Robert Triffin International

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Robert Triffin International MANIFESTO:
The Triffin Dilemma is at the root of the recurrent financial crises but there is a way to build a new, more efficient, and equitable international monetary system

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Robert Triffin International (RTI) is an international association dedicated to preserving the intellectual legacy of the late Belgian-American economist Robert Triffin (1911-1993). It was created in 2002 by a group of historians and economists under the leadership of Alexandre Lamfalussy (1929-2015), former managing director of the Bank for International Settlements (BIS) and president of the European Monetary Institute (EMI), and with the Compagnia di San Paolo di Torino as co-founder. It is based at the European Institute of the University of Louvain-la-Neuve (UCLouvain, Belgium) and has its secretariat in the Centre for the Study of Federalism, in Turin.

RTI launched the Triffin 21 Initiative in 2010, with the goal of demonstrating the continued relevance of Robert Triffin's ideas and contributing to the ongoing discussions on reforming the International Monetary System (IMS). We believe that these ideas help to understand the inadequacy of the current international monetary system and can assist the international community in addressing the potentially harmful trade and currency policies announced by the Trump administration (see "User's Guide to Restructuring the Global Trading System" by Stephen Miran, Trump's nominee to Chair the President's Council of Economic Advisers).

More broadly, RTI promotes multilateral governance at both the regional and global levels, fostering democratic accountability and fairness in international trade, and in financial and monetary relations. It believes that the enormous challenges of our time – primarily concerning poverty alleviation, sustainable development, and security – require significant transfer of decision-making power to multilateral groupings and multilateral institutions. In particular, it advocates for a broader mandate and a genuine role for the Lender of Last Resort (LOLR) within the IMF.

1. The Triffin Dilemma: a fundamental flaw at the heart of the International Monetary System

In the late 1950s, Robert Triffin identified a systemic flaw in the International Monetary System established at the Bretton Woods Conference. This flaw, later coined as the Triffin Dilemma (TD), can be stated as follows: the international role of the US dollar would make it impossible to simultaneously meet the global liquidity needs to ensure global stability and the domestic growth and stability of the US. This dilemma would jeopardise the long-term credibility of the dollar. In Triffin's 1957 words, "*the problem lies in both cases with the absurdities associated with the use of national currencies as international reserves»* (Triffin, R., 1957).

Robert Triffin warned in a hearing at the US Congress (Triffin, R., 1959) that the "*use of national currencies as international reserves constitutes a totally irrational 'built-in destabiliser' in the present world monetary system* […]" which is bound "*to endanger the stability of the whole monetary superstructure erected upon these key currencies*".

Today, more than seventy-five years after Triffin's complaint that this problem "*deserves more attention from academic and government economists than it receives today*" (Triffin, R., 1959), our Manifesto draws attention to the causal role that failure to address the Triffin Dilemma and its "built-in destabiliser" plays in the emergence and increasing magnitude of recurrent global financial crises.

2. Successive forms of the Triffin Dilemma (TD)

The first and original form of the TD concerned the impossibility of satisfying global demand for dollar reserves while preserving the long-term credibility of the US's commitment to exchange dollar reserves for gold at a fixed price. Robert Triffin [1957] was one of the first to predict the collapse of the Gold Exchange Standard[1], which occurred in 1971.

Today, this dimension of the TD is still with us, but more as a question mark over the fiscal sustainability of US external debt. Indeed, the growing global demand for dollar reserves is mirrored by the ever-increasing indebtedness of the US Treasury. The budgetary deficit is closely linked to a corresponding balance of payments deficit and a general weakening of macroeconomic discipline. Net US debt to the world currently stands at $20 trillion, equivalent to 65% of US GDP and 17% of global GDP. The implementation of the Trump administration's tax and spending plans could bring it to 40% of global GDP[2].

A second dimension relates to the economic and political unsustainability of the «exorbitant privilege» the US enjoys, allowing it to "live beyond its means" with a strong dollar and relatively low interest rates despite recurrent fiscal and balance of payments deficits. This situation, combined with the increasing "weaponisation" of the dollar in support of US foreign policy objectives, generates resentment in the Global South and possibly also in the rest of the world. However, the exorbitant privilege is becoming an "exorbitant burden": the weakening of the external constraint on the reserve currency issuer exacerbates its macroeconomic imbalances, resulted in an overvaluation of the dollar, and pushed down the US saving rate. At the same time, the US, as the issuer of the global currency, becomes the "*de facto*" Lender of Last Resort (LOLR) and the consumer/investor of last resort in times of crisis, when other currencies' depreciations exacerbate the dollar's overvaluation. A strong dollar, driven by foreign demand for safe (dollar-denominated) assets in the rest of the world, means sustaining balance of payments deficits, weakening traditional US industries (the Rust Belt), and encouraging protectionism and populism.

A third dimension of the TD is the «built-in destabiliser» identified by Robert Triffin [1959], namely the unsustainable asymmetry created by the dominance of US monetary policy over the rest of the world, particularly over Emerging Economies (EEs) and Less Developed Countries (LDCs). Unwanted spillovers, in the form of waves of global liquidity generated by economic policy changes in the US, are influencing, with a multiplier effect, global liquidity conditions and provide a plausible

[1] Triffin, R., [1957]

[2] Colmant, B. 2025]

explanation for the perilous trajectory of the global economy towards heightened crisis, with episodes of boom-and-bust, leading to huge losses of global welfare and consequently increased populism (Ghymers, C., 2017). This asymmetry makes it difficult for EEs to pursue the fiscal, monetary and trade policies that would be most appropriate for them and it results in the flow of savings in the South-North direction, hindering the financing of huge investments required by the ecological transition and the achievement of the Sustainable Development Goals (SDGs). The financing of the environmental transition, in line with the objectives of the Paris Agreement, will remain problematic until we address the TD and reform the IMS to correct the monetary asymmetry.

A fourth and increasingly important dimension of the TD (Ghymers, C., 2021, 2024) is the inability of the US to meet the growing demand for safe assets in US dollars, coupled with the heightened risk of global liquidity's pro-cyclical nature. This is linked to the expanding role of Non-Bank Financial Intermediaries (NBFI) in global credit creation, which substitutes short-term secured loans with collaterals for conventional bank loans based on demand deposits, the latter being more regulated and stable than the former.

This mechanically implies an excessive demand for safe assets as proportionally more collateral is required, especially by fast-growing EEs without efficient financial markets.

The gap between the demand for safe assets in dollars as collateral and the supply capacity of the US is structurally increasing, creating a recurrent shortage of dollar collaterals. It strengthens the dollar's role in the IMS and partially explains its continued strength and overvaluation. It lowers the interest rates on safe assets.

The growing global need for international liquid assets makes it impossible for a relatively shrinking economy (the US) to satisfy these needs by issuing sufficient T-bills: approximately $15 trillion would be required and permanently frozen by the huge annual debt refinancing needs, compared to an annual supply of US T-bills of around $1 trillion (Ghymers, C., 2024) available as collateral for new investment loans.

The lower yield of the dollar induces highly profitable intermediation on the repo market to create by securitisation “pseudo-safe-assets” as substitutes for the missing safe US T-Bills and CDs. A two-tier system emerges, differentiating the quality of «moneyness» between “external” collaterals issued by authorities (central banks and treasuries) and “internal” collaterals associated with a form of private liquidity created by NBFIs, which have no access to LOLR (and therefore riskier in a crisis).

In the event of a dollar liquidity crunch, a sort of Gresham’s law would apply, chasing the best collaterals and selling the riskier pseudo-safe assets. This would cause a substantial decrease in private liquidity, resulting in significant contractionary effects on the global economy. This could pose a systemic risk: How can the Federal Reserve credibly address instability in a market with $11 trillion in dollar debt of NBFIs outside the US?

The systemic risk arising from the increasing scarcity of safe assets in dollars and the declining quality of safe assets produced by NBFIs should alert us to the systemic incoherence of relying on a single national currency for international use.

As stated by Borio & McCauley (BIS, 2017) “*Triffin’s Dilemma, in its most general form, correctly points to the conflicts and difficulties that arise when a national currency plays a role as an international public good*”. As stated by Triffin himself, « *the fundamental dilemma of international economic relations lies in the inadequacy of national sovereignty as a framework for policy decisions … in an interdependent world* » [Triffin, R., 1957)].

In his 2010 Triffin lecture, the late Tommaso Padoa-Schioppa [2010], former member of the ECB Executive Board and former Italian finance minister, explained how the lack of response to the TD played a key role in the onset of the Great Financial Crisis of 2007-2008 (GFC) and continues to foster significant vulnerabilities in the IMS. "*There is an irremediable contradiction between the issuing country's internal domestic requirements and the external requirements of the world using it*." Until the systemic flaw in the creation and management of international liquidity is addressed, lasting financial stability and sustainable economic growth cannot be expected.

Indeed, international liquidity is a global public good and should be managed internationally [Icard, A., and Turner, P. (2019). Such international management leads us to the issue of global and/or regional economic, financial and monetary governance, i.e., the question of multilateralism.

3. The consequences of the Triffin Dilemma

The combination of these manifestations of the Triffin Dilemma influences the policy mix of the reserve issuer. It creates a mutually supportive process of systemic imbalances, generating pro-cyclical excesses of fluctuations in international liquidity, which in turn worsen the imbalances in a destabilising and costly cycle: the US economy tends to suffer from an overvaluation of the dollar, which implies the need for greater doses of Keynesian policies to support domestic demand and, more recently, protectionist measures. The inevitable spillovers from waves of global liquidity generate a vicious circle, a systemic cause of recurrent global crises marked by boom-and-bust episodes, inflation, and risks of trade war. Therefore, the welfare loss for all countries, including those issuing reserve currencies, is inevitable.

Furthermore, the current IMS based on the dollar cannot fulfil its two essential public good functions: providing an adequate volume of global liquidity and facilitating the resolution of external imbalances. On the contrary, the dollar-based IMS tends to polarise the world by developing a vicious circle that allows for opposing policy mixes, leading the US to not save and fuelling excess savings of emerging economies. The role of the dollar makes it possible to sustain opposing macroeconomic imbalances that support each other: the accumulation by EEs of long-term US bonds is combined with artificially low interest rates on these bonds, which are in turn enabled by this demand for reserves, while the excess demand for reserves responds partially to the need for protection against external financial instability. This circular causality tends to perpetuate policies that explain the external disequilibrium, with the US economy becoming the 'consumer and borrower of last resort', leading to costly longer term consequences for the US economy. Although this systemic polarisation has played a positive role in financing the extent of globalisation and the high-speed development of some EEs, it has led to several negative geopolitical consequences, each of which fuels potential conflicts.

<u>1) A strange coalition</u> of interests between the US debtor and some of its EE creditors maintains this perverse generation of imbalances based on costly policies; the US domestic growth and employment objectives require more and more external financing of US Keynesian demand policies, which the US Fed can support indirectly through the spillovers of its own positions; this, in turn, allows for greater net exports by EEs able to maintain mercantilist trade and exchange rate policies, leading to increased accumulation of excess reserves by these creditors of the US, who thus acquire more geopolitical leverage over the US administration.

2) A distortion in the net flow of savings, which is a perverse paradox since capital does not flow from advanced to less advanced economies, despite EEs and LDCs having lower levels of capital per worker, i.e., the savings of the less prosperous economies is absorbed by the consumption of the richest one; this paradox has been called the 'Lucas paradox' [1990] although it was formulated much earlier and loudly (in the 1970s) by Triffin as a corollary to the Triffin Dilemma.

3) This paradox presents a significant obstacle to decarbonisation in LDCs and EEs, urgently requiring increased capital inflows. These economies must improve their investment ratio without further compressing their low level of consumption [Ghymers, C., 2021, 2024].

The aforementioned "built-in destabiliser," with its global monetary waves creating financial fragilities, combines with these conflicting processes, resulting in counterproductive policies that make the present IMS an economically inefficient and incoherent system. Since economists should promote rational policies, they have no excuse for postponing actions that could improve a deficient system, which is also unethical and fuels growing foreign resentment towards the US.

4. The inner logic of the International Monetary System (IMS)

The first step in formulating efficient and politically acceptable solutions is to identify the working principles of an efficient and stable IMS. The essential functions of an IMS as a public good are two-fold:

(i) providing adequate liquidity for fluctuating levels of trade and activity (i.e., preventing international waves of excess or scarcity of international currency);

(ii) providing means or instruments for correcting global imbalances with minimal net contraction in global demand and preventing conflictual practices (unfair protections or beggar-thy-neighbour policies). This means that at the heart of the IMS there must be a powerful institution with sufficient resources to play the role of Lender of Last Resort, with sufficient democratic accountability to be accepted in formulating and enforcing the conditions for its interventions.

Is the current IMS based on the dollar performing these functions efficiently? At first glance, this does not appear to be the case given the recurrent fluctuations in global liquidity, the credit boom-and-bust cycles, and the persistence of external disequilibrium. A thorough answer necessitates an examination of the fundamental mechanism underlying any monetary system.

4.1. First observation: any monetary system needs to manage liquidity through a monetary base

The essence of money is liquidity, and macroeconomic stability requires its active management. Monetary history shows that liquidity relies on the existence of a credible liquid asset, which serves as the reserve (monetary base) upon which the entire credit system is built, allowing the creation of deposit bank currencies. This has two consequences:

(i) any rational management of liquidity requires control of the variation of the monetary base;

(ii) any national monetary system is thus composed of two categories of currencies: the monetary base, which must be exogenous to the deposit banks, thus, playing the role of the «(n+1)th" currency used as a reserve, and the other «n» currencies issued by the national deposit banks based on this exogenous liquidity reserve.

Their difference is that the volume of this (n+1)th is not a debt of another bank. Initially, this (n+1)th currency was metallic (gold and silver) and was universally accepted due to its scarcity. The inability to efficiently manage changes to this exogenous monetary base led monetary systems to free themselves from the overly rigid supply of precious metals. The solution was to move to a national central bank entrusted with issuing its own debt on demand as liquid reserves that commercial banks need, providing discretionary leverage over the volume of bank liquidity. This innovation is equivalent to the introduction of a (n+1)th currency, necessary to create the missing «degree of freedom» for active management of bank liquidity, while maintaining the «exogenous» character of the monetary base with respect to the deposit bank currencies. This evolution was imposed by the need to reduce financial instability, resulting from commercial bank issues that led to excessive liquid liabilities among individual competing banks. Therefore, at the national level, the «degree of freedom» needed for active management of liquidity was introduced through the liability of the central bank - a neutral body with respect to deposit banks - which is conventionally authorised as the (n+1)th currency used as an adjustable monetary base, of which the (n+1)th one is the monetary base used as the main instrument for managing the degree of liquidity in the economy.

4.2. Second observation: at the international level, there are only «n» currencies, the (n+1)th one is still missing

The IMS does not respect the fundamental principle of ensuring rational liquidity management. In the current system, there are «n» currencies, one of which is the dollar (the «nth»), which is used as the primary international reserve for the n-1 other currencies. This means the essential tool of a (n+1)th currency for managing global liquidity is unavailable. With «n» currencies, only n-1 degrees of freedom remain for monetary policies: there is over-determination. Therefore, the US economy, which issues the dollar, recognised by markets as the best-endowed international reserve currency, must accept becoming a net debtor, as far as the n-1 economies consider it beneficial to increase their external reserves and hold them in dollar assets. The US Fed cannot fulfil its domestic mission and simultaneously ensure an adequate degree of global liquidity. This is the Triffin Dilemma: it is impossible for the economy that issues the «nth» currency, the US, to achieve both domestic and external balance simultaneously. Inevitably, this system raises two questions: not only the creditworthiness limit for entities issuing dollar-denominated assets, but also the lack of tools to manage global liquidity without an anchor for the entire system, given critical monetary spillovers in a situation where the total liquidities issued are demand-driven and hence become pro-cyclical.

4.3. Third observation: the flaw expressed by the Triffin Dilemma fuels frightening global imbalances and continues to expose the world economy to financial instability

The missing degree of freedom, precisely the absence of the (n+1)th currency issued by a multilateral LOLR, is the ultimate explanation for the excessive pro-cyclical behaviour of global liquidity, which causes recurrent financial instability and deeper economic crises. These global damages are systemic and could be significantly reduced or eliminated by introducing an effective global LOLR that issues the missing (n+1)th reserve currency.

The only solution is to solve the Triffin dilemma, which involves not merely preventing the creation of too many additional liabilities for the economy(ies) issuing key currency(ies) but overall providing a global tool to objectively regulate global liquidities in both directions: preventing the excessive creation of global reserves as well as the occurrence of a global shortage of reserves. There is an urgent need to make possible a symmetrical regulation of global liquidity to offset deflationary or inflationary tendencies in effective global demand. The aim is not to replace the US dollar as the efficient technical standard – which remains an objective operational necessity – but to prevent the current system from creating huge global monetary waves through asymmetries[3] and spillovers resulting from the US domestic policy mix, which is unlikely to be able to optimise global monetary conditions.

4.4. Fourth observation: the surprising contradiction within the economic community

On the one hand, policymakers and economists unanimously[4] accept the need for national central banks to manage liquidity through controlling their monetary base.

On the other hand, they share almost the same unanimous reluctance to provide the world with the missing (n+1)th reserve currency created by a multilateral central bank.

It is a profound contradiction to refuse to apply at the global level the same systemic solution that was necessary at the national level. This is an inexplicable inconsistency in a profession that pretends to defend economic rationality. Indeed, the reason for moving to the creation of national central banks and a national (n+1)th currency for managing the monetary base has always been to eradicate a kind of «internal Triffin Dilemma»: competing national deposit banks tended to issue an individual excess of liquid liabilities, thus leading to bank runs and financial crises. At the global level, economists should accept the same systemic solution: entrusting a multilateral agency (such as the IMF) to adjust, through issuing or withdrawing, its own liquid debt (the (n+1)th currency) as a multilateral safe asset that national banks need as external reserves, on which they issue their own national monetary bases. Systemic progress at the global level would follow from the same monetary principle as at the national level: providing the IMF with a direct means for regulating global reserve holdings in the same way any national central bank increases or reduces its demand liabilities, by adjusting the domestic monetary base to regulate commercial bank liquidities without forcing asymmetric changes in commercial bank liabilities[5]. Thus, at the international level, the liquidity constraint among economies for financing external deficits would apply in a symmetrical and balanced way, preventing the deflationary effect on global activity inherent to any external adjustment.

4.5. Fifth observation: the US economy is unable to maintain the necessary supply of safe assets in dollars to meet rapidly growing global demand

The recent evolution of global financial markets highlights a major flaw in the current International Monetary System (IMS) and underscores the urgent need to agree on an alternative approach to issuing a sufficient quantity of safe assets without increasing the external debt of a national economy or a region, and without relying too heavily on the monetary position of a single economy.

[3] The asymmetry comes from the financial constraint imposed by markets (and IFIs) to the deficit economies.

[4] The only past exception was Hayek F.A. 1976.

The shortage of safe assets in dollars is evident in the structural trend of their decreasing yields and in the pro-cyclical behaviour of private global liquidity, driven by US monetary policy. Indeed, the US economy has become relatively too small in comparison to the global economy, given the huge demand for assets (Ghymers 2021, 2024). The global accumulation of debt has predominantly been denominated in US dollars, and the evolving structure of the global financial market requires a larger share of safe assets in dollars as collateral. This increased need for dollars is explained by the growing role of the non-bank sector, where collateral has to support transactions to a greater extent than in the banking sector. The necessary collaterals (asset-backed securitisation) are preferably the most liquid safe assets, i.e., US T-bills and US certificates of deposits, whose higher liquidity is due to the character as dominant key currency (economies of scale and network ensuring a higher degree of "moneyness") of the Federal Reserve-backed dollar. The insufficient supply of these safe dollar assets is the present expression of the 'old' Triffin Dilemma: a national currency, like the dollar, cannot efficiently play the role of international reserve currency because it cannot credibly supply the necessary quantity of global reserves. These structural changes paradoxically mean an increasing demand for the dollar but also a worsening of two worrying consequences: (i) an increase in the overvaluation of the dollar, exposing it to waves of protectionism in the US with an inevitable loss-loss retaliatory game; (ii) a further financial fragility as the over-development of global liquidity relies on a shrinking basis of safe dollar assets, i.e., imposing higher leverage and endogenous creation of pseudo-safe assets. In turn, this increases the systemic risks of the global financial system and implies a downward trend in their yields. This growing scarcity of safe dollar assets, visible in their lower yields, explains the new form — and the worsening — of the Triffin Dilemma.

5. The Triffin Dilemma and the International Economic and Monetary Programme of the Trump Administration

5.1. Miran's Guidelines

President Trump's economic team announced very early (in November 2024) the main direction the new US administration intended to adopt regarding international monetary and economic affairs. This was published in a draft by Stephen Miran, appointed chairman of the President's Council of Economic Advisers, titled "A User's Guide to Restructuring the Global Trading System"[6]. Incredibly and for the first time by a US administration, this document, along lines similar to RTI analysis, recognises that the Triffin dilemma is the cause of the US external deficit, generating significant costs for the US economy and its security. However, unfairly, the document does not propose to solve the cause, which is the Triffin Dilemma, but to instrumentalise it to justify risky trade and currency plans to extract rents from the rest of the world.

The document characterises and perceives the current "Triffin world" as unfair for the US, with its economic and monetary order rooted in a growing overvaluation of the dollar, implying de-industrialisation with significant job losses and security threats for the US in an environment of lack of trust towards its partners. Following the RTI's analysis, the diagnosis of overvaluation is presented as a consequence of the dollar's reserve function, which involves vast and growing capital inflows

[6] Miran, S.,2024, "A User's Guide to Restructuring the Global Trading System", Hudson Bay Capital

(T-Bills/Bonds exports) that encourage cheaper US imports. Furthermore, the reserve status backed by the Fed makes the dollar a safer asset, worsening its overvaluation in a recession. This double disequilibrium is considered an unfair externality imposed on the US due to its reserve status, which is presented - contrary to RTI - as a public good beneficial to the rest of the world. As shown by the RTI, Miran explains that the dollar-based system has become unsustainable due to the shrinking weight of the US economy resulting from its lower growth rate compared to the rest of the world. Therefore, the worsening Triffin Dilemma (TD) generates a twin deficit, i.e., both external and fiscal, for sustaining domestic demand, with a rising external debt ratio potentially leading to a "Triffin tipping point" (or Triffin Dilemma), where the reserve status itself and the security of US would be compromised.

The Miran/Trump hypothesis is that there is no alternative to the dollar because its T-Bills enjoy a quasi-monopoly as safe assets that are the "lifeblood" of the global trade and financial systems. The consequence of this dollar status has one disadvantage, namely overvaluation, and two advantages: lower borrowing costs and the geopolitical ability to control trade and financial transactions, thereby imposing the will of the US through financial extraterritoriality. This quasi-monopoly allows the US "*to achieve foreign policy ends of weakening enemies without mobilising a single soldier*". Thus, a trade-off appears between negative overvaluation and external financial power. Given the close link between trade/budget deficits and security, which threaten the vital interests of the US and its ability to maintain the defence umbrella for liberal democracies, Trump's team proposes to address this trade-off through a battery of coercive measures. These include blackmailing other countries, particularly traditional allies by threatening the conditional application of very high tariffs, the withdrawal of the nuclear umbrella, and the mandatory accumulation of long-term low-yield dollar reserves in exchange for discretionary swaps with the Fed. The logic is therefore to artificially strengthen the strategic geopolitical power of the dollar, by imposing on the rest of the world the burden of supporting what they unilaterally consider as the global reserve currency, which they issue and manage "generously" for others.

5.2. Trump's use of Triffin Dilemma

The Trump administration's ambition is not to solve the Triffin Dilemma itself, but only to use its negative effects on the US as a justification to shift its costs to foreign exporters and taxpayers, thus extracting an artificial and unfair rent. "*Although the Triffin effects have weighed on the manufacturing sector, there will be attempts to improve America's position within the system without destroying the system*". These measures will be calibrated by groups of countries, for example according to their degree of political and defence compatibility with the hegemon's policies, putting them under increasing pressure to impose a new international order dictated unilaterally by the US for its own benefit and to isolate any hostile regime such a China.

The aggressive method chosen and the flaws in the partial argumentation could trigger adverse effects and geopolitical costs, which are not taken into account. Miran's basic assumption is that the rest of the world already pays, neither for the dollar's role in driving global trade and the financial system nor for the justified military protection of the US. Miran seems to overlook the "exorbitant privilege" resulting from the positive net service balance of the US, the appreciation of the net value of the US's capital position when the dollar depreciates[7], and the relatively favourable interest rates paid on US debt. Nor does he mention the "built-in-destabiliser", which is the cost imposed by the dollar's dominance over other countries, in terms of cyclical capital flows linked to US monetary policy shifts and the diversion of global saving flows to the US economy, worsening the financial gap to enable decarbonisation in Emerging and Developing economies and preventing other countries from implementing the monetary and fiscal policies that best suit them. Similarly, on military protection, Miran does not mention the net trade balance in military equipment, thanks to the NATO partners. Finally, the catastrophic long-term and irreversible negative consequences on the global climate due to the maximisation of CO2 emissions decided to benefit from short-term competitive advantages. These ephemeral lower energy prices will impose astronomical costs on the rest of the world and on US citizens.

5.3. Conclusions on Trump's monetary programme

The new Trump administration's trade and monetary programme marks a return to extreme nationalist policies, with unilateral plans to extract rents from the rest of the world by blackmailing its partners with a combination of punitive tariffs and military threats and by rejecting international cooperation. However, such a radical form of actual imperialism is based on flawed economic assumptions. It does not assess the negative effect of these predatory policies on the national economy. From a macroeconomic perspective, the negative impacts that protectionist tariffs would have on inflation, productivity and the trade deficit are ignored or, at best, vastly underestimated, especially since the effects on demand of the announced fiscal stimulus are not considered, as this "programme" is not based on dynamic general equilibrium.

Specific uncertainties could negatively affect global activity: the degree of trade wars, with effects that are an expensive loss-loss game, and the extent of the Fed's accommodative monetary policy. Reducing the Fed's independence, as it seems likely according to Miran's declarations and guidelines, would mean losing the crucial asset that the central bank's credibility has spent decades building, triggering disastrous spillovers with a period of high inflation and currency wars. The weakest aspects of Trump's programme are: 1) the underestimation of financial market expectations and their intertwined global reactions, exposing the world economy to risks of financial collapses that could have a significant impact on the international and the US economy, affecting the symbol of Trump's policies, which is the stock market performance; 2) the irreversible damage inflicted on the climate and the environment which implies an immeasurable cost for the survival of humanity.

Therefore, RTI considers the Miran/Trump measures highly unsafe for the global economy and the future of humanity. The social and geopolitical costs of this programme are ever higher, as it relies on inconsistent measures resulting in inflation and a global financial crisis, with negative effects that could "Make America Weaker than Ever" (MAWE).

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[7] Gourinchas and Rey, H [2007]. explain that the privilege comes from warranting to the US cheap financing of investing abroad, such an intermediation provides not only a "world banker margin", i.e. an excess return on its assets (risky) compared to its liabilities (safe), but also a differential valuation advantage when the dollar depreciates since the assets are mainly in Foreign currencies while the liabilities are only in the dollar.

6. The solution and the current alternatives

6.1. The first and best solution: According to the features of IMS examined, the ideal and most rational solution is undoubtedly to add a multilateral reserve currency, the missing (n+1)th, as a multilateral safe asset, a perfectly liquid asset that is not the debt of a single economy and is issued according to global needs under purely technical criteria to stabilise global liquidity. The best option is to use the existing tool and the legitimate global institution, namely the IMF, to upgrade the SDRs into a real multilateral currency. In the balance sheet of this global LOLR (the reformed IMF), the issuance of this (n+1)th currency consists of increasing the IMF's asset side by buying national reserve assets from national central banks in exchange for new SDRs, which would increase the IMF's liability side (Ghymers, C., 2021), i.e., without increasing the debt of any national economy.

6.2. The conventional solution: an alternative that could theoretically be as good as the best solution would be to agree on an efficient and equitable coordination between the "n" sovereign monetary policies and, even more generally, on the coordination of their policy mixes. To some extent, this is the direction that the multilateral surveillance process under the auspices of the IMF has tried to take for many decades. However, experience shows that this process is ineffective and asymmetric: it carries much more weight in countries that depend on the IMF for financing – usually emerging markets or developing countries – while the governments of countries issuing reserve currencies pay only scant attention to the IMF's recommendations. Furthermore, any scheme of international coordination implies a constitutional conflict with national sovereignties, which would in any case prevent reaching the necessary degree of agreement to ensure control of the global monetary base, as would be the case in the creation of a multilateral currency.

6.3. The first and best option is also the most feasible and the most legitimate: It should be noted that, contrary to official viewpoints, the first and best option may, in fact, be more realistic than achieving a degree of global governance capable of coordinating from the centre "n" sovereign policies and enforcing – without sufficient democratic legitimacy or accountability – decisions impacting sovereign states. Indeed, creating a multilateral reserve currency would introduce a more automatic and general "self-constraint" on the "n" policies with almost no loss of national sovereignty. The IMF already exists and is obviously the multilateral body best equipped to manage liquidity creation in a transparent and collegial way. Its legitimacy and governance should be strengthened, particularly by entrusting technical monetary decision-making power to a body composed of central bank governors rather than to the present Executive Board of senior officials. Special Drawing Rights (SDRs) also constitute the embryo from which a truly global currency could evolve along the lines proposed in 2014 by a group of experts assembled by the Triffin International Association [RTI 2014]. Their practical suggestions propose starting with a realistic solution, enhancing the public and private use of SDRs, thus using them to leverage for a more comprehensive reform of the international monetary system.

6.4. The impossibility of de-dollarisation through key currency competition: The current fragmentation of the world economy and the weakening of multilateralism constitute a new obstacle to a rational solution based on global cooperation, which is what our first and best option for any progress in multilateral policy coordination requires. However, this new obstacle also provokes a reaction to regional or geopolitical monetary arrangements. These reactions express the legitimate need to adapt the international financial architecture to the geopolitical reality of a multi-polar economic world. Although logical and understandable, de-dollarisation could create further risks of instability as long as it remains guided only by simplistic geopolitical ideas that aim to transition from a hegemonic key currency to a multi-currency system. Indeed, pretending to compete with the dollar means exacerbating the Triffin Dilemma because the economies issuing the competing key currencies would agree to become permanent net debtor-consumers, i.e., competing to sustain large current-account deficits, thereby competing to issue more external debts. This would also mean accepting permanent instability in their reciprocal exchange rates since the currency substitution would increase dramatically, and any change in relative liquidity would be immediately met by massive capital flows with an amplified swing in exchange rates. What other significant economic area would be the counterpart to the surplus that provides net savings? What then would be the impacts on global inflation, growth and financial stability? This makes clearer – in Triffin's 1959 words - «*the absurdities associated with the use of national currencies as international reserves».* The near impossibility of de-dollarising in the current key currency system means that the system must first be changed to eradicate the absurdities demonstrated by the Triffin Dilemma.

6.5. The necessary de-dollarisation could be achieved through inter-regional dialogues across regional monetary arrangements. The Eurozone, comprising 20 EU countries, is the most advanced example, and there are other regional arrangements, such as the Latin American Reserve Fund (FLAR) or the Chiang Mai Initiative in South-east Asia. At the same time, China is building the financial infrastructure for regional monetary cooperation using the renminbi. However, de-dollarisation makes no sense without solving the Triffin Dilemma, namely by issuing a new safe asset that is not a national debt. Given the lack of multilateral cohesion required for a direct solution, the alternative is to pursue an indirect approach through regional cohesion, to build monetary arrangements that will align their interests in using the SDR as a common reference for their intra- and extra-regional transactions. These arrangements present a real opportunity to channel the legitimate emerging forces towards a geopolitical rebalancing, thus fostering a positive-sum game. This option involves utilising the multiplication of regional monetary arrangements as a game-changer for addressing the shortcomings of the current IMS and transforming it into an efficient public good, thereby ensuring soft re-balancing and global stability. This favourable option could be feasible as the endogenous impetus of cooperation created by regional monetary agreements, first, among regional partners by developing mutual trust among national policy-makers (Masini 2025), secondly, by easing the perception of the joint need and individual incentives for inter-regional dialogues and coalitions, raising awareness of the urgency of reforms leading to multilateral management of global liquidity thanks to the transformation of SDRs into a full-fledged reserve currency.

Contrary to a coordination scheme, such a global management would be perceived as a global public good that would not require any loss of sovereignty. National sovereignties, by definition, exclude the imposition of strong international coordination of macroeconomic policies, especially for fiscal policies voted on by sovereign national parliaments. Therefore, the only feasible way compatible with sovereignty would be to establish a multilateral Lender-of-Last-Resort that issues or withdraws multilateral safe assets according to purely technical macroeconomic criteria. These multilateral safe assets, no longer being a national debt, would eradicate the Triffin Dilemma while preserving national policy choices and providing a tool to ensure better global financial stability for the benefit of all. A multiplication of regional monetary arrangements would facilitate inter-regional dialogue and increase trust, making it possible to reach consensus to organise an orderly and consensual de-dollarisation, which would be a win-win game for all, including the US economy.

What RTI is proposing is not a pipe dream. It is closely aligned with the recommendations of the eminent group of former central bankers assembled with RTI's support under the auspices of the Palais-Royal Initiative in 2010.

7. In 2010, a consensual blueprint for the reform of the IMS was reached: the Palais-Royal Initiative (PRI) and in 2016, a roadmap was proposed

The PRI, launched in 2010 by Michel Camdessus, former managing director of the IMF, Alexandre Lamfalussy, former managing director of the BIS, and Tommaso Padoa-Schioppa, RTI member and former Italian member of the ECB Executive Board and former Italian finance minister, produced a report [Boorman J.T. and Icard A., 2011], endorsed by 18 high-level officials from all over the world, including Paul Volcker, former chairman of the US Federal Reserve. The report highlighted the link between the global financial crisis and the collective failure to address the TD. This high-level group proposed systemic changes, strengthening the role of a reformed IMF in monitoring and managing global liquidity and as a LOLR. The report envisaged the transformation of the IMF into a supranational bank, issuing a multilateral currency – a revamped SDR – a liquid liability that would not be the debt of any individual country.

Anoop Singh and Michel Camdessus (2016) proposed a three-phase roadmap to implement the PRI's recommendations, reiterating these at the IMF annual meeting in Marrakech in 2023 [Singh, A., Snoy, B., and Camdessus, M., 2023]. The intellectual content of these documents has not been seriously challenged.

Phase 1: Overdue IMF Reforms and global governance reforms

- Strengthening the IMF’s surveillance function, making it more effective, covering capital flows and capital accounts, and being more equitable, covering both surplus and deficit countries.
- Greater fairness in the functioning of the IMF: adjusting quotas and voting rights to ensure fair and effective representation of each member country.
- Reduction of the voting threshold for major decisions from 85% to 75% or even 70%.
- Entrusting final decision-making power to the IMF’s existing International Monetary and Financial Committee (IMFC), comprising ministers and central bank governors, rather than the current Executive Board of senior officials.
- Reforming the composition of the G20, restructuring it along the lines of the IMFC, based on the Bretton Woods constituencies, to ensure the entire IMF membership is represented.

Phase 2: Developing a framework for managing global liquidity and a broader use of the SDRs

- Establishing a high-level group of central bank governors (e.g., the governors of the central banks whose currencies are included in the SDR basket), who would periodically submit to the IMFC a report on global liquidity and measures for calibrating global liquidity.
- Restoring the potential of the SDR by ensuring that the IMF has the power to use it much more flexibly and according to the needs of the global liquidity situation: SDRs should be issued promptly if required, for example, in the case of an external shock, and equally rapidly absorbed to stabilise the global liquidity situation.
- More specifically, following the suggestions of the 2014 RTI Working Party on SDRs: reforming the current irrational quota-based allocation regime (e.g., earmarking 25% of the allocation for low-income developing countries), changing anachronistic denomination, strengthening the competitiveness of the SDR by developing its use for both official and private payments and bond issues. SDR bonds should become the world's preferred safe assets.

Phase 3: Introducing the Systemic Reform needed to eliminate the TD

- Regulating in a collegial, rational way global liquidity needed for a globalised economy would imply the creation of a single global currency (the n+1th currency) issued by a single collegially managed multilateral central bank, as Keynes proposed at Bretton Woods. We need a new Bretton Woods for managing global liquidity, doing globally what was done at the national level when national central banks were created.
- The ideal solution would be to create a multilateral reserve currency (e.g., Multilateral Drawing Rights) issued by the IMF transformed into a global central bank, in other words, a liquid liability that is not the debt of any single country. This would mean creating a multilateral safe asset.
- The IMF statutes should more explicitly recognise the IMF's role as a global LOLR with sufficient authority and resources. Solving sovereign debt crises also requires a more substantial recognition of the IMF as LOLR.

8. The radical shift in the US towards an ultra-nationalist policy prevents for the moment the transition to any win-win multilateral game

In the likely chaotic scenario resulting from the new economic and geopolitical strategy of the US, the best way to minimise the negative spillovers of these aggressive policies is to organise a broad coalition in the rest of the world. The axis of this voluntary cooperation (open to all countries) would be to maintain the existing multilateral rules in trade, competition and financial domains.

In the international monetary system, regional and inter-regional cooperation[8] should be rapidly organised simultaneously in a two-tier system:

- first, at the regional level, promoting the organisation of regional monetary funds, with regional pooling of reserves based on the use of a private currency basket mimicking the current official SDR, for inter-regional trade and financial operations; this use of a basket currency is feasible without costs thanks to the development of digital currencies and Central Bank Digital Currencies

[8] Ghymers C. 2024. Towards…

(CBDCs) where possible[9];

- second, at the inter-regional level, these regional monetary arrangements should develop their cooperation for creating their own LOLR with their own criteria and inter-regional swaps between central banks; this inter-regional cooperation should emerge as soon as possible for the issuance of a common safe asset expressed in this private SDR against the best liquid assets (reserves) of each participating national central bank, in proportion to their weight in the currency basket; again, progress in currency digitalisation enables cost-free operations.

This new parallel system would continue to use the US dollar as the dominant currency for day-to-day operational transactions or when needed based on their respective exchange and debt structures. However, it would provide a partial solution to the Triffin Dilemma as it would make the symmetrical risk of change explicit for all currencies, including the dollar. The highly competitive pressure prevailing in globalised financial markets would likely generate the remaining systemic changes, which should establish the private SDR as the best safe asset for global banks and repo markets.

[9] Ghymers C. 2024. Systemic…

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