

AEGON INSIGHTS

# The Triffin paradox revisited

*We'll start with a little game of "name that dead economist."*



Source: Wikimedia Commons; licensor, Elena Danescu; title, Robert Triffin in Yale University; uploaded August 1, 2019; used with permission granted under the Creative Commons Attribution-Share Alike 4.0 International license.

His name is Robert Triffin, famously known for the eponymous Triffin Paradox. Ok, so next question is likely, "why should we care?" Here is why:

While much of the international economic narrative these days revolves around tariffs, there is a large related secular issue looming that remains underappreciated—the risk of a soaring US dollar (USD) and the associated global risks. Queue up the Triffin Paradox.

## What is it?

A paradox that arises when a global reserve currency has a conflict of economic interests between its short-term domestic and long-term international objectives. In a sense, being the main global reserve currency is a double-edged sword. It affords great privilege in the capital markets, but it comes at a cost. That cost is running a constant current-account deficit to ensure ample dollar liquidity is supplied to the international market. Look at the trends of the current account since the end of the gold standard in 1971.



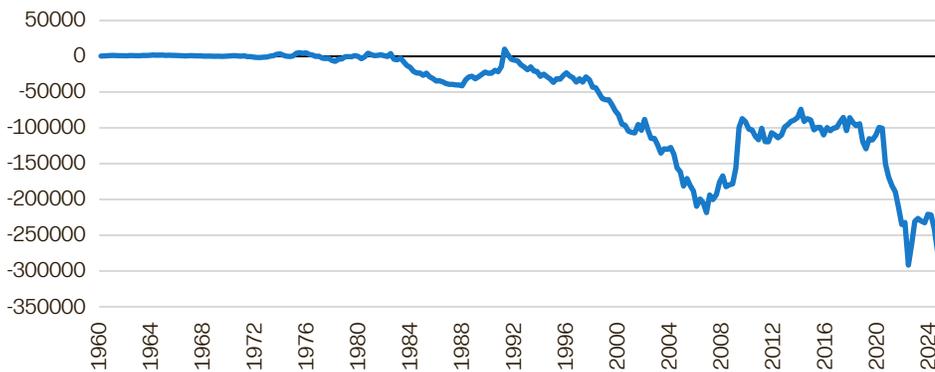
**Frank Rybinski, CFA**  
Head of  
Macro Strategy

Frank Rybinski, CFA, is head of macro strategy responsible for guiding the firm's global macroeconomic view as it pertains to tactical and strategic asset allocation. This includes analysis of the economy, interest rates, and the relative value between asset classes. In this capacity, Frank frequently appears in leading financial media outlets like Bloomberg, CNBC, Fox Business and the Wall Street Journal. Prior to his current role, Frank was a credit strategist for UBS Investment Bank. Prior to that, he worked as an analyst for ZT Zurich Trust in Zurich, Switzerland. Frank began his career as a trader for Spear, Leeds & Kellogg and held a similar position at The Royal Bank of Scotland. He has been in the industry since 1996 and started with the firm in 2008. Frank received his BA in economics from Boston College. He is a CFA® charterholder.

## For institutional use only.

Aegon Asset Management is the global investment management brand of Aegon Ltd. See disclosures for more detail.

## US balance of payments: Current account Millions \$



Sources: Bureau of Economic Analysis, Haver Analytics. Data as of February 2025.

## US balance of payments: Current account as % of GDP Seasonally adjusted annual rate, %



Sources: Bureau of Economic Analysis, Haver Analytics. Data as of February 2025.

Being the main global reserve currency in which a high percentage of global trade is denominated, there needs to be sufficient supply of USD in the currency market so that countries can build reserves and facilitate international trade. If the U.S. stops running current-account deficits, either the capital account surplus has to shrink in tandem or there will be a huge supply/demand mismatch for the USD, sending it through the roof.

In an extreme scenario, if tariffs massively succeed in the desired policy goal of rectifying the US trade deficit, it would also run the risk of creating a sizable shortage of USD, which could in turn squeeze global liquidity thereby massively appreciating the USD and severely stressing the international trading system in its current form. (Note: This is not our base case, but it's helpful to know where the landmines lie).

Triffin must be rolling in his grave.

”

*If the U.S. stops running current-account deficits, either the capital account surplus has to shrink in tandem or there will be a huge supply/demand mismatch for the USD, sending it through the roof.*

## Disclosures

This material is provided by Aegon Asset Management (Aegon AM) as general information and is intended exclusively for institutional and wholesale investors, as well as professional clients (as defined by local laws and regulation) and other Aegon AM stakeholders.

This document is for informational purposes only in connection with the marketing and advertising of products and services, and is not investment research, advice or a recommendation. It shall not constitute an offer to sell or the solicitation to buy any investment nor shall any offer of products or services be made to any person in any jurisdiction where unlawful or unauthorized. Any opinions, estimates, or forecasts expressed are the current views of the author(s) at the time of publication and are subject to change without notice. The research taken into account in this document may or may not have been used for or be consistent with all Aegon AM investment strategies. References to securities, asset classes and financial markets are included for illustrative purposes only and should not be relied upon to assist or inform the making of any investment decisions. It has not been prepared in accordance with any legal requirements designed to promote the independence of investment research, and may have been acted upon by Aegon AM and Aegon AM staff for their own purposes.

The information contained in this material does not take into account any investor's investment objectives, particular needs, or financial situation. It should not be considered a comprehensive statement on any matter and should not be relied upon as such. Nothing in this material constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to any particular investor. Reliance upon information in this material is at the sole discretion of the recipient. Investors should consult their investment professional prior to making an investment decision. Aegon Asset Management is under no obligation, expressed or implied, to update the information contained herein. Neither Aegon Asset Management nor any of its affiliated entities are undertaking to provide impartial investment advice or give advice in a fiduciary capacity for purposes of any applicable US federal or state law or regulation. By receiving this communication, you agree with the intended purpose described above.

Past performance is not a guide to future performance. All investments contain risk and may lose value. This document contains "forward-looking statements" which are based on Aegon AM's beliefs, as well as on a number of assumptions concerning future events, based on information currently available. These statements involve certain risks, uncertainties and assumptions which are difficult to predict.

Consequently, such statements cannot be guarantees of future performance, and actual outcomes and returns may differ materially from statements set forth herein.

The following Aegon affiliates are collectively referred to herein as Aegon Asset Management: Aegon USA Investment Management, LLC (Aegon AM US), Aegon USA Realty Advisors, LLC (Aegon RA), Aegon Asset Management UK plc (Aegon AM UK), and Aegon Investment Management B.V. (Aegon AM NL). Each of these Aegon Asset Management entities is a wholly owned subsidiary of Aegon Ltd.

Aegon AM UK is authorised and regulated by the Financial Conduct Authority (FRN: 144267) and is additionally a registered investment adviser with the United States (US) Securities and Exchange Commission (SEC). Aegon AM US and Aegon RA are both US SEC registered investment advisers.

Aegon AM NL is registered with the Netherlands Authority for the Financial Markets as a licensed fund management company and on the basis of its fund management license is also authorized to provide individual portfolio management and advisory services in certain jurisdictions. Aegon AM NL has also entered into a participating affiliate arrangement with Aegon AM US. The content has not been reviewed or endorsed by any regulatory authority in China.

In Taiwan, neither Aegon AM nor any of its affiliates are registered and may not sell, issue, or offer any products or services while in Taiwan. Marketing is intended for Professional Institutional investors only and the contents have not been reviewed or endorsed by any regulatory authority in Taiwan. The content contained is for information purpose only. Taiwan residents are advised to exercise caution in relation to the proposal. If you are in any doubt about any of the contents of this marketing, you should obtain independent professional advice.

©2025 Aegon Asset Management or its affiliates. All rights reserved.

Adtrax: 7615886.1GBL