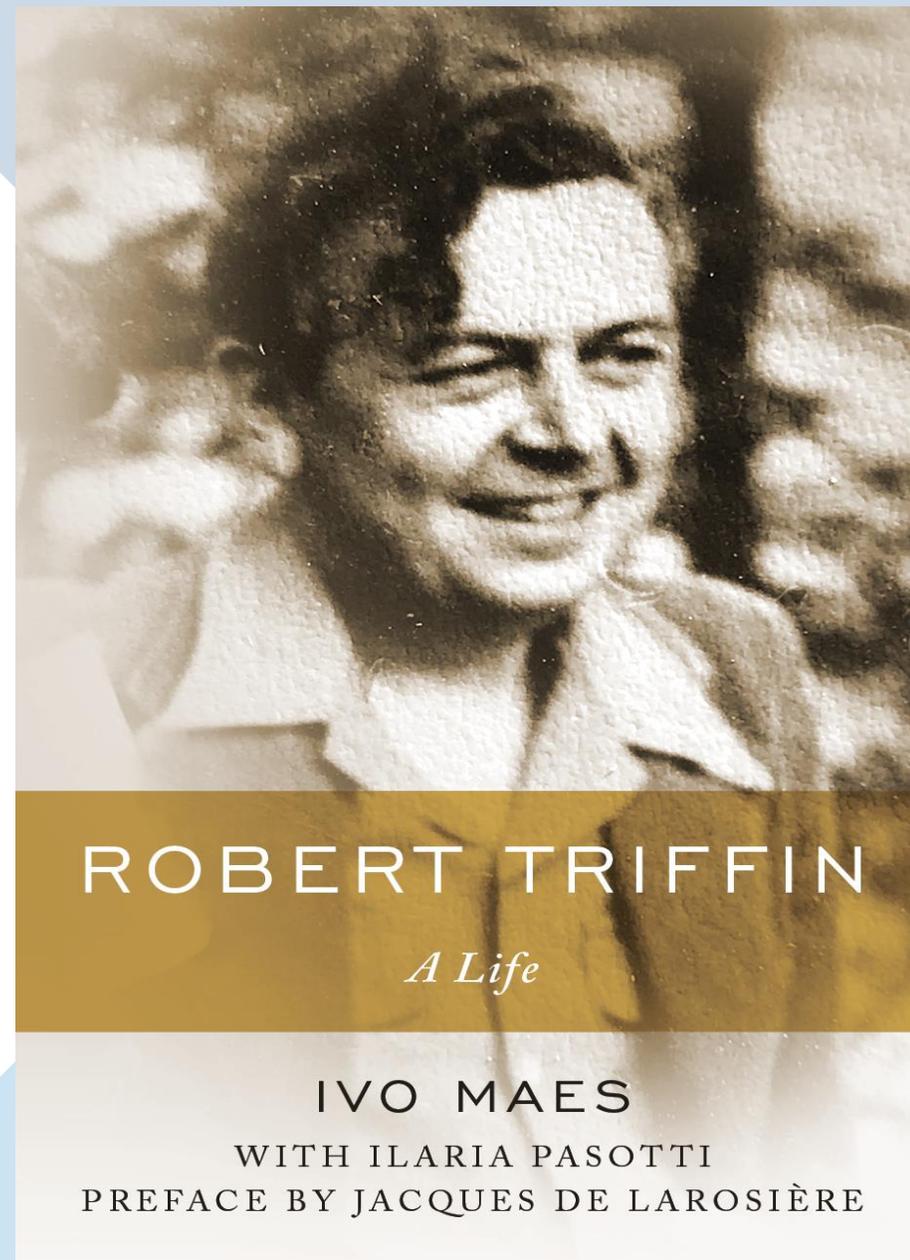


# Robert Triffin: A Life

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SUERF BAFFI Bocconi webinar, 13 September 2023



# Robert Triffin (1911-1993)



- ◆ Triffin dilemma (end of Bretton Woods)
- ◆ Also, moral indignation at US balance of payments deficit (the man behind the Triffin dilemma)
- ◆ Double track in policy proposals
  - ◇ reform IMS (international central bank, like Keynes)
  - ◇ regional monetary integration

# Triffin's early years: A child of the interwar period



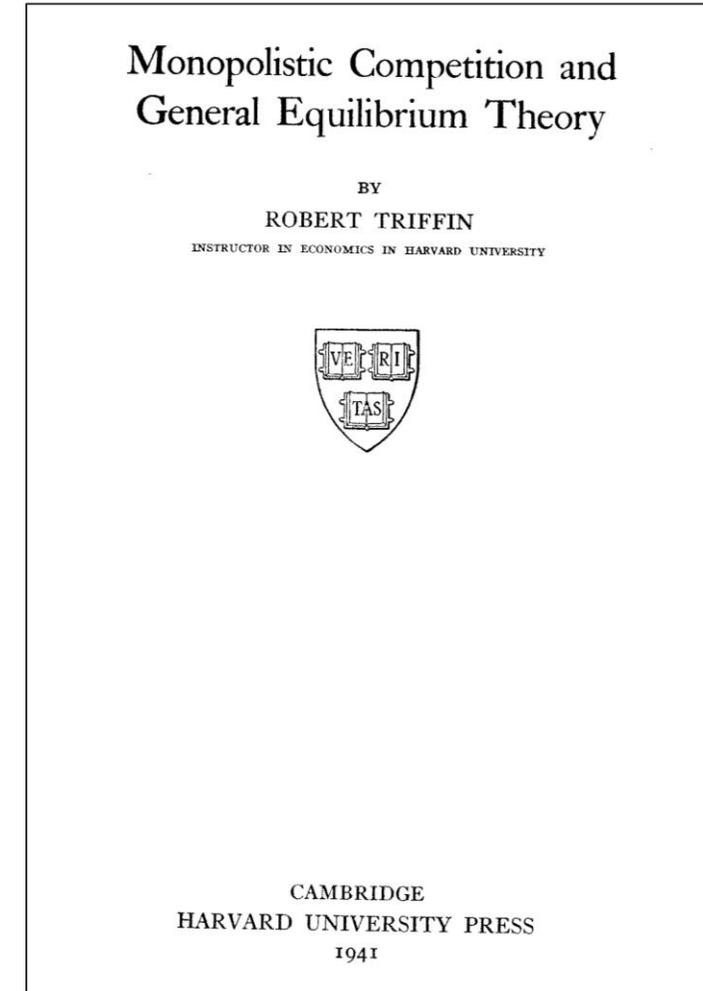
- ◆ Whole generation of economists (Samuelson, Tobin ...): market economy: not self-adjusting
- ◆ Triffin's approach towards economics : Avoid catastrophe and **build a better future** (more prosperous and more peaceful)

# Economics studies

- ◆ Janssen and van Zeeland, courses on money and central banking
  - ◇ How the monetary system was evolving, with gold gradually being replaced by fiduciary money
- ◆ Dupriez and business cycle analysis: An empirical approach, emphasis on dynamics and transition period
- ◆ The Belgian devaluation of 1935: The “young economist” who made the calculations
  - ◇ Prices of raw materials more sensitive to the cycle

# Harvard University (1935-1938)

- ◆ Joseph Alois Schumpeter, Wassily Leontief and Edward H. Chamberlin
- ◆ PhD: Theoretical interlude, but also shape Triffin's perception of economic phenomena:
  - ◇ Monopolistic competition: Power in economic relations
  - ◇ General Equilibrium: Counterparts



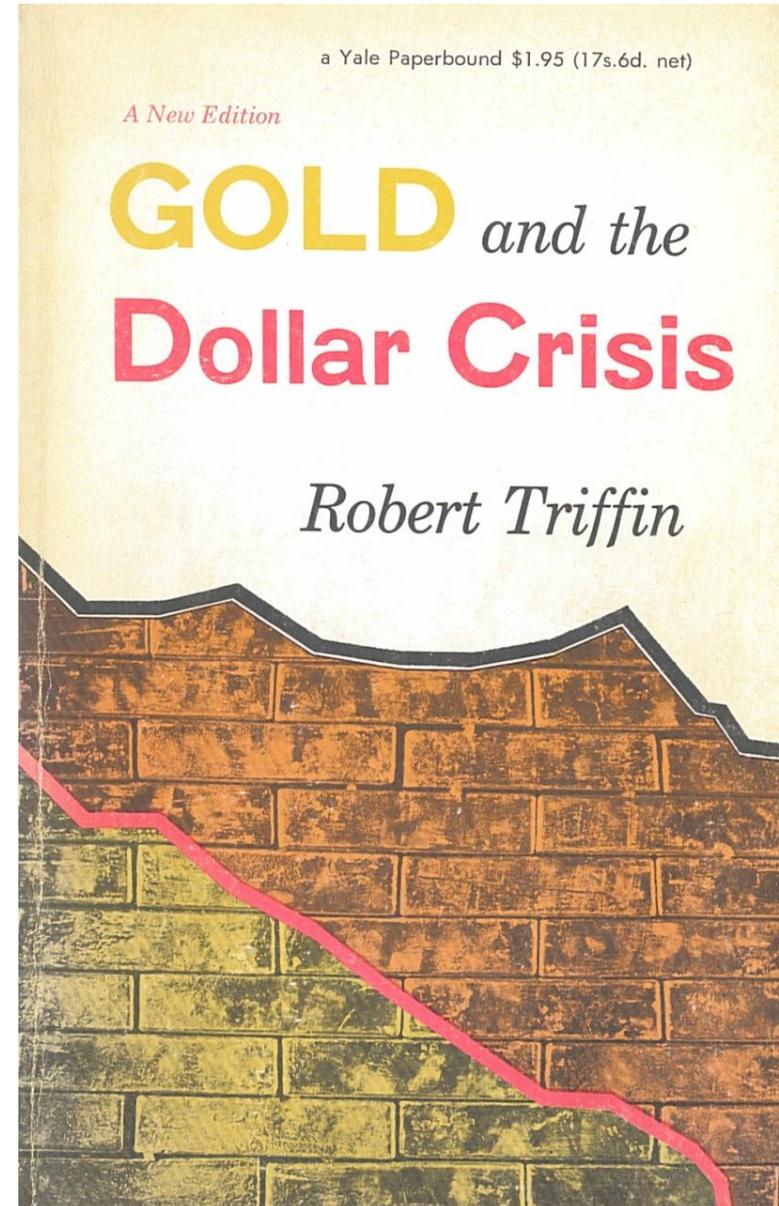
# A new type of money doctor: Triffin's Latin American missions in the 1940s

- ◆ Board of Governors of the Federal Reserve System in the early 1940s
- ◆ Triffin's vision of Latin America: Cycle determined by exports and imports (not savings-investment)
- ◆ "National Central Banking and the International Economy": International liquidity at the heart of the global economy



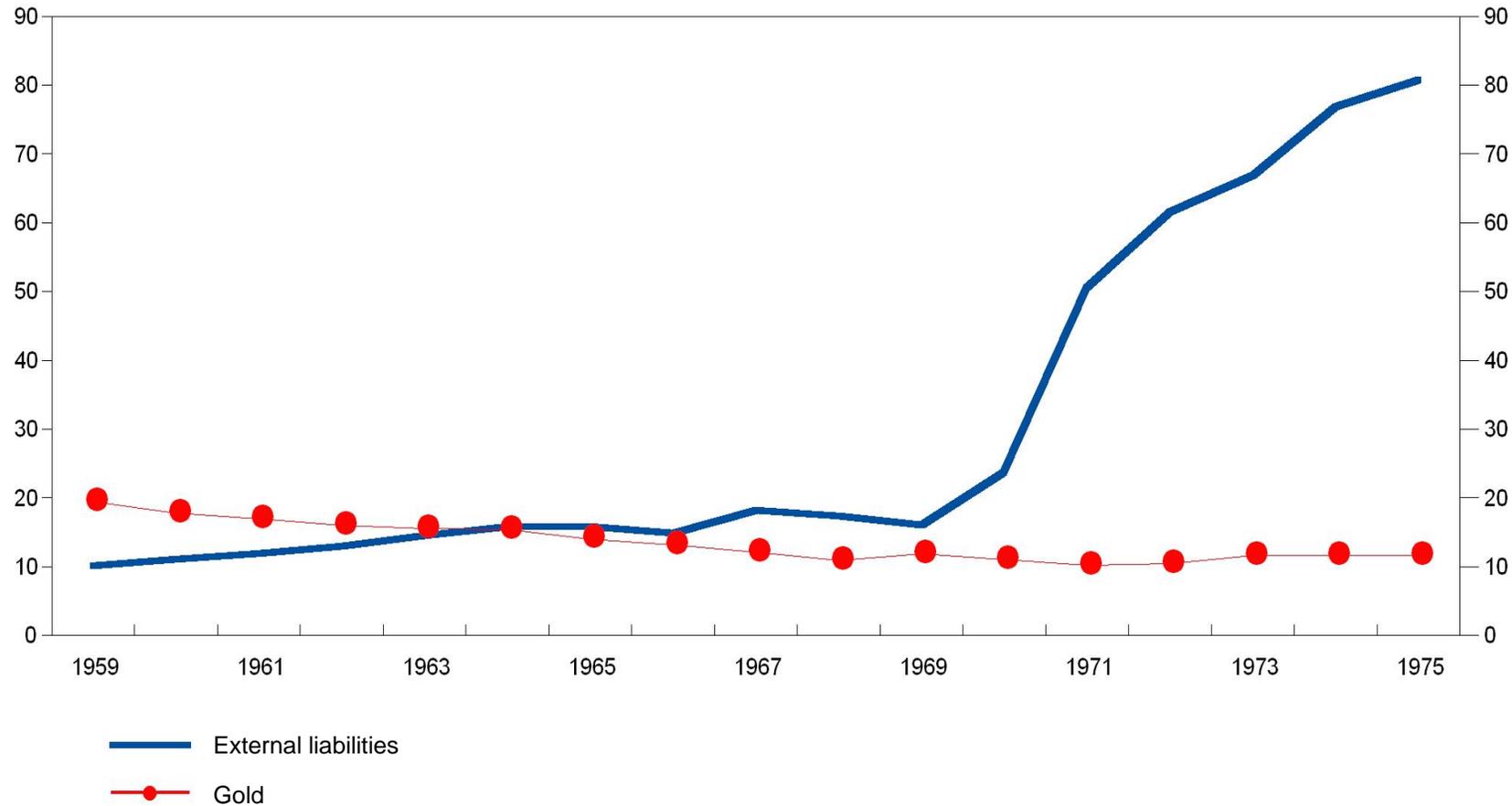
# Gold and the dollar crisis (1960)

- ◆ An adequate level of international reserves and liquidity in an expanding world economy
- ◆ "vulnerability of a world monetary system whose operation becomes increasingly dependent on one or a few national currencies as major components of *international* monetary reserves"



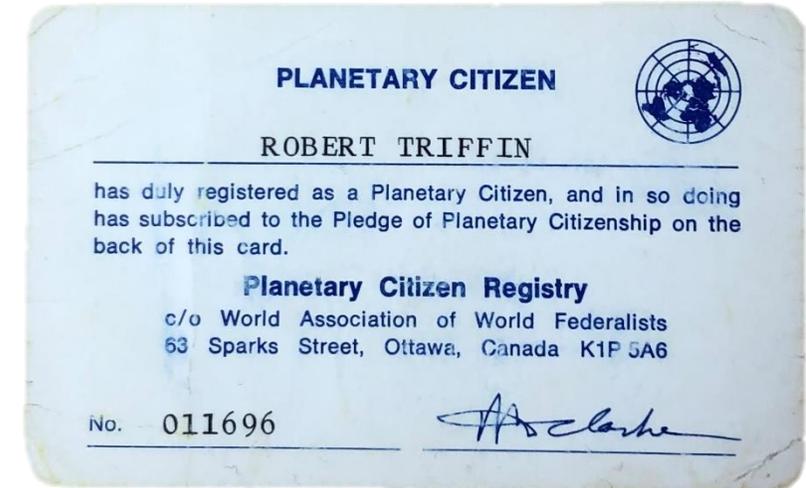
# Triffin Dilemma: US gold stock and dollar liabilities, 1959-1975

(in billion dollars)



# Reform IMS: 1967 Rio agreement: Creation of SDR

- ◆ 1965: partial conversion to “Triffinism” of US Treasury Secretary Fowler
- ◆ 1967: Rio agreement
- ◆ Triffin: mixed reaction
  - ◇ In favor of the creation of a new reserve asset, the SDR (Special Drawing Right)
  - ◇ Fundamental flaw of the system, use of a national currency as international reserve asset, not corrected
  - ◇ Critical of the allocation key, in favor of linking the creation of SDRs to development objectives (still at the agenda today)



# End of Bretton Woods: No end of \$ supremacy (“paper dollar standard”)

*Triffin 1978*

“I was totally wrong in underestimating the duration and the size of the U.S. deficits that foreign central bankers would be willing to absorb, at the cost of an inflationary explosion of world monetary reserves”

# Architect of the European Payments Union

- ◆ 1946: Triffin at the IMF, time of the Marshall Plan
- ◆ Pragmatic approach, key policy problems (\$ scarcity, bilateralism):
  - ◇ Focus on inconvertibility of European currencies
  - ◇ Multilateral trade and payments liberalization and clearing
- ◆ Key elements of EPU (institution building):
  - ◇ Board: policy coordination
  - ◇ Unit of account

# Advocate of regional monetary integration (model: European Payments Union)

- ◆ a European Reserve Fund
  - ◇ Pooling part of the international reserves of central banks
  - ◇ Different types of operations: open market operations, loans (“mutual assistance”)
  - ◇ Path to European Monetary Authority
- ◆ a European currency unit
- ◆ a multi-polar international monetary system, with Europe as an essential pillar (still on the agenda)

# Triffin: an early advocate of the Global South (Asian Payments Union)

- ◆ “Some sort of ECAFE Payments Union is likely to prove as indispensable to the success of any ECAFE trade liberalization programme.” (Triffin 1967: 37).
- ◆ significant foreign exchange savings and higher returns on reserve assets (elimination of intermediation “profits” of New York and London banks)
- ◆ stimulate closer relationships between the monetary leaders and experts of the ECAFE countries
- ◆ Maes and Pasotti, Robert Triffin and the search for Asian Monetary Union, SUERF Policy Brief No 316, April 2022,

# Conclusion

- ◆ Trenchant analysis of Bretton Woods (Triffin dilemma) coupled with moral indignation
- ◆ Critic "own house in order" approach ("systemic", general equilibrium, approach)
- ◆ "True" international monetary system (very much like Keynes)
- ◆ Proposals for regional integration (shaped by the experience of the EPU):
  - ◇ a (European) Reserve Fund
  - ◇ a (European) currency unit
  - ◇ a multi-polar international monetary system

