue to play new games by the same rules. In this respect, the collapse of the ruble zone is not simply a familiar tale of path dependence characterized by a contest between reformers and conservatives (cf. Kyriazis and Zouboulakis 2005: 112). Rather, this is a case where actors relied on social relations based on interpersonal trust to weather the hardships generated by the rapid disintegration of the old economic order. Here we see everyday actors exhibiting agency *within* the constraints of the difficult context they faced, rather than following a script handed down by political elites. Crucially, actors had the ability to *choose* their strategies, even if they made 'bad choices' that diminished their welfare overall (see Seabrooke 2007: 404). For example, the micro-level actions taken by firms on the basis of established inter-firm relationships collectively obstructed the ability of policymakers to achieve macroeconomic stability from which all 'viable' firms would have benefited, as well as diminishing the likelihood that states would see a gradualist approach to the construction of new monetary systems as a feasible policy option, without running the risk of generating even greater economic and social costs. In the variety of firms' responses to the cognitive uncertainty they faced following price liberalization in 1992, we see economic actors exhibiting different forms of 'intentional rationality' that was informed by inherited conventions and social norms (Beckert 2003: 770–1; see also Seabrooke 2006: 44–7, 2007: 402–4).

With the benefit of hindsight, a rationalist approach might suggest that it was in their material interests for firms to: (a) run up arrears in payments to suppliers and commercial banks, in the expectation of a systemic government bail out; and (b) to delay paying tax to take advantage of high inflation rates, which would rapidly decrease the real amount of tax owed (Bigman and Leite, 1993: 9). At a stretch, the strategy of using the threat of violence to enforce contracts and protect profits might be retroactively construed as instrumentally rational in the case of 'state failure' in the provision of basic public goods. The practice of continuing to deliver goods to non-paying customers, and thereby maintaining employment levels even when firms could not afford to pay cash wages, might also be seen as an instance of instrumental rationality. For instance, firms may have expected to receive government funds to reimburse wage costs they accumulated by continuing to produce and deliver goods to non-paying customers, so maintaining their existing workforce could be accounted for as a strategy to increase the likelihood of systemic debt cancellation by deliberately escalating the level of inter-enterprise arrears (Perotti 1998).

On its own, however, this explanation implies an unrealistic and highly asocial view of the environment to which Soviet firms were accustomed in 1992, which risks imposing a narrow model of instrumental rationality by viewing all firm behaviour retroactively through a rational actor lens. In particular, a rational actor model of firm behaviour is insufficient for understanding how firms interpreted the circumstances they faced, and hence why they chose these specific responses to their uncertain environment rather than others. A more comprehensive understanding of firm behaviour is that at the same time as pursuing their immediate economic survival, the behaviour of managers in many firms was also prompted by strongly held ‘prescriptive beliefs’ (Boudon 2003: 14) regarding their obligations to the economic welfare of workers *and* the appropriate role of the state as a provider of easy credit to maintain production and full employment.

Within the Soviet system, firms held tightly combined employment and social protection objectives, and were responsible for administering numerous social benefits. Many firms had also created implicit rules that determined what employees could legitimately steal from the workplace to supplement their cash wages (Clarke 2000: 192). With the shift away from central planning, World Bank studies of the former Soviet republics found that many managers were initially reluctant to lay off workers due to long-standing social norms of full employment (see, e.g., World Bank 1993). Instead, managers allowed employees to develop work-sharing arrangements, or to take unpaid vacations in order to maintain access to the social benefits associated with continued employment (Silverman and Yanowitch 1997: 102; Broome 2006).

These normative routines suggest that the behaviour of firms, as they responded to rapidly changing monetary conditions, should be understood by considering what would constitute socially legitimate actions (Seabrooke 2006: 45). This does not mean that firm managers themselves necessarily believed that such benefits were legitimate, but rather that they understood that workers considered them to be an integral part of workplace norms, the violation of which might generate material costs for firms if workers responded by engaging in greater theft or widespread industrial conflict. In this respect, inherited intersubjective ideas provided a potent political resource from which non-elites could draw support for their claims. This, in turn, influenced how firms responded to their new environment and impeded policymakers’ efforts to achieve macroeconomic stability.

The Political Economy of the Ruble Zone

A high level of cognitive uncertainty handicaps the ability of elites to *implement* substantive institutional change, even when they have the scope to quickly enact new formal rules. In the case of the ruble zone, the survival strategies adopted by firms and households collectively led to the breakdown of monetary control across all the former Soviet republics. Despite widespread agreement among international actors of the urgent need to achieve monetary stability in post-Soviet states in the early 1990s, opinions diverged on whether this would be best achieved by maintaining the ruble zone monetary union or through the introduction of independent national currencies (Goldberg *et al.* 1994; Melliss and Cornelius 1994). Increasing economic decentralization, driven by a lack of effective policy coordination, caused monetary conditions in the ruble zone to deteriorate rapidly following the formal dissolution of the Soviet Union and Russia's subsequent price liberalization. In addition, the demise of the Soviet Union generated cognitive uncertainty among the newly independent states about the status of future economic relations with Russia. This led to local debates over whether post-Soviet states should seek to reintegrate into a common economic space with the Russian Federation, or whether they should go down the nationalist route and seek greater economic sovereignty through monetary independence (see Abdelal 2001, 2003a, b).

Even among the post-Soviet states that continued to seek close economic cooperation with Russia, many governments were wary of Russia using its monetary power to further strengthen its regional hegemony (Abdelal 2003b: 913–4). As a result, when the Central Bank of Russia (CBR) assumed the responsibilities of the Soviet Union's *Gosbank* in January 1992 despite lacking the capacity to make monetary policy across the newly independent states (Johnson 2000: 77), governments in the other 14 post-Soviet states proved unwilling to cede effective monetary authority to the CBR. Despite formal declarations during 1992 from many of the former Soviet republics intending to continue to use the ruble as a common currency, the lack of appropriate federal institutions and the difficulties of achieving policy coordination among the newly independent states would eventually make this goal impossible to achieve in practice (Daviddi and Espa 1995: 39). Policymakers' cognitive uncertainty was further exacerbated by the everyday actions of non-elites, which undermined the potential for new policy frameworks to generate the macroeconomic outcomes that were anticipated by external sponsors of market-oriented reforms such as the IMF.

At first sight, many of the problems that contributed to the monetary instability of the ruble zone might seem to be adequately explained by a rationalist approach that focuses on the actions of elites and the material constraints they faced. By taking over the responsibilities of the *Gosbank*, the

CBR became the sole issuer of cash rubles in the ruble zone due to the location of all the Soviet printing presses in Russia. However, the 14 other central banks in the ruble zone at the start of 1992 — established from the republican branches of the *Gosbank* — were each able to create domestic credit denominated in rubles (Johnson 2000: 78). As a response to the shortage of cash rubles and Russia's attempts to restrict the money supply (Pomfret 1996: 119), the other former Soviet republics began using their new central banks to extend a large volume of credit rubles to local commercial banks and firms during 1992 (Daviddi and Espa 1995: 40). The authorities in each of the newly independent states in the ruble zone thus confronted a 'prisoner's dilemma' that inhibited effective cooperation, because each stood to gain by maximizing their own interests at the expense of other states (Åslund 1995: 108). Without enforceable formal rules of the game, policymakers in each state had strong incentives to cheat by emitting domestic credit in order to maintain production, thereby enlarging their 'piece of the pie' in terms of ruble zone output. Rather than working towards policy coordination to achieve mutual welfare gains, the former Soviet republics engaged in competitive credit creation in response to what observers have described as a classic 'free-rider problem' (Pomfret 2002: 83; Schoors 2003: 4).

Increasing credit creation in each of the newly independent states further contributed to rapid inflation across the ruble zone as a whole, which had an uneven impact on the fortunes of different economic actors. For instance, the scarcity of cash rubles and rising prices imposed hard budget constraints on most households as individuals' cash incomes declined (Silverman and Yanowitch 1997: 84–5). This further hastened the demonetization of post-Soviet economies. Among households, the initial 'winners' in the early post-Soviet period were workers in energy industries and the financial sector, as well as firm directors and senior managers, who saw their wages increase in both absolute and relative terms. The principal 'losers' were the already low-paid public sector workers such as teachers, manufacturing employees in the light industry, machine-building, and metalworking sectors, and workers in agriculture (Silverman and Yanowitch 1997: 86–7).

The limits of a rationalist approach quickly become apparent, however, by examining how the strength of actors' intersubjective ideas and established interpersonal relations of trust enabled everyday actions that collectively constrained the ability of policymakers to translate new formal rules into new patterns of economic behaviour. For example, for firms whose managers had good personal connections, the expansion of credit rubles allowed them to continue to operate within soft budget constraints. Rather than price liberalization enabling the marketization of credit as international actors such as the IMF had intended, commercial banks used their new financial freedom and their privileged relationship with the central bank to secure highly subsidized credit, funded by the difference between the high rate of inflation and low central bank refinancing rates. This was used to generate income by passing cheap credit on to favoured clients (sometimes in return for bribes), extending credit to firms co-owned by the bank or senior bank managers, and in some cases engaging in financial speculation (Treisman 1998: 251). While a rationalist approach can help to identify the material incentives actors' faced, understanding their specific choices requires concentrating on how actors interpreted their environment in accordance with existing intersubjective ideas and financial norms.

During the period in which the post-Soviet ruble zone was maintained, subsidized credit continued to be supplied to firms on a massive scale, although a firm's 'creditworthiness' was determined by the quality of its managers' personal connections (Tompson 1997: 1166). Natalia Dinello (1999) has described the post-Soviet business culture as 'the Russian F-connection' — which is characterized by tight interdependent links between finance, firms, friends, families, and favourites. In response to underdeveloped market institutions and a lack of confidence that formal rules would be enforced, economic actors shunned 'identity-blind' transactions and instead chose to do business with well-known customers they could trust (Dinello 1999: 25–6). For instance, a survey of the Russian financial sector in May 1993 found that 92 per cent of commercial banks were extending subsidized credit to favoured clients with whom they had personal relationships (Treisman 1995: 949–50). As a result, in early 1993 Russian firms were reportedly able to borrow credit from banks at interest rates that ranged from 30 to 240 per cent per annum, with total subsidized credit equal to approximately 23 per cent of Russia's GDP in 1992 (Treisman 1995: 950, 958). However, even as the uncontrolled creation of bank credit undermined the sustainability of the ruble zone, many policy-makers in the non-Russian republics still sought to remain in the monetary union in the hope of retaining the direct and indirect financial transfers from Russia and the easy market access that had characterized the Soviet era (Åslund 1995: 109).

The Politics of Money in Uncertain Times

Successfully achieving macroeconomic stability and a systemic change to a market-based monetary system depends on satisfying two principal conditions. First, the establishment of broad political agreement on the appropriate functions that money should play in the economy, including whether credit should be used to maintain production and employment levels and whether monetary power should be used to pursue a state's broader strategic interests. Second, the capacity to translate formal policy changes into changes in actors' everyday economic behaviour. Where one or both of these conditions is lacking in an economic crisis, legal changes in monetary rules are unlikely to result in macroeconomic stabilization, thereby increasing the possibility that the link between the formal rules of the game and everyday economic practices will become further attenuated.

After the CBR assumed the *Gosbank*'s responsibilities at the end of 1991, Russia made a number of changes to inter-republican monetary relations during 1992 in an attempt to achieve monetary stability. In the first half of 1992, inter-republican payments were channeled through 'correspondent accounts' set up by the CBR. While in theory the system of correspondent accounts would allow the CBR to limit the extension of bilateral credit to the non-Russian republics, in practice the other republics were initially able to overdraw their correspondent accounts without facing penalties due to delays and inefficiencies in the payments system (*The Economist* 1992a). Russia instructed commercial banks to process all inter-republican transactions through the CBR but, with 1,400 payment centres all processing paper records of transactions independently, the system was impossible to monitor. This initially led to the automatic financing of the republics' overdrafts by the CBR. When the CBR tried to restrict payments to its 82 main branches, continued slow reporting of payments meant that the system remained too congested to enable the CBR to impose restraint on the republics' correspondent account overdrafts (Åslund 1995: 120–4; Schoors 2003: 4–5).

These abysmal circumstances were further aggravated by the lack of consensus and sometimes open conflict between Russian institutions that worked at cross-purposes as a result of their different views on macroeconomic reform. This was noted in the sharp policy disagreements between the CBR, the executive government, and the parliament over the future of the ruble zone. In response to the inefficient payments system — and amid accusations that the CBR was using payment delays to engage in financial speculation in violation of extant social norms — the Russian parliament exerted greater political pressure on the CBR in May 1992. This lead to the resignation of the CBR's chairman Georgii Matiukhin (followed in December by the removal of Russia's reformist prime minister, Yegor Gaidar), and his replacement by Victor Gerashchenko, who was more willing to extend large volumes of credit to maintain production and to liquidate inter-enterprise arrears in accordance with everyday actors' intersubjective ideas of the appropriate role of the state in the economy (Johnson 2000: 83–4, 86–9).

Comprehending actors' motivations in this instance as driven primarily by material incentives in the face of an intractable 'prisoner's dilemma' and 'free rider' problems would therefore be to misunderstand the social dimension of the everyday politics of money in an uncertain environment. While material incentives, the distribution of benefits, and the potential for illicit financial gains were undoubtedly important factors shaping the economic environment actors faced, an important additional feature of the ruble zone saga is its place as part of 'a long struggle over the nature and meaning of money' in the newly independent states (Woodruff 2000: 459), where actors' intersubjective ideas took centre stage.

Two facets of this struggle are particularly important here. First, whether intersubjective understandings about the appropriate role of credit could be changed to make credit money symbolically and functionally equivalent to cash money, and hence crucial to attempts to restrain inflation despite the incommensurability of cash money and credit money in the Soviet economy (Woodruff 2000: 453). Second, whether the role of the state should be circumscribed in such a way that credit would be withheld from 'unviable' firms, which would then be forced to make a definitive choice between labour retrenchment and reorienting their trade networks towards new markets or 'hitting the wall'. Both of these elements of the post-Soviet struggle over the meaning of money worked together, because the passive function of credit money had been tightly linked to employment and production objectives in the Soviet economy.

To be clear, this is not to claim that 'ideas matter more' than material incentives in explaining the political dynamics of monetary crises. Rather, the point is to integrate analysis of actors' intersubjective ideas and their material incentives in order to understand how they operate as symbiotic drivers of political economy outcomes. Along with material incentives, high stakes political struggles over prescriptive beliefs provided an important impulse to monetary policy decisions, as well as non-decisions, regarding the future of the ruble zone during 1992–1993. It is also probable that while Soviet-era monetary norms functioned as contextual variables that shaped the behaviour of some actors, they functioned simply as utilitarian justifications for others who could appeal to an extant logic of social legitimacy to disguise their self-interested behaviour. For example, some commercial banks sought cheap central bank credit on the grounds of enabling industrial clients to maintain their labour force and production output, but delayed passing credit on to firms in order to engage in financial speculation for private profit (Tompson 1997: 1171). In both cases, however, understanding actors' intersubjective prescriptive beliefs is a crucial step in explaining what animated their behaviour, without denying the importance of the material environment actors faced.

As well as struggles over material benefits and prescriptive beliefs helping to explain how policy decisions related to everyday monetary practices in the ruble zone, these two sides of the same proverbial coin also help to account for the cognitive uncertainty that actors faced. For instance, the disagreement among Russian policymakers had the effect of signaling to the non-Russian republics that they could expect continuing economic uncertainty and policy confusion, with the CBR continuing to support production by extending credit to ruble zone central banks at the same time as Russian President Boris Yeltsin's economic team was attempting to enforce monetary restraint. The maintenance of a system of correspondent accounts that were effectively unmonitored and the divergence in the value of cash rubles and credit rubles created powerful incentives for each post-Soviet state to engage in competitive credit creation. At the same time, the cognitive uncertainty that was a product of elite disagreements among Russian policymakers further reinforced the advantage for policymakers in the non-Russian republics seeking to preserve the monetary *status quo* in response to the everyday actions of non-elites, which had led to the rapid growth of barter economies despite the formal shift to market-oriented policy settings.

While commensurate with actors' intentional rationality, this triggered ever-higher economic costs. The benefits of competitive credit creation, in terms of maintaining employment and economic production in accordance with everyday actors' prescriptive beliefs, accrued to each post-Soviet state individually while the material costs of increased inflation were distributed evenly across all the ruble zone economies. These ambiguous monetary arrangements — whereby the CBR effectively subsidized inter-republican trade while raising seigniorage revenue from the republics — resulted in Russia continuing to be a net contributor to the ruble zone economies. As a consequence, the IMF and the Russian government estimated that Russia financed inter-republican trade to the tune of more than one trillion rubles in 1992 (Goldberg *et al.* 1994: 315, fn. 39).

Money for Nothing: The End of the Ruble Zone Façade

Monetary crises are not self-explanatory. They 'do not come with an instruction sheet' (Blyth 2003), but rather have to be interpreted before elites can settle on a course of action or even narrow down the range of alternative policy solutions (Widmaier *et al.* 2007: 748). The conventional wisdom in much of the political science literature suggests that structural crises open up crucial 'windows of opportunity' that can allow elite actors to achieve radical institutional change at a rapid pace (Krasner 1984; Keeler 1993; cf. Cortell and Peterson 1999). When political and economic uncertainty lead to systemic monetary instability, and when monetary instability prompts non-elites to engage in everyday actions that further worsen a country's macroeconomic conditions, elites can find themselves facing a vicious circle that perpetuates uncertainty and undermines the impact of formal regulatory mechanisms on everyday behaviour. In short, when formal institutions must compete with unofficial 'rules of the game' that generate different outcomes — such as a system of personalized credit allocation when officials are trying to construct an impersonal system where financial resources are distributed through market mechanisms — elites will struggle to achieve substantive institutional change. This problem was especially salient in the early period of post-communist transformations, where both elite and non-elite actors needed time to learn how new institutional rules based on 'identity-blind' market mechanisms were meant to work. In conditions of cognitive uncertainty, elite actors face a steep challenge in their efforts to effect behavioural change, even if they gain increased scope to introduce formal reforms.

On 1 June 1992, Russia became a member of the IMF and became eligible to access IMF loans, although disagreements over monetary stabilization targets delayed the IMF's approval of a stand-by arrangement until the beginning of August. While the IMF was unable to induce Russia to agree to its plan for a multilateral solution that could help to make the ruble zone viable (IMF 1992), the government subsequently took unilateral moves to restrict the flow of credit to the non-Russian republics. The CBR decided in July 1992 to enforce fixed limits on the financing of inter-republican trade, set at the amount of rubles the CBR had credited to the importing republic's correspondent account, with payments now processed centrally in Moscow in an attempt to insulate the Russian economy from ruble zone inflation (Schoors 2003: 5). Requiring republican governments to balance their correspondent accounts with the CBR created a market where firms bought republic rubles to pay for imports from each of the ruble zone members, which briefly limited the degree to which inflation fuelled by domestic credit creation in one state was exported to other ruble zone members (Daviddi and Espa 1995: 40). Instead, the rate of credit expansion in each republic contributed to an effective depreciation of the value of each republic's credit rubles at the cost of restricting the non-Russian central banks' capacity to access cash rubles or accumulate seigniorage revenue that could be used to subsidize local production and employment levels (Goldberg *et al.* 1994: 304).

To ease the process of adjustment and to support Russia's inter-republican exports, the CBR extended new credit lines in the form of 'technical credits', which allowed loans to the non-Russian republics to continue to grow from 325 billion rubles at the end of June to 1,545 billion rubles by the end of 1992. While the new credit lines helped to soften the blow of the July policy change for the non-Russian republics, the system still had a negative effect on inter-republican trade (Schoors 2003: 5–6). The shortage of cash rubles and the emergence of a divide between cash rubles and credit rubles — as well as differences between the exchange value of each republic's credit rubles — also stimulated the harmful speculation that a monetary union is intended to mitigate (Conway 1997: 7). By the end of 1992, the divergence between the respective values of what had become *de facto* multiple ruble currencies had created mounting pressure for states to establish *de jure* independent currencies, in order for each state to assert independent monetary control in place of what had now become the ruble zone façade (*The Economist* 1992b).

Following the example of the Baltic states, which had moved first to introduce independent currencies during the second half of 1992 (Feldmann 2001), most of the other former Soviet republics chose to exit the ruble zone and establish new currencies (or temporary 'coupons' leading to new currencies) between the end of 1992 and November 1993. The killer blow to the ruble zone came in July 1993. On 24 July, Russia announced that a new Russian ruble would become sole legal tender inside Russia from September and the banknotes of pre-1993 Soviet rubles would become invalid. The CBR had begun issuing the new banknotes in Russia at the beginning of 1993, but had not included them in cash shipments to the other republics (Abdelal 2001: 53). Russia adopted this radical change in ruble zone policy unilaterally, without discussing the move with the other ruble zone members or consulting with the IMF (IMF 1993). This immediately prompted Azerbaijan, Georgia, Moldova, and Turkmenistan to announce plans to introduce new currencies (Abdelal 2001: 54–5). Russia had used its dominant position of power as the other republics' main export market and the sole issuer of cash rubles to unilaterally change the monetary 'rules of the game', as well as altering the 'payoff matrix' that determined the distribution of material benefits in the ruble zone (cf. Krasner 1991: 340–2). As each state introduced a new currency as sole legal tender and exited the ruble zone, this increased the inflationary pressure on the remaining members due to pre-1993 Soviet rubles flowing out of the states that exited the ruble zone and into neighbouring states where they remained legal tender (Conway 1995: 41).

If the intention of Russian policymakers was to force the other republics out of the ruble zone entirely, the July 1993 policy change did not immediately have this effect. Five post-Soviet states initially remained publicly committed to a 'ruble zone of a new type' (*rublevaia zona novogo tipa*). These states signed bilateral monetary agreements with Russia during September 1993, in which they effectively agreed to centralize the power to make monetary policy in Moscow. However, in November 1993, when Russia further tightened the entry conditions for states wishing to use the new Russian ruble as a common currency, the social and economic costs of staying in a revamped ruble zone became too high. Russia proposed providing cash rubles to the republics that would be recorded as credits for an initial trial period of six months, on which the non-Russian central banks would be required to pay interest and to deposit half the value of these 'credits' with the CBR in hard currency or gold for security. Pre-1993 Soviet ruble banknotes would be exchanged for the new Russian ruble banknotes at the unattractive rate of approximately three to one (Abdelal 2001: 56–8).

If the non-Russian republics had accepted the conditions that Russia set out for membership in the ruble zone, they would have greatly increased their monetary dependence on Russia and further undermined their capacity to continue to subsidize production and employment in line with everyday actors' intersubjective ideas (cf. Kirshner 1995: 116–7). In particular, the new concessions Russia demanded for continued participation in a monetary union would reverse the republics' capacity to extract wealth from Russia through subsidized credit and domestic credit creation, and would consolidate the CBR's monetary power over the ruble zone members. These terms proved to be unacceptable to the governments of the five remaining non-Russian republics, and the faltering ruble zone finally collapsed.

With the structure of material incentives working against inter-state cooperation and policy coordination and the emergence of nationalist pressures for greater independence and monetary sovereignty in many of the post-Soviet states, the ultimate failure of the ruble zone seems, from today's vantage point, to have been almost inevitable. As Barry Eichengreen (1996: 7) has observed, with the notable exception of the Bretton Woods system, monetary agreements do not usually result from inter-state negotiations but are the product of the individual choices that governments make, with policymakers 'constrained by the prior decisions of their neighbors and, more generally, by the inheritance of history'. The case of the ruble zone seems to bear out this point remarkably well, highlighting the constraint of inherited monetary norms as well as the need for governments to react to the monetary policy decisions taken by neighbouring states. However, as this article shows, an important additional factor that contributed to the breakdown of monetary control in the ruble zone was the everyday actions taken by individuals and firms — based on actors' shared interpretations of their circumstances — as they developed survival strategies in response to the disintegration of the old economic order. In contrast to the focus of existing agent-centred rationalist and constructivist perspectives on elites as the primary drivers of monetary change, the case of the ruble zone demonstrates that the everyday actions of non-elites also play an important role in shaping systemic economic transformation and policy outcomes.

Conclusion

Within the field of international political economy, there is a need to foster diverse theoretical perspectives with which to understand the sources of change in the world economy. However, ideational and material factors are always tightly interwoven in any process of large-scale political change, and should not be treated as mutually exclusive ontological alternatives where either ideas or material incentives are relied upon to do the 'heavy lifting' within discrete analytic frameworks. This requires not only studying the elites who decide on formal rule changes but also exploring how the everyday actions of non-elites can influence systemic transformations (Hobson and Seabrooke 2007). In this endeavour, understanding how actors respond to material incentives necessarily involves examining how they interpret their environment based on existing intersubjective ideas and social norms. Shared ideas provide the impetus for actors' preferences, and studying the role of ideas can therefore help us to interpret the underlying motivations for an actor's behaviour and the reasons why they choose a particular course of action rather than alternative strategies.

When we conceive ideas as inherently intersubjective, they are not simply normative commitments that either reinforce or compete with an actor's material interests as alternative motivations for their behaviour. Rather, shared ideas mould how actors conceive their interests in the first place (Laffey and Weldes 1997: 199–201; Blyth 2003: 702). While constructivists have emphasized the constitutive role of shared ideas for actors' identities and constructing a 'logic of appropriateness' that defines socially legitimate actions (see Checkel 1998), shared ideas and social norms do not necessarily perform this role in every political context. Rather, regulative norms might drive behaviour without actors necessarily believing them to be legitimate, and without reshaping an actor's identity, based on an actor's expectation that they will incur material costs if social norms are not adhered to (i.e., a 'logic of consequences') (cf. March and Olsen 1989; Sending 2002). However, when the role played by actors' intersubjective ideas is left out of accounts of large-scale political change, this disregards an important factor that links formal policy change to macro-level outcomes by discounting the reasons behind non-elites' everyday actions.

This article has highlighted the complex nature of the monetary challenges facing the former Soviet republics as they attempted to construct a functioning new monetary union following the demise of the Soviet Union. With the breakdown of monetary control in the former Soviet Union, barter economies emerged as credit-constrained firms and households relied on reciprocal exchange arrangements that were built upon extant social norms and interpersonal trust, in response to rapid inflation and the shortage of cash rubles. The intentionally rational actions of firms and households worsened the process of demonetization in post-Soviet economies, thereby undermining official attempts to establish macroeconomic stability and maintain tax revenues, leading to the growth of illicit economies. Because of the everyday actions of non-elites, the governments of the newly independent states faced strong pressure to engage in competitive credit creation to help maintain production and employment levels, and to secure material gains at the expense of other ruble zone members. Despite being intentionally rational responses to the immediate economic circumstances that governments faced and reflecting the intersubjective ideas and social norms that had shaped the operation of the Soviet system, the combination of official actions (such as competitive credit creation) and non-elites' everyday actions (such as barter trade) gradually eroded the advantages of maintaining the ruble zone. When the Russian government sought to monopolize monetary power over the remaining ruble zone members in the second half of 1993, the social and economic costs and the loss of policy autonomy generated by continued participation became too large a sacrifice for most of the non-Russian republics.

When combined with a historical sociology approach that explores the dynamic relationship between social action, state power, and macro-level outcomes, both rationalist and constructivist theories can help us to understand the different dimensions of the politics of monetary cooperation and failure. In this case, the everyday politics of money in the former Soviet Union was not simply determined by the material environment that both elite and non-elite actors faced, but was shaped by how actors interpreted their material environment based on intersubjective ideas regarding the appropriate role of the state and the passive function of money in maintaining production output and employment levels. While governments may enact the formal architecture for a new monetary system by fiat, everyday actors' beliefs about how monetary rules should be organized and the survival strategies they employ in response to cognitive uncertainty in a rapidly changing economic environment can diminish the effectiveness of formal changes and can, therefore, undermine the political conditions necessary for inter-state monetary cooperation to be sustained.

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