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# The Robert Triffin Plan and the New Bretton Woods

by  
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### Abstract

This essay investigates how the International Clearing Union proposed by Keynes at Bretton Woods was incorporated by Robert Triffin into the three crucial projects during his intense career as an international economist. Today, the period since the end of the Cold War is degenerating into a dangerous international anarchy between great and small powers. A reform of the IMF is now necessary to respond not only to the economic and monetary disorder, but also to the possible ecological collapse of the biosphere. Therefore, the historical-economic approach developed by Robert Triffin is indispensable. A new Bretton Woods should be convened by all the countries in the United Nations willing to give a future of peace and sustainable development to the human society.

### Keywords

Triffin; Keynes, IMF; SDRs; EMU; Bretton Woods, Sustainable Development.



## Introduction

"The displacement of commodity money by fiduciary money and commodity reserves by fiduciary reserves reflects the effort of man to control, instead of being controlled by, his environment in the monetary field as well as in others. ... Both phenomena should be viewed in a vaster historical perspective: the long march of mankind toward its unity and a better control of its own fate".

Robert Triffin, *Our International Monetary System*, 1968

In this essay<sup>1</sup> I propose to investigate how the International Clearing Union (ICU), proposed by Keynes at Bretton Woods, was incorporated by Robert Triffin into three crucial projects during his intense career as an international economist in the last century. Today, the period since the end of the Cold War is degenerating into a dangerous international anarchy between great and small powers. This trend must be stopped. A reform of the IMF is now necessary to respond not only to the economic and monetary disorder, but also to the possible ecological collapse of the biosphere. The contemporary historical process includes both international processes, with reciprocal interrelations. For these reasons, the historical-economic approach developed by Robert Triffin is indispensable. In a concluding section (6), I will indicate the main reforms that could make the IMF a supranational institution capable of facing the dual challenge of creating an inclusive multilateral order and the ecological transition of the world production system.

The structure of this article is as follows: the first two sections indicate the major dangers that loom over the future of international relations, in particular the growing hostility between great powers for world supremacy and the possible collapse of the biosphere due to climate change. Sections 3, 4 and 5 will describe the main post-World War II reforms, proposed by Robert Triffin, in Europe and the international monetary system. Section 6 sets out the necessary reforms of the world economic system, a New Bretton Woods, starting with a reform of the IMF. In the concluding section 7 we will mention Robert Triffin's contribution to the history of economic thought.

### 1. From the end of the Cold War to inclusive multilateralism.

After the fall of the Berlin Wall and the disintegration of the USSR, there followed a phase of international politics that has been called US monopolarity or the "end of history",



as Francis Fukuyama (1992) theorized. In this phase, globalization has intensified: with more trade and more international finance. The ideology of the "Washington consensus" has allowed some countries, such as China, India and Brazil, to actively participate in the international economy by increasing their level of industrialization. China's economy is about to overtake that of the U.S. in size. However, on the international political relations front, these changes are having mixed effects. Several international actors, among the great powers, can collide if each sovereign power claims a position of leadership and questions the old international rules. The UN, created after the Second World War, is now an institution incapable of dealing with the growing conflicts between sovereign powers. The Security Council is paralyzed by cross-vetoes. A situation of growing international anarchy comes into sight. The United States aims to maintain its world leadership through the creation of a more or less institutionalized alliance of Western democracies. This is a counterproductive behaviour, as Barack Obama had already sensed at the end of his presidency. In an interview with Jeffrey Goldberg (2016) he states that in an international system in which a planetary interdependence has now been established: "The United States could no longer act as the world's policeman to ensure security. It was time to abandon the idea that every time there is a problem, we send our military to impose order. We just can't do that. ... Modern civilization is hugely uneven ... social order starts breaking down if people are under profound stress. Then the default position is tribe – us/them, a hostility toward the unfamiliar or the unknown."

Russia aims to re-establish the old Russian empire and has invaded Ukraine. China intends to reunify Taiwan, if possible, with its consent, if not possible, by military force (Montani 2023). In the Middle East, the conflict between Israel and Palestine is escalating. In Africa, some governments are calling on the military forces of the great powers to maintain their power without resorting to electoral campaigns. In this bleak landscape, a perhaps viable path has fortunately opened up: the BRICS, in their meeting on August 23, 2023, propose to build an *Inclusive Multilateralism*: to reform the UN in order to make international peaceful cooperation possible and the creation of sustainable development of the planet. Their final statement reads: "We reiterate our commitment to inclusive multilateralism and upholding international law, including the purposes and principles enshrined in the Charter of the United Nations." It also states: "We call for the respect of



democracy and human rights. In this regard, we underline that they should be implemented on the level of global governance as well as at national level. We reaffirm our commitment to ensuring the promotion of democracy, human rights and fundamental freedoms for all with the aim to build a brighter future for the international community based on mutually beneficial cooperation" (BRICS, 2023). At this meeting, the five original countries (Brazil, Russia, India, China and South Africa) invited six other countries to join their group: Argentina, Egypt, Ethiopia, Iran, Saudi Arabia and the Union of the United Arab Emirates. Other countries may join later. In short, the BRICS aim to represent the Global South in international politics.

It could be observed that respect for democracy and human rights is at odds with the statements of some countries of the BRICS that are not democratic and have little respect for human rights. However, it must be noted that a group of countries is being formed that opposes the political and military hegemony of the so-called West, a political and military alliance (NATO) headed by US military power. Here, it is only interesting to note that a dynamic is underway that, on the basis of an "inclusive multilateralism", could initiate a serious reform of the international system of governance of the world.

## 2. Anthropocene and the international order

The problems of biosphere pollution and sustainable development have been pointed out to national governments around the world by natural science scientists since the early 1970s. Since then, there have been increasingly frequent and dramatic meetings - within the framework of the UN and its agencies - until the 2015 COP in Paris in which governments committed themselves to promoting policies in order not to exceed 2°C of global warming and, if possible, to limit it to 1.5°C by the middle of the century. In 2024, we are far from this goal, despite the constant distressing appeals of scientists and environmental movements. The biosphere crisis is not yet perceived by national governments and their citizens as an existential challenge. International politics is dominated by the problem of wars between great and small powers and the threat of a possible atomic apocalypse. The ghosts of the past prevent us from perceiving the second existential threat that hangs over the future of humanity.



Just as an atomic apocalypse can put an end to human civilization, so it can happen with the environmental crisis: it is a ticking time bomb that no one knows how to defuse. Deaths from fires, droughts, floods, warming of continents and seas are increasing year by year and are now comparable to those from civil wars and wars between states. According to a report by the World Health Organization (October 12, 2023): "Research shows that 3.6 billion people already live in areas highly susceptible to climate change. Between 2030 and 2050, climate change is expected to cause approximately 250 000 additional deaths per year, from undernutrition, malaria, diarrhea and heat stress alone". That's five times more than the number of deaths in the Russia-Ukraine war in 2023.

The annual increase in deaths is the certain cost caused by global warming. To this cost must be added a further danger that is still unknown. The approach of an uncontrollable crisis is emboldening advocates of *Geoengineering* to prevent the Sun's rays from reaching the Earth's surface: essentially, it means spreading chemicals or metal dust into the skies, creating an almost impenetrable cloak, a giant umbrella that would envelop much of the troposphere in a gigantic capsule. "The idea – *The Economist* (2023) says - is to inject sulphur dioxide – or perhaps other chemical such as calcium carbonate or powders made of aluminum or diamonds – not into the troposphere, but the stratosphere, which begins up to 20km above the surface. ... By some estimates, reflecting enough extra sunlight to suppress average temperatures by 1°C would require the injection of roughly 2m tonnes of sulphur into the stratosphere annually." This proposal has raised strong opposition from many environmental organizations and some governments. For example, the European Commission "does not consider geoengineering to be the solution to climate change, as it does not address the root cause of the problem ... a deliberate intervention in the Earth's natural system, such as solar radiation modification (SRM) deployment, represents an unacceptable level of risk for humans and the environment" (European Commission, 2023). It is not possible to enter into the merits of this dispute here. Suffice it to say that national governments, in order not to accept supranational obligations (as would be possible by entrusting the United Nations with the powers to impose economic sanctions on governments that do not respect the commitments agreed in the COPs), could prefer to venture into a very dangerous enterprise to safeguard the taboo of national sovereignty. Better a technocratic world government than a supranational political agreement.



The crucial problem is that the United Nations, the only international organization in existence, must be equipped with the "coercive" means (legal and economic) to oblige national governments to keep faith with the solemn commitments that are discussed and approved every year in the COPs. Poor countries rightly claim that they are not responsible for the pollution produced by industrialized countries and are calling for aid to address the investments needed to meet the challenge of global warming (loss and damage fund). The industrialized countries have made vague and insufficient promises. The environmental challenge is a crucial aspect of the reform proposed here of the IMF: it is not only a question of reviving international monetary and trade cooperation, but also of enabling the IMF to become a sort of partial supranational government, a centre of convergence for cooperation between the great powers.

### 3. The European Payments Union (1947-1956).

Many economists approach the problems of the international monetary and financial system in purely economic terms. This approach is useful, but it cannot be considered sufficient. Money is a public good that includes economic and political aspects. The development of monetary systems in Europe in the modern age<sup>II</sup> took place mainly within the nation states during the so-called era of mercantilism. Political control of the currency allowed national governments to foster the development of integrated national markets, dismantling the old tariff barriers between cities and provinces and the powers of medieval guilds. It was only during the nineteenth century that an integrated international system was formed thanks to the adoption of gold as the currency of trade between nations which spontaneously adopted some "rules of the game". The construction of the international economic system that exists today was different. When the countries at war against Nazi-fascism met at Bretton Woods in 1944, the United States and Great Britain presented two plans, the White Plan and the Keynes Plan, to decide on the foundations of a new system of international payments. Plan White prevailed not for economic reasons, but because the United States was the only world power that could guarantee a free international market in the postwar period. The USSR was not interested in participating in this project. Thus, the plan that guaranteed to the dollar the privilege of becoming the reference currency for international payments (with a fixed exchange rate to gold) prevailed. The Keynes Plan, on



the contrary, envisaged a condominium – between US and UK – to govern the international monetary system. With his plan, Keynes hoped that Britain could retain the Commonwealth and its colonies, a prospect that the U.S. government (in agreement with the USSR) intended to counter (for a more in-depth analysis see: Montani, 2019, chapters 2.3; and 8.2).

The approach that now seems most useful for dealing with the reform of the international monetary and financial order, starting with the IMF, is the one that Robert Triffin has adopted throughout his life, as an economist and as a potential citizen of the world. His biographer concludes the history of his intense academic activity as follows: "Triffin was a very policy-oriented economist, and his life was a fight for a better, more just, and more peaceful world. ... He never tired of pointing out the factual limits of national sovereignty in an interdependent world ... For him, economics was a way to contribute to a better world. He was never interested in high-level prestigious positions or financial gain. He was strongly attached to his independence and the pursuit of a better and more peaceful world. It was indeed a true monk in economist's clothing" (Maes 2021: 195-6; for similar considerations, Montani, 1989: 201-15).

Let us now consider the beginnings of his role as "Counsellor of Princes" (Triffin, 1990). After the Bretton Woods Conference, in the West dominated by the United States, the problem of the reconstruction of Europe was crucial. The Marshall Plan aids were in danger of going unused due to the inability of European national governments to get their economies acting in the context of an interdependent economy: no European country could start reconstruction if the others did not participate. It was about rebuilding an inclusive European economy, without barriers at national borders. Between European countries, because of the dollar shortage, trade took place not on the basis of the relative prices of the goods traded, but according to mutual credits and debts of each country towards another country: bilateral trade was the rule. The IMF and the World Bank were unable to overcome this difficulty, in order to move from bilateralism to multilateralism. Robert Triffin understood the difficulty and proposed a bold reform to the G10: a reform which later became the European Payments Union (EPU). The purpose of the EPU was to make it possible for European currencies to be convertible to each other and to the dollar, therefore a multilateral trading system. The theoretical framework of his project was the International Clearing Union proposed by Keynes at Bretton Woods. In *Europe and the Money Muddle*, Triffin states: "The Keynes plan was bold, it was lucidly written, it was intelligent" (Triffin





1957: 93). The EPU did not propose to allow European currencies to participate immediately in the international economy, but to allow European countries (without enough reserves in gold and dollars) to relaunch intra-European trade until European currencies, thanks to the balance between exports and imports, were strong enough to participate in the *gold-exchange standard* and overcome the phase of dollar shortage.

Each country could manage its deficit or surplus of the balance of payments in multilateral terms. In practice, it was a matter of simulating a European balance of payments, saving dollars in internal transactions, thanks to a system of monthly settlement of the balances of the respective national central banks: the European clearing was not automatic, but regulated by the bodies of the EPU. The currency of account of the EPU was, in fact, the dollar. Deficit countries were helped with low interest rates and with aid made possible by the Marshall Plan. Surplus countries were encouraged to reduce their surpluses and possibly support deficit countries with credits. This procedure "was never more than an expedient, however, although some enthusiasts initially saw in it an implementation of the Keynes proposal for automatic lending commitments by the surplus countries to the deficit countries" (Triffin, 1957: 219). The EPU allowed for high growth in European economies and was dissolved after the creation of the Common Market. In the European Community it was now clear that the objective of the EPU, the convertibility of European currencies in dollars, had been achieved.

#### 4. From Bancor to Special Drawing Rights (SDRs).

At Bretton Woods, the "White Plan" prevailed over the "Keynes Plan" which provided for the creation of the Bancor as an international reserve currency in a worldwide clearing system among all national central banks. It was also stipulated that the dollar would be traded at a fixed parity of \$35 per ounce of gold and that all other national currencies would have to maintain official parities between their national currency and the dollar. In short, the *Gold Exchange Standard* was born.

However, the initial functioning of the IMF was difficult due to the inability of European governments to make their currencies convertible (as demonstrated by the failed sterling experiment in 1947) and the gradual overcoming of this difficulty within the EPU. In the second half of the 1950s, these problems seemed to have been overcome, but the Bretton



Woods agreements revealed a second flaw: according to the agreements, member countries could only use the international payments system for the export and import of goods and services, but exporting or importing capital was forbidden. In this way, it was thought to avoid the speculative flows that in the 1930s had led to the irreversible crisis of the gold standard based on the pound. The post-war recovery of the economies of Europe and many other countries on other continents showed, however, that private capital had found an ingenious means of circumventing the ban: American multinational corporations began to deposit their European revenues on the London financial market, thus creating the Eurodollar market, thanks to which banks could lend at cheaper rates than those decided by national central banks. In this situation, speculative phenomena began to manifest themselves against national currencies, in particular European currencies, thus forcing them to frequent devaluations or revaluations.

It was in this context that Triffin developed his proposal for the reform of the IMF. In *Gold and the Dollar Crisis* (1960), he showed that the Bretton Woods system risked leading to an inevitable and dangerous crisis. The growth of international trade and the international movement of capital was eroding the agreed rate of exchange between gold and the dollar. U.S. gold reserves were migrating to European countries. "It is indeed the persistent decline in our [USA] net reserve position which has been, by far, the major source of supply for the very satisfactory growth of other countries' reserve since 1949. ... Such a movement obviously could not continue indefinitely without ultimately undermining foreigners' confidence in the dollar as a safe medium for reserve accumulation" (Triffin, 1960: 62-3). The gold-dollar exchange rate could no longer be guaranteed. This difficulty could not be overcome by illusory remedies, such as the search for new gold deposits, the appreciation of gold or the use of a system of flexible exchange rates, which would have introduced a further factor of instability in trade and finance. An international monetary system must be based on "confidence" in a stable currency, and this confidence cannot be guaranteed by any national currency in the long run. "The logical solution of this dilemma would lie in the 'internalization' of the foreign exchange component of monetary reserves. The use of *national* currencies as *international* reserves constitutes indeed a 'built-in destabilizer' in the world monetary system. The free choice of reserve holders will normally tend to concentrate on the 'safest' currencies available for the purpose, i.e. on the currencies of the major creditor



countries" (p. 87). It is this observation that will be remembered in the economic literature as "Triffin's dilemma".

There is no point in following in detail the debates and negotiations on the reform of the IMF. Suffice it to say that, after much discussion in the Group of Ten, the United States finally accepted the proposal of *Special Drawing Rights* as an international reserve currency. In September 1967, in Rio de Janeiro, the member countries of the IMF included the proposal to use SDRs (a basket of national currencies) as an international reserve currency in the Fund's Articles of Agreement, although this proposal did not entail the end of the reserve role of either gold or the dollar (a decision which, on the contrary, Triffin supported, as he supported the proposal that SDRs were issued and allocated also to developing countries). Moreover, Triffin responded to accusations that the use of SDRs was inflationary. "The IMF lending capacity would be based, as in the Keynes plan, on the accumulation of bancor accounts – in the form of deposits with the IMF – by member countries as part and parcel of their total monetary reserves (Triffin 1960: 103). Later, Triffin clarified the anti-inflationary features of his proposal. "A national central bank guarantees the equivalent of all its monetary issues or bank deposits accepted as national currency. No world central bank will be able to guarantee the equivalent of the multiple national currencies in circulation (dollars, yens, marks, pesos, cruzeiros, Bolivians, etc)" (Triffin 1990: 49). However, it can be expected that the statutes allow for an annual monetary issue proportional to the growth of international trade. "The overall lending capacity of the Fund can properly be limited to the creation of bancor amounts sufficient to preserve an adequate level of international liquidity" (Triffin 1960: 103). For example, the IMF can be expected to increase its SDRs emissions by 3 or 4% per year, in accordance with the growth rate of the international economy.

Finally, it is worth remembering that, as early as 1960, in *Gold and the Dollar Crisis*, Triffin proposed, for the European Economic Community (EEC), the creation of a European Clearing House. "Minimum deposits with a European Community Reserve Fund could provide the easiest and most rational source of financing for mutual credit assistance without endangering in any way the liquidity requirements of the lending countries" (Triffin, 1960: 138). The end point could have been complete monetary unification. "An eventual merger of members' national currencies into a single Community currency can only be regarded as highly hypothetical at this stage, and should in any case be envisaged only as the ultimate



step of a monetary integration process. It must be emphasized that its desirability, as well as its difficulties, are essentially political, rather than economic" (Triffin, 1960: 141).

In these proposals for the world and for Europe, it is clear that there is the concern to avoid the use of arbitrary monetary issues by the world central bank. The creation of a world reserve currency must enable the citizens of the world to enjoy a currency as a stable and universal unit of account and as a medium of exchange for international trade and financial relations. However, the fiscal powers of governments, i.e. taxation and public spending, must remain in the hands of national and international public authorities. In short, in the international economic system, if one accepts the prospect of a free movement of international investment, there is a need to coordinate monetary policy (at the world level) and fiscal policy (which necessarily remains partly in the hands of national governments and partly in the hands of international private finance). The debate on the reform of the international monetary system will therefore remain incomplete and inconclusive until the question of the relationship between international monetary policy and international fiscal policy is also addressed at the same time.

## 5. From the ECU to the Economic and Monetary Union (EMU).

The frequent speculations on European exchange rates in the 1960s, due to the structural weakness of the dollar, forced the countries of the European Economic Community (EEC) to consider the problem of ensuring greater monetary stability among member countries in order to avoid unwanted fluctuations and further speculative attacks. In those years Triffin returned to Europe, called by the University of Leuven and, thanks to his old relations with Jean Monnet and Robert Marjolin, became an adviser to the European Commission. His proposal was the creation of a European reserve fund, based on the European Currency Unit (ECU), thus a European clearing union. Triffin could thus state that "the IMF's unit of account is now identical to the ECU" (Triffin 1990: 48). The Triffin Plan, he said, "is essentially about repudiating both national currencies – the pound sterling years ago, the dollar now... as well as gold as international reserves and replace them with reserve deposits at a world central bank" (Triffin, 1990: 48-9).

European governments appointed Pierre Werner to draw up a report on the feasibility of the EMU. The *Werner Report*, which was ready in 1970, foresaw: a) the total and irreversible



convertibility of currencies, the elimination of margins of fluctuation in exchange rates and the complete liberalization of capital; b) the centralization of monetary policy; c) the strengthening of the Community budget, and d) the creation of a 'political centre of decision'. These indications reveal that the European governments were well aware of the essential elements required for a successful monetary union. Nevertheless, the following year, in July 15<sup>th</sup> 1971, President Nixon declared the inconvertibility of the dollar into gold. It was the beginning of the era of the *dollar standard* and of the world floating rates of exchanges. This decision and the following crisis of the oil market condemned the Werner plan to the failure. The European governments reacted to the crisis with national measures, protecting their own economies by barring the exchange of goods and capital.

Recovery came in 1979, heralded by a Franco-German initiative that introduced two major institutional innovations: a) in the economic field, the creation of the European Monetary System (EMS), and b) in the political field, the election of the European Parliament by universal suffrage. The EMS involved not a European currency issued by a central bank, but it was only a step in that direction. Exchange rates were then fixed in reference to a basket of European currencies, the European Currency Unit (ECU), a proposal similar to the SDRs. This meant that for the first time the value of European currencies was defined independently of the dollar. The EMS was a European zone of monetary stability in a world of fluctuating exchange rates.

The final steps came after the fall of the Berlin Wall and the German decision to unify the two German states on the basis of the principle "A united German in a United Europe". The Maastricht Treaty (1992) was supposed to be a European response to the challenges of the international order in the post-Cold War period. However, it was not able to provide a democratic system, due to veto right in the Council. A supranational European governance was necessary for managing the process of enlargement and the challenge of foreign policy. Nevertheless, the EMU represented an important step towards a full European monetary sovereignty – a European public good – but the compromises agreed on at Maastricht have limited its full scope. The establishment of the European Central Bank (ECB) and the euro as a common currency led to greater openness and a thriving internal market. Yet the monetary policy was conducted at the European level, while the fiscal policy was kept at the national level. The 2008 crisis of the world financial markets showed the weakness of this institutional framework. (for more on this topic see: Montani 2019, Chapter 5).



A further issue concerns the ECB's clearing system, called TARGET2, which differs from the one proposed by Keynes. "There are great similarities between Keynes's plan and the functioning of the payment system in the Eurozone, insofar as both setups envisage an international clearing bank that grants advances to deficit countries. ... Both setups are based on a closed banking system, where the debits are by necessity equal to the credits at the supranational bank. Indeed, TARGET2 is less constraining than Keynes's plan because TARGET2 has no limits on the size of advances that can be taken by national central banks from the European Central Bank, which acts here as the international clearing agency, whereas Keynes's plan imposed a ceiling on the amount that could be normally borrowed by national central banks from the International Clearing Bank, in addition to imposing limits on the length of time during which the ceiling could be exceeded" (M. Lavoie, 2015: 8).

As we have seen, EMU envisages not only an ECB and a single currency, the euro, for all member countries, but also a European budget (albeit a modest one) to address economic and social imbalances between member states. Keynes could not, at Bretton Woods, also consider the creation of a common budget for the IMF member countries. This problem is still one of the great issues that are not addressed in the contemporary international system. However, in Europe there is a debate about the optimal size of the European budget to solve the problems of regional imbalances, common investment policies, employment and the financing of European public goods (such as health, European security and sustainable development). It is a demonstration of the fact that in a federal political system, however imperfect it may be, monetary policy and fiscal policy must have different objectives, but they should be coordinated with each other by a supranational government<sup>III</sup>.

## 6. A new Bretton Woods

In this section I intend to show how Robert Triffin's proposal, formulated in the 1960s to avoid the collapse of the Gold-Exchange Standard, can be adopted in the 21st century to face the triple challenge of the crisis of the international political, economic and ecological system (see section 1 and 2). The crisis of the international political order is crucial, because the system of international relations was based on the order built by the victors of the Second World War, in particular by the US government, with the explicit consent of the USSR. Today, the United Nations is weakened by a struggle between great powers and their allies:



the United States defends a declining hegemony; China, Russia and other emerging powers (Brazil, South Africa, Arab countries, Turkey, Indonesia, etc.) propose a new international political and economic order: an inclusive multilateralism (BRICS, 2023). The consequences of this struggle for world hegemony, if there are no pauses for reflection and sincere proposals for peaceful cooperation, can lead to a collapse of the international economy and, in the worst case, to nuclear war.

Let's consider the process called deglobalization. The financial crisis of 2008-9 showed that the U.S. financial system has become the source of dangerous dysfunctions in U.S. and international finance. The European economy has suffered for a long time. In a review of international finance, *The Economist* (2024) notes that the struggle between currencies to dethrone the dollar, also due to the frequent use of financial and monetary sanctions by the US, can lead to a serious political crisis: "A World in which countries bar foreign investments in 'strategic' industries is one that will create a sort of friction between enemies (as well as friends). ... Economic integration might not ensure peace. But with the costs of disengagement increasingly being borne already, the marginal cost of war is falling". That is why economic conflicts are a prelude to dramatic political conflicts. The fluid economic relations that were created during the process of globalization, when investment and trade transactions were not hampered by struggles for world power, are dissolving. The beginning of deglobalization has been evident since Trump's presidency with measures to contain China's economy, but deglobalization has continued in the following years. After Russia's invasion of Ukraine, European countries were forced to give up gas supplies from Russia, causing its price to soar dangerously. Moreover, "the United States imposed a ban on exports to China of advanced logic and memory chips and the machinery to produce them. ... the world will end up fragmented and rival camps and a new cold war will unfold, this time between the US and China (and their respective allies)" (Goldberg and Reed, 2023). More recently, the U.S. government imposed tariffs on Chinese electric cars of 100%. The European Union has also decided to increase its level of taxation for China Cars. The economic consequences of disruptions of international trade are easily predicted on the basis of David Ricardo's theory of comparative advantage: an increase in the prices of imported goods and production costs, a probable push for wage increases to contain inflation, a general decrease in international trade and world production. It seems reasonable to say that



the nefarious use of protectionism occurs in a similar way to that of the thirties of the last century (Pinelopi Goldberg and Reed, 2023)

The proposal for a new Bretton Woods therefore has not only economic relevance, because it can change the system of governance of the international economy. At the 1944 conference, it was finally decided to base the international monetary system on the hegemony of the dollar and on the pre-eminent role of the United States as an hegemonic government, shared in part with its European allies. This narrow governance is no longer sustainable in the 21st century, all countries in the world must be involved. The new Bretton Woods can exploit and expand on the ideas contained in the Keynes Plan, where world governance was entrusted to two countries, the US and the UK, and to two currencies, the dollar and the pound. In the new Bretton Woods, we propose that, at least in the initial phase, governance should be entrusted to the five countries whose currency enters the basket of SDRs (dollar, euro, renminbi, yen and pound), which we will call, for the sake of brevity, "bancor". The governance of the bancor will therefore be shared by world powers that are currently on opposite sides. This is an important political decision. It is a process of pacification between great powers, similar to what happened in 1950 with the Schuman Declaration between France and Germany. Peaceful cooperation between great powers is the beginning of a process that can progress towards new, more ambitious goals, as has been the case in the course of the process of European unification<sup>IV</sup>. The historic Bretton Woods conference marked the beginning of a broader reform of the system of international relations: below we will limit ourselves to outlining the main points of the *agenda* for a new Bretton Woods, without speculating on possible future developments: the reform of the United Nations system must be left to a later political phase. Thanks to the new climate of international cooperation, it may become possible to stop the race towards an increase in military spending in the world and the use of more resources for the preservation of life on the planet. The agenda of the new Bretton Woods should include five chapters: a) the definition of the rules of the new governance; b) the relationship between international monetary and fiscal policy; c) the possible benefits of setting a single global price for carbon dioxide; d) international public taxation; e) international investment policy and convergence between more and less industrialized countries.

- At Bretton Woods, in 1944, a plan for a new international monetary order was approved. On this basis, it was also possible to proceed with the definition of a new order





of trade. In fact, the International Trade Organization (ITO) was approved within the framework of the United Nations, but it was not accepted by the U.S. Congress. The ITO was replaced by the GATT (General Agreement on Tariffs and Trade), which remained in force until 1995, when it was in turn replaced by the World Trade Organization (WTO). In addition, Bretton Woods approved the creation of the World Bank with the task of assisting European countries in the difficult phase of post-war reconstruction. Once the economic recovery of the European economy began, the World Bank dedicated itself to developing countries, assisting them in the difficult phase of their political and economic independence from the European colonial system. The governance of the new Bretton Woods must therefore be understood as the restructuring on a new basis of all these institutions, the most important of which is the WTO, whose Dispute Settlement Mechanism (DSM) has been dismantled by the Trump presidency. In the process of reforming the IMF, as mentioned above, only the five countries whose currency is included in the bancor will be involved in the first phase, but it is desirable that the new global economic and monetary governance should be open to all UN countries. Sooner or later, therefore, a formula must be found (e.g. through rotating continental representations) to involve all UN member states in world economic governance.

- With regard to the relationship between international monetary and financial policy, the reform of the IMF should be considered, exploring the adoption of the Keynesian proposal for a world clearing system and the use of the bancor (now SDRs) as an international reserve currency. The bancor is a basket of national currencies whose relative weight depends on the percentage of the national currency in international payments (the weighting of the five currencies is reviewed every five years). Currently, the use of SDRs for payments between individuals is prohibited: it is a currency of account used only within the IMF. The reform should include the following decisions: a) all national central banks that are members of the IMF should hold an account with the IMF in bancor in order to record, at the end of each month, their net balance, in bancor, positive or negative (value of exports minus value of imports); the overall balance of national clearings must be zero; b) each national government shall fix an official exchange rate between its own currency and the bancor, so that the exchange rate between all national currencies shall also be automatically fixed; whereas they could continue to circulate within each country, as opposed to what happened in Europe with the creation of the euro; c) each member country of the Fund must accept that it is



permissible for individuals, citizens and businesses, to enter into contracts in bancor, even if national currencies continue to circulate; d) on this legal basis, national currencies would become convertible into all other currencies and the universal currency of account would be the bancor; e) the Executive Board of the IMF will decide the annual volume of bancor issuances on the basis of the growth rate of international trade and other significant variables (such as extraordinary issuances to facilitate investment, etc.); f) new bancor issues will be allocated in proportion to the national income of each member country (for similar proposals: Ocampo 2010; Ghosh 2023a), in addition, a share of the new issues could be allocated to the UN budget (this will be discussed later).

The functioning of the global payments system could face difficulties in cases where some national governments decide to favour inflationary or deflationary policies that run counter to global developments in the international economy. Consider the case of a country that decides to issue its national currency so much that it causes inflation compared to the world average. The prices of domestically produced goods would increase, but not those of similar products in other countries. Imports from abroad will increase and a trade deficit will be created; in addition, individuals and businesses wishing to borrow money will have to accept higher interest rates if they choose the national currency over the bancor, whose rate will be equal to the world average. In short, the reform of the IMF could halt the serious process of degeneration of international finance lucidly denounced by Jacques de Larosière, who points out that global net debt exceeded \$300 trillion in 2022, equal to 360% of world GNP. This is a dangerous level, and one that is the prelude to further major global financial crises. According to de Larosière, the long-term objective must be "to accept to remunerate savings in the medium and long term, according to supply and demand, without the balance of which there can be neither productive investment nor productivity gains". To achieve this goal, it is necessary to "stop the insane creation of money and debt, encourage the development of own funds more than debt, and accept that the wealthiest pay their share for a fairer and more effective economy" (J. de Larosière, 2022, p. 126).

- Let's now consider an additional advantage that could arise from using bancor as a unit of carbon price measurement: a world price of carbon. William Nordhaus (2021: pp. 278-9) points out precisely what the benefits of a world price on carbon dioxide would be: "The most effective incentive to induce the transition [in accordance with the Paris Agreement] is a high carbon price. Raising the price of carbon will achieve four goals. First, it will signal to



*consumers* which goods and services are carbon intensive and should therefore be used sparingly. Second, it will provide data to *producers* about which inputs are carbon-intensive (such as coal and oil) and which are low carbon-intensive (such as natural gas or wind power), thereby inducing firms to switch to low-carbon technologies. Third, it will give market incentives for *inventors, innovators and investment bankers* to invent, finance, develop and commercialize new low-carbon products and processes. Finally, a carbon price will save on the *information* required to undertake all these tasks" (italics original; on the same problem: Parry, Black and Roaf, 2021). I would add a further benefit of the global carbon price: the possibility of not using a Carbon Border Adjustment Mechanism (CBAM), as the European Union has been forced to do, to avoid importing polluting goods from countries that do not impose an appropriate carbon price on their goods. Today, in the world economy there are more than 70 prices of carbon dioxide. A single global carbon price is equivalent to uniform global taxation of carbon dioxide. The global price of carbon dioxide should be decided by a governance system similar to the European one, called the Emissions Trading System (ETS) launched in 2005. China has introduced a similar system, but since it is difficult for all UN countries to accept such a method for reducing carbon dioxide in the atmosphere, it is necessary for a group of major countries (e.g. USA, EU, China) to agree on the distribution of paid emission rights to the major polluting companies. This system could later be extended to other countries.

- The issue of multinational companies taxation has been debated for several decades, but its solution is difficult, because it calls into question the power of sovereign nation states to tax their own citizens and companies operating on national territory. Gabriel Zucman (2015) proposes that in order to tax individuals, especially wealthy individuals who have the possibility to export their wealth to tax havens, a global financial register should be established "recording who owns all the financial securities in circulation, stocks, bonds, and shares of mutual funds throughout the world" (Zucman 2025: 92). This is a radical proposal that national governments have so far failed to consider. However, thanks to the US attempt to put an end to the practice of many multinational companies located in the United States preferring to pay taxes in tax havens, the Organisation for Economic Co-operation and Development (OECD) launched in 2015 a project (called Base Erosion and Profit Shifting, BEPS) concerning the taxation of multinational companies that use the practice called profit-shifting, thanks to the manipulation of domestic prices, increasing production costs to



reduce profits in the country where taxes on profits are high, thus transferring earnings to tax havens where taxes on profits are very low (Faccio and Ghosh, 2021). The proposal adopted by the OECD is the automatic and mandatory transmission of banking information by the banks of the countries participating in the BEPS project, currently 140, in order to tax all economic activities that generate profits in the different countries, on the basis of the wealth produced in each country. Recently, in order to overcome attempts by some countries to introduce incentives to attract businesses, the U.S. government and the OECD have proposed raising the minimum level of taxation of multinational corporations' profits from about 10% to 20% (and possibly more). This decision is crucial because even in the European Union, despite an attempt by the European Commission to tax multinational companies, member countries (in particular Luxembourg and Ireland), continue their free-rider policy (Ghosh 2023b): it is estimated that in the EU about 25% of financial wealth remains tax-free. The OECD initiative, called BEPS, is based on the voluntary participation of a group of countries coordinated by the US government. It is an intergovernmental initiative, in the tradition of existing international law: it therefore suffers from the limitations of all procedures based on the free consent of the parties involved: the so-called free-rider phenomenon. Those who can reap the benefits of a public good without incurring the costs are likely to act as free-riders. To remedy these shortcomings, it is necessary a government authority, such as a national government that provides a national public good, for instance defence, to oblige all citizens to bear the burden through coercive taxation. This procedure is not possible in the OECD context with regard to BEPS. However, the necessary solution is simple, even if difficult to achieve: a World Tax Authority (WTA) that would have the power to enforce the commitments made by the international community for every national government. It should be noted that the WTA, if associated with the WTO and a reformed IMF, would be a multilateral governance acceptable to all members of the United Nations, regardless of the democratic or authoritarian regime of their governments, because it is in the interest of all countries in the world to participate in an economic system based on inclusive multilateralism.

- Finally, the problem of the different adjustment burdens between surplus and deficit countries, posed by Keynes at Bretton Woods, can be tackled effectively by means of a common monetary union budget, as the European Union has managed to do, by establishing a European budget with own resources. With the use of bancor as the currency of



international transactions, it becomes possible to design uniform taxation of all multinational corporations through uniform corporate accounting. The proceeds from the profits of multinationals should be paid partly to the governments of the states in which they do business, partly to the UN, to support a Global Green Deal and other global policies. Other possible taxes could concern air and sea travel, and taxes on minerals. Tax evasion particularly affects emerging countries, where governments are unable to raise sufficient financial resources to foster economic growth and social justice, with sufficient levels of services, such as education and public health. In addition, if there were UN own resources, available to the Secretary-General, it would become possible to finance important global public goods, such as the defense and conservation of tropical forests, which are essential for reducing the amount of carbon dioxide in the atmosphere (on world taxation: Ganter 2023).

- A further possible consequence of the use of bancor as reserve currency and the new role of the IMF as the world's central bank would be a better control of investment and interest rates, which could be significantly reduced for emerging economies, which today are forced to issue their public debt in dollars, a currency that exposes them to exchange rate risks and to pay interest rates that are double or triple those of countries that can issue public debt in their own currency. The IMF, in its role as the world's central bank, could allow, if authorized by the General Assembly, to issue Global Green Bonds to address important financing needs on a global scale; also the World Bank can do the same (Council on Foreign Relations, 2023). The funds should be entrusted to the Secretary General for their management, as was the case in the European Union when the Next Generation EU plan had to be financed during the pandemic. So far, the funds made available by industrialized countries for emerging countries have been completely insufficient, as evidenced by the long-standing dispute over the amount defined as "loss and damage" at the various COP meetings. To limit the temperature's increase to no more than 2°C - and if possible 1.5°C. – in order to meet the constraints set by scientists (IPCC), it is necessary to increase global demand with a policy that stimulates a uniform expansion of growth in all countries in order to achieve the *net zero economy*, i.e. the reduction of carbon dioxide emissions to zero by 2050. As Nicholas Stern says: "To bring through the new ways of doing things and the new technologies required, we have to increase investment by around 2-3 percentage points of GDP across the world, relative to the previous decade - more in some places, less in others



- as well as change the composition of investment" (Stern, 2022: 1270). This is a quantitative leap from "billions" to "trillions".

## 7. Conclusion

The reform of the international order based on a new IMF makes it possible to set the international community, humanity, on the path to the construction of an international order based on peaceful coexistence between large and small powers thanks to active cooperation for an effective ecological policy, a Global Green Deal, in order to rapidly reduce the effects of biosphere pollution. Moreover, peaceful cooperation for a Global Green Deal would pave the way for the necessary reform of the WTO and the realization of an "inclusive multilateralism". Today, the WTO is blocked because of the contrasts and vetoes between great powers.

The plot of this path towards a new international order is based on the intelligent analyses and proposals of Robert Triffin throughout his life as an economist and as an advisor to governments. In his latest essay, Triffin denounces the disastrous consequences of an international monetary order based on the world hegemony of a national currency, the dollar. "The deficits of a reserve-centre country – Triffin says – may be financed, or even overfinanced, by an increase of world exchange reserves, with little or no decline of gross reserves for the reserve-centre country and, therefore, no imperative pressure for the readjustment of inflationary policies" (Triffin, 1992:13-4). Today's international economy suffers from this serious dysfunction, which is particularly painful for the poorest countries.

Contemporary analyses of the international economy focus on technicals and short-term trends. Triffin's evolutionary design, "the long march of mankind toward its unity and a better control of its own fate" - his historical-economic approach - is forgotten. This oblivion allows the governments to ignore the necessary reforms. On the contrary, it should be remembered that Triffin, starting from Bancor, first conceived and managed the EPU, then proposed the SDRs as the international reserve currency and, after that, the European Currency Unit (ECU) as the currency of the future European Economic and Monetary Union (EMU). With J. M. Keynes, Robert Triffin was the greatest theorist of international economics in the twentieth century: he understood that the condition for a stable



international monetary system and a more effective and peaceful unity of mankind is the creation of a *supranational* central bank to govern a world reserve currency.

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<sup>II</sup> In the Chinese Empire, paper money was already in use in the centuries of the late European Middle Ages.

<sup>III</sup> It is necessary to briefly clarify the relationship between Triffin's analysis of the international monetary problem and the debate that took place on the occasion of the creation of the European Economic and Monetary Union (EMU). In those years, the debate developed mainly from the concepts of the impossible trilemma and optimal monetary areas (Bordo and James, 2017). Triffin's approach is based on the historical evolution of the system of international monetary payments that encompasses and overcomes this debate: Triffin's crucial hypothesis is that the era of national monetary sovereignty and the power of national central banks to govern the value of money autonomously is over. It is necessary to recall, in this regard, an analysis that goes back to Lionel Robbins, in *Economic Planning and International Order* (1937), although there is no evidence that either Keynes or Triffin refer to this study which takes the US federal system as a model. In Chapter X, Robbins discusses the international monetary problem by comparing an integrated national banking system and the international system, with national central banks. "Purchases across the boundaries of a sovereign state have a significance fundamentally different from purchases across the boundary of a local government area" (Robbins: 272). Robbins notes that if South Wales had its own central bank, a balance of payments crisis vis-à-vis the London market would sooner or later cause a crisis in the exchange rate between the Welsh and London currency areas. "Within a Common political area, there exists a single reserve banking structure, whereas between areas there are no reserves in common ... transfer from one branch to another of a single bank involves an automatic offsetting of equal amounts of spending power ... But transfer from one reserve system to another may be accompanied by either net additions to or subtractions from the total volume of credit outstanding" (p. 275). Robbins' conclusion is that the political problem is decisive, i.e. the control of sovereign national governments over the volume of reserves and monetary issuance. In the case of an integrated international system, there would be only one clearing system. "The business of international clearing would be organized on lines which made political frontier irrelevant" (Robbins 277). In fact, international clearing is the proposal made by Keynes at Bretton Woods. Later, this idea was adopted by Triffin, as he argues in *Europe and the Money Muddle* (p. 93), and intelligently adapted to the case of the IMF and EMU.

As far as I am concerned, I have always discussed, since the 1970s, the problems of building the European Economic and Monetary Union on the basis of the distinction between an interregional system and an international payments system (Montani 2015).

<sup>IV</sup> Whether the dollar is weak or strong against other world currencies is not relevant in this perspective (see e.g. Prasad, 2024, for a purely monetary analysis). Indeed, to the extent that the dollar is still an important currency, both as a reserve currency and as a currency for trade and finance, it is an argument that the US government could use to convince other countries, particularly China, that the proposal for a common governance of the international economic system is in the interests of all UN member countries. The U.S. thus renounces monetary leadership, but places itself at the head of a process of peaceful reform of the system of international relations.

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