



**Triffin's dilemma and the instability of
the International Monetary System**

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Abstract

This work is an attempt to quantify the determinants of global liquidity and its relation to the price of gold. The first part includes a theoretical overview of the economic approach. The second presents an econometric model. The period covered in the analysis is from the breakdown of the Bretton Woods system (BW) in 1971 until the recent crisis of the international monetary system. Recently the price of a troy ounce of gold has exceeded \$ 1,000, but 40 years ago its price was \$ 35. The theoretical assumptions examined include, among others, the 'Triffin dilemma', as set out by Robert Triffin, a Belgian economist who's work alerted economists to the vulnerability of the system agreed in Bretton Woods.

Keywords: Liquidity, Dollar and Gold price, Bretton Woods, Cointegration