Ivo Maes, Ilaria Pasotti, *Robert Triffin: A Life*, Oxford University Press, 2021, pp. xvi + 230.

Ivo Maes and Ilaria Pasotti have written a small gem of a book: a lucid and sympathetic portrait of the life and intellectual development of the Belgian economist Robert Triffin. At the same time, the book will serve as a marvelous general introduction, for students and indeed a wider audience, to all the central debates of the past seventy-five years about the functioning of the international monetary system (IMS). The relationship of regional to global issues plays a special part in the story.

Triffin is best known for his acute diagnosis of the fundamental predicament of the Bretton Woods exchange rate system, the Triffin dilemma, relating to the adequacy of reserves provided in the central currency, the US dollar. Either the US might expand the global supply of its currency by running deficits, in which case it would perhaps export inflation to the rest of the world, but critically would increasingly risk a convertibility crisis, in which holders of dollars would run on the currency and convert their reserves into gold. Alternately the US would not supply enough dollars and would force the rest of the world into deflationary adjustment. The US dollar, however managed, was thus a threat to international monetary stability, or as the slogan of the time had it, unsafe at any speed. The only way out of danger in Triffin's eyes was to have a genuine world currency that was not gold. Something like that, an artificial gold (bancor), had been suggested by Keynes in before Bretton Woods. But at the 1944 United Nations conference, the US delegation threw its considerable weight around and made the dollar the center of the international payments system, by obliging members of the International Monetary Fund to declare a par value in terms of either gold or the US dollar.

Maes shows how Triffin came at his analysis: in part from an observation of the debates in Belgium in the 1930s, before and after the successful franc devaluation of 1935, that was managed by an innovative economist prime minister, Paul van Zeeland, but opposed by conservatives. The Triffin diagnosis also came from thinking profoundly about the Great Depression and the experience of the British devaluation of September 1931. Britain had faced exactly the dilemma that Triffin analyzed in the case of the US dollar, with an accumulation of short-term liabilities in the form of other countries' sterling reserves balanced by longer term assets. This arrangement created the possibility of an analogy to a bank run, when speculators (or central banks in other countries) decided that the exchange rate was unsustainable: that latent instability erupted in the summer of 1931. After that, other countries' responses to the British devaluation, including a widespread adoption of trade

protectionism, made the disastrous second half of the depression and created a threat to international peace as well as to the international economic order.

Triffin in the 1930s wrote a PhD at Harvard, and then returned to the US because of the difficult of finding employment in Belgium. He worked in the wartime Federal Reserve, an intellectual powerhouse, where he made his name as a "money doctor" in Latin America. In particular the Paraguayan reforms served as a template for an approach to stabilization that contrasted strikingly with the work of the more conventional 1920s money doctors, notably Princeton's Edwin Kemmerer: capital controls were now a permanent part of the economic arsenal, and central banks would have a much greater policy room. After the War, Triffin worked as head of the Exchange Controls Division of the IMF's Research Department, and then as the IMF representative in Europe at the time of the Marshall Plan (European Recovery Program). The IMF was oddly not put in a central position in running the Marshall Plan, probably because of the anti-communist red scare that followed the accusation that Harry Dexter White, the key US architect of Bretton Woods and hence of the IMF, had been a Soviet spy. Triffin resigned from the IMF largely because he disagreed with the Fund's conservatism in not suggesting a new viable European exchange rates. He thought that the failure of the IMF properly to engage with the European payments problems and the issue of a return to convertibility led to a "generalised distrust in IMF policy and machinery." (p. 92)

Triffin, as a special adviser to the European Cooperation Agency, the central Marshall plan institution, then played a key role in outlining how a European unit of account might work. That work was a key, not only to the operation of the European Payments Union (EPU), but also in suggesting the path to a supranational currency. He also thought that the EPU might become a European branch of the IMF, and consistently argued for the need for a regional version of the IMF: this was an idea that was only ever partially realized, initially in the 1970s in the rather limited European Monetary Cooperation Fund. In 1979, the new European Monetary System (EMS) was originally supposed to have a European Monetary Fund, but that never materialized, largely because of opposition from the German Bundesbank. An EMF might have been an essential component in the 1990s move to monetary union, but it was absent, and the creation of the European Stability Mechanism only came after the catastrophe of the European debt crisis of the 2010s.

In 1951, Triffin moved to a professorship at Yale, but continued to be an influential voice in policy debates, both relating to the international monetary system and to European monetary cooperation. In the 1960s,

the creation of the IMF's currency, the Special Drawing Right, owed much to Triffin's critique of the Bretton Woods order; but it was a badly watered down version of the reform that Triffin believed necessary.

After 1971, to many observers the Triffin dilemma had disappeared thanks to a move to floating, and the large-scale private provision of liquidity (dollar liquidity) because of the expansion of international banking activity. But Triffin remained a constant warner, a Cassandra. He liked to quote Kant's 1795 essay on *Perpetual Peace* to emphasize the foreign policy dangers "inherent in the use of national currency as an international reserve asset or parallel world currency." (p. 180) He saw the US as a disturber of world political as well as economic order, and thought that IMS stood for international monetary scandal; whereas EMS might and should be construed as European monetary success: these were the verdicts that appeared in the title of his last article, in 1991, at the time of the lead-up to the Maastricht treaty, in the *Banca Nazionale del Lavoro Quarterly Review*.

Maes presents Triffin in terms of Isaiah Berlin's famous dichotomy of hedgehogs and foxes as a hedgehog that could just do one thing: Triffin's protective device lay in the critique of the dollar basis of the international monetary system. The intriguing aspect of Maes's book is the suggestion that Triffin arrived at this position not simply because of an intellectual analysis: after all, the Canadian Robert Mundell, who shared many aspects of Triffin's intellectual orientation and also wanted a world money, recognized that the long run centrality of the dollar was inevitable. For Triffin, there was also a moral component to currency arrangements, that followed from his deeply held left wing or social Catholicism. He was a profound critic of Vietnam, where the US military engagement expanded at the same time as the Bretton Woods system went into crisis, and he saw the international position of the dollar as making possible the endless wars that the US might inflict on the world. There is perhaps a lack of realism about Triffin's position: the dollar was a central instrument of US power, and as long as the country was powerful, why should it surrender its weapon? Maes at one point states that Triffin's "repetitive discourse lost its topicality with the evolution of economic circumstances." (p. 182) Triffin's core concern remained that security as well as economic interdependence meant limitations to national sovereignty. He thus saw himself as an increasingly uncomfortable "citizen of the world." (p. 179)

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