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The Decline of the U.S. Dollar: Causes, Dynamics, and Global Consequences

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ABSTRACT :

The US dollar has long held its place as a global reserve currency underlining international trade, finance, and economic stability. However, recent trends explain cracks in this foundation, which inspired economists and policymakers to investigate their future. The letter examines the major factors contributing to the potential decline of the US dollar, including excessive money printing, low gold reserves, the collapse of the petrodollar agreement, and the economic results of the geopolitical changes. Additionally, this research highlights the role of digital currencies, emerging multi-polar financial systems, and the socio-economic effects of dollar devaluation. Special emphasis is laid on the role of the Global Financial Order and International Relations (IR) and BRICS in India, which shapes its implications.

Keywords—Dollar Decline, BRICS, Petrodollar, Digital Currencies, Inflation, International Relations, India.

I. Introduction

US dollar dominance in markets around the world is maintained through a mixture of ancient, economic and geo-political elements. However, as a financial landscape develops worldwide, the dollar faces increasing challenges. This paper examines the decline in the capacity of greenback and the mechanism riding its effects to the economy around the world.

II. Unlimited Money Printing and Inflationary Pressures

One of the important drivers of the greenback's instability is the U.S. Government's competitive financial policy, characterized by quantitative easing and immoderate cash printing. Recent records highlight the gravity of this difficulty:

Dollar Dople: Since 2020, U.S. The Federal Reserve has extended the supply of price range by using a method of more than forty %, reducing the cost of the foreign currency..

Wave impact of global inflation: In June 2022, US inflation improved by 9.1%, the highest rate in four years, affecting economies globally.

Erosion of Trust: According to a Galp survey, between 2018 and 2023, self-belief in the US dollar as a stable currency among worldwide traders fell 15%.

III. Gold Reserves and the Bretton Woods Legacy

The dollar's dominance through the Bretton Woods System was historically anchored to sleep. However, in 1971, the dollar's decoupling from Gold marked a significant change:

Diminishing Gold Backing: By 2023, U.S. About 8,133 MT is in gold, which is inadequate to return to \$ 20 trillion in vogue

Resurgence of Gold Demand: Central banks added more than 1,136 metric tonnes of gold to their reserves globally in 2022, the greatest annual growth in 55 years.

IV. The Petrodollar Agreement and it's Collapse

Petrodollar Gadget, established in the 1970s, played a significant role in strengthening the dollar's global status. However, the current day's inclination has challenged its viability:

Changes in Opportunity Currency: In 2023, Saudi Arabia agreed to change oil with China, taking an important step from Greenback.

Rise of Renewable Power: In 2023, Saudi Arabia agreed to change oil with China, taking an important step from Greenback.

Geophysical Lines: More than 60% of the nations below US sanctions have sought an opportunity for rupees

V. The Role of BRICS in the Evolving Financial Order

BRICS Nation (Brazil, Russia, India, China and South Africa) have emerged as a deadly block tough the greenback economic machine. Major initiatives and effects embody:

Establishment of the New Development Bank (NDB): By 2024, NDB legal \$ 33 billion in initiatives, which reduces dependence on greenbacks-based establishments together with the World Bank..

Promotion of opportunity charge structures: BRICS international locations now account for 31.Five% of worldwide GDP, which allow sturdy trade in local currencies and communicate round an incorporated BRICS foreign money.

China's Digital Yuan Leadership: Digital Yuan finished extra than \$ 12 billion in border cross transactions in 2023, demonstrating its potential to assignment domination of the dollar.

VI. Implications for International Relations (IR)

The moving economic mobility -powered BRICS has a huge implication for global power structures:

- **Disorganization of American suzerainty:** By 2023, more than a hundred countries, engaged in de-dollarization techniques, reflect low dependence on the financial machine.
- **Strengthening of Regional Alliances:** BRICS promotes trade, deep economic relations between international locations with useful resources of 20% in 2022 and has decreased dependence on western-undertake institutions.
- **Challenges to U.S. Foreign Policy:** The efficacy of US sanctions between 2017 and 2023 fell to 30% due to alternative financial systems.

VII. Impact on India

As a major BRICS member, India stands to be greatly benefited from financial orders worldwide:

- **Low Dollar Dependence:** India's bilateral alternative with Russia increased by four hundred% in 2022, which reduced its vulnerability for dollar instability.
- **Economic Flexibility:** Participation in the BRICS initiative expected India to save \$ four billion annually in transactions fees through 2023.
- **Promote Trade and Investment:** BRICS contributed 18% to India's general exports in 2023, exposing the importance of blocks in changes.
- **Geopolitical Leverage:** India's leadership in BRICS strengthened its impact in global talks, with weather speed and digital rule.

VIII. Emerging Trends and Underexplored Dimensions

This research is often identified and analyzed in the first studies in studies:

- **Digital Currencies and Blockchain:** Over 114 countries, representing 95% of the world GDP, are searching for the BRICS participants' main adoption efforts to find virtual currencies (CBDC).
- **Regional and multi-polar financial system:** Trade settlements in non-Greenback currencies reached \$ 500 billion in BRICS international locations in 2023, indicating changes in regional monetary structure.
- **Socio-Economic Results:** Dollar's devaluation has made the inequality of profits in emerging markets, with the poverty rate growing 3% within the most interested countries.

IX. Consequences of Dollar Decline

One way of weakening of the dollar is the implication of difficulty:

- **Global Economic Instability:** A 10% reduction in dollar usage globally could lower global GDP by 0.5%, as estimated by the IMF.
- **Shift in Global Power Dynamics:** By 2023, 41% of global reserves were held in currencies other than the dollar, reflecting the rise of a multipolar financial world.
- **Opportunities for Emerging Economies:** Reduced reliance on the dollar has enabled nations like India and Brazil to enhance economic resilience and local innovation.

X. Conclusion and Recommendations

The USA dollar fall affects each challenges and opportunities. Policy makers should promote international cooperation, sell financial innovation and a multi -object should be in line with financial international through addressing monetary inequalities. For India, energetic participation in BRICS initiative and diversification of its monetary structures can lead to strategic and financial benefits of full size. Future studies should have cognizance to efficiently navigate this infection at the intersection of digital technologies, surrounding economic structures and socio-political techniques.

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Appendix

1) *Appendix A: Data on Money Printing and Inflation*

- The U.S. M2 money supply increased by over 40% in last three years
- The inflation rate in the U.S. reached 9.1% in June 2022, the highest to be recorded since 1981.

2) *Appendix B: Global Gold Reserves*

- U.S. gold reserves: 8,133 metric tons (2023 estimated).
- Global gold purchases by central banks: 1,136 metric tonnes in 2022.

3) *Appendix C: BRICS Economic Indicators*

- BRICS share of global GDP: 31.5% (2023).
- BRICS intra-bloc trade growth: 20% increase in 2022.

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