Assesment about Edoardo Campanella's paper "The Triffin Dilemma Again"

I found this paper interesting because it analyses in a logical and well constructed way the weaknesses of the actual – dollarized – international monetary system. After showing the benefits of having a reserve currency, the article shows how dollar-priced oil, the dollarization of developing countries and the financial position of the USA determine a global instability.

In order to solve these problems, Campanella proposes an innovative approach that, unifying the "global currency" literature together with the "optimum currency area" one, suggests the creation of a two level monetary system.

I found this idea interesting and innovative, because usually the papers in this literature just consider developing countries, without specifying how developing countries can be integrated in the system. I also found this proposal better than others that suggest IMF's reserve rights to be used as a reserve currency, because this latter approach has at least two problems. First of all there's a perception problem. These rights are indeed a basket of currencies and economic agents would struggle to understand if oil prices would be expressed in such a basket-currency. Secondly, since at present the value of these rights fluctuates together with exchange rates movements, we would get back to the original instability problem that Campanella would like to solve.

My biggest perplexity is linked to the political feasibility of such a proposal, because USA would never accept to give up their prerogatives. Another suggestion to the author is to expand the paragraph about the dollarization, because even if it's quite clear and straightforward, I think that it should be enhanced.

Anyway, the overall assessment of the article is definitely positive and I recommend you to publish it.

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