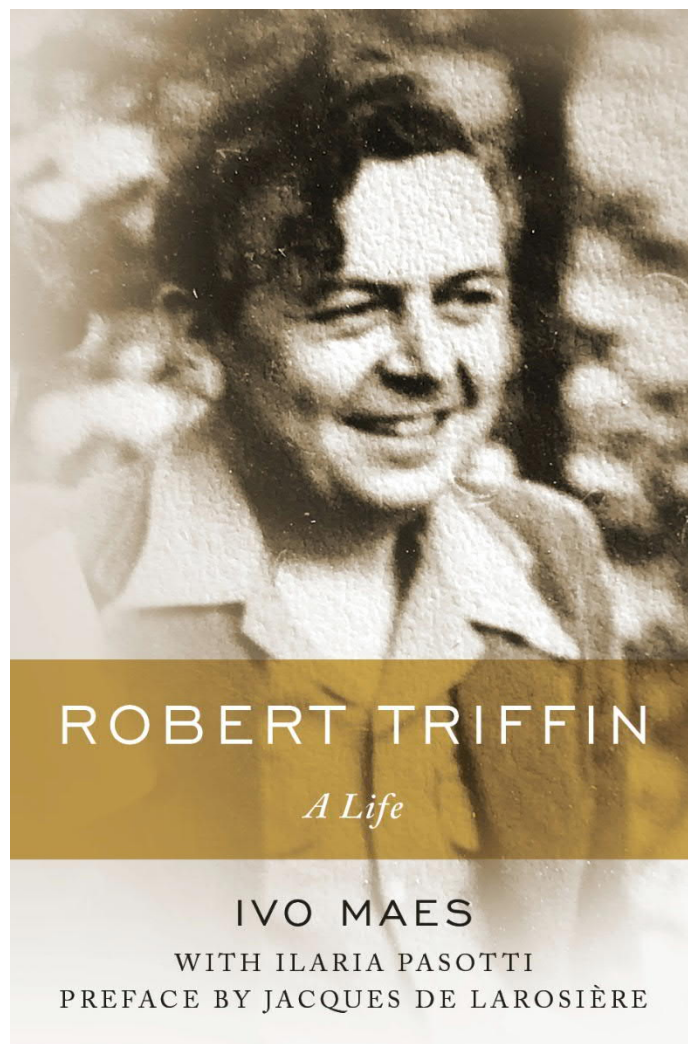


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***Robert Triffin: A monk in economist's clothing***

*Ivo Maes*

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When meeting with Eric and Kerry Triffin, the sons of Robert Triffin and Lois Brandt, we talked about the deeper motivations of their parents. Recurring themes were “the ring of truth: that’s where we need to go” and “if you buy your bread from me and I my butter from you, we won’t go to war”. Robert Triffin wanted to make the world a better place – more united, just and peaceful. At home, Triffin was often working, doing calculations on little

pieces of paper. What his sons had initially seen as dry numbers was for Triffin the currency of trust and peace; “he was in fact a monk in economist’s clothing”.

As an economist, Triffin played a key role in the international monetary debates in the postwar period. He was not only an eminent academic but also an influential policy advisor. Triffin was the monetary expert of Jean Monnet’s Action Committee for the United States of Europe and an official advisor at the European Commission. He was also involved with the Kennedy administration and in many academic settings, like the Bellagio group.

Triffin’s power of analysis came to the fore in his trenchant analyses of the vulnerabilities of the Bretton Woods system. He earned fame with his book *Gold and the Dollar Crisis*, published in 1960, in which he predicted the end of the Bretton Woods system. In Triffin’s view, there was a clear dilemma, as the increase in foreign dollar balances to meet international liquidity needs was only sustainable when there was no doubt about their convertibility into gold. But, with ever increasing foreign dollar balances and diminishing US gold reserves, the credibility of this convertibility commitment was threatened. Triffin would stress time and time again the vulnerability of an international monetary system which was dependent on a national currency for its international liquidity. Moreover, for Triffin, the US balance of payments deficit was not only an economic issue but also a moral one. He was disgusted and outraged that the richest country in the world was financed by the poorer countries. Very much like Keynes, he was in favor of a true international reserve currency.

There was a remarkable continuity in Triffin’s vision. From his earliest writings, Triffin, very much marked by the Great Depression, became convinced that the international adjustment process was not functioning according to the classical mechanisms. This view was based on thorough empirical analyses of the Belgian economy during the Great Depression and shaped by a business cycle perspective, typical for the Louvain school, with an emphasis on disequilibria and the transition period. His doctoral dissertation at Harvard on imperfect competition theory and his Latin American experience, during his time at the Federal Reserve Board, further reinforced this basic view. So, as countries needed time for economic adjustment, Triffin argued that international liquidity should be at the core of the international monetary system.

Triffin put forward several proposals for reforming the international monetary system and was described as “the prophet of the International Central Bank”. Triffin welcomed the creation of the SDR, but he thought that the fundamental flaw of the system, the use of a

national currency as an international reserve asset, had not been tackled. Moreover, he was critical of the allocation key and advocated linking the creation of new SDRs to development policies and objectives, a topic which is still on the agenda today.

Already in the late 1940s, Triffin played an important role in the creation of the European Payments Union. Economic historian Barry Eichengreen described him as "the EPU's architect", and we found further evidence for this in the OECD and IMF archives. Triffin remained further involved in the process of European monetary integration and became one of the intellectual fathers of the euro. His plans were very much based on his experience with the European Payments Union, and focused on the creation of a European Reserve Fund and a European currency unit. Triffin was firmly in the so-called "monetarist" camp, paying less attention to the economic pillar of EMU. In Triffin's eyes, the regional and worldwide approaches towards monetary integration were complementary, aiming at a new multipolar international monetary system, with the European Community as an essential pillar, also a topic which is still on the agenda today.

Triffin was a very policy-oriented economist, and this influenced his approach towards economics, as he observed himself in an autobiographical article: "If my main concern were to make safe forecasts, I would agree with you and be proven right nine times out of ten. But I prefer to be wrong nine times out of ten, if I can contribute once in ten times to divert us from catastrophe, and help build a better future".

Triffin was part of a generation of economists marked by the Great Depression, with devastating trade and currency wars, contributing to the rise of fascism and World War Two. He never tired of pointing out the factual limits of national sovereignty in an interdependent world. In his analyses he always took a systemic perspective and sought an equitable division of the burden between deficit and surplus countries. Triffin made his contribution to the successful European recovery after World War Two, a stark contrast with the disasters of the interwar period.

Robert Triffin was the son of a butcher. His life was a story of exceptional social mobility. It is further remarkable that Triffin remained faithful to the ideals of his youth. The young Triffin was indignant about the Versailles Treaty, while the old Triffin fulminated against the Vietnam war. For him, economics was a way to contribute to a better and more peaceful world. He was a monk in economist's clothing.