

Clash of superpowers: Dollar vs Ruble

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Abstract

This study investigates the economic contest between the U.S. dollar and Russia's digital ruble, set against the historical rise and fall of global powers [1]. Since the 1944 Bretton Woods Agreement, the dollar has dominated as the world's reserve currency, bolstered by U.S. economic might, the petrodollar system, and geopolitical influence [4]. The rise of BRICS (Brazil, Russia, India, China, South Africa) and Russia's 2023 digital ruble challenges this hegemony [5]. A centralized digital currency, the digital ruble aims to modernize Russia's financial system, evade Western sanctions post-2022 Ukraine conflict, and advance de-dollarization through local currency trade with allies like China and India [2,6]. This paper examines the digital ruble's role in enhancing Russia's financial sovereignty and its potential to disrupt the global financial order. While it may weaken the dollar's dominance, it risks reinforcing currency dependence, underscoring a paradox in economic autonomy. The findings highlight implications for global trade and monetary systems.

Keywords: U.S. dollar; Digital ruble; De-dollarization; BRICS; Global financial system; Economic sanctions

1. Introduction

History tells us nothing is permanent. We live in an ocean of time, and its main virtue is 'Changing'. Today, you are a slave, tomorrow, you can be the master. Today you are Nikolai Alexandrovich Romanov and tomorrow you can be Vladimir Ilyich Ulyanov (Lenin). Time is the ultimate measure of power and your destiny. Throughout history, various countries and empires have been regarded as dominant global powers or "rulers of the world," depending on their political, military, and economic influence. But in the wind of change, they fall from power and another power becomes the great, and this is the great circle of power and the ultimate paradox of power straggle.

There was a time when Egypt (circa 3100 – 332 BCE) dominated the Nile Valley and influenced Mediterranean trade and culture [1]. Then, the Ancient Mesopotamians (circa 3500 – 539 BCE) came to power. They influenced the Cradle of civilization and contributed to writing, law (Code of Hammurabi), and governance. Then, the Persian Empire (Achaemenid Empire, 550 – 330 BCE) was one of the largest empires in history, spanning three continents (Asia, Africa, Europe). Ancient Greece (circa 800 – 146 BCE) Spread Hellenistic culture, philosophy, science, and military innovations. Roman Empire (27 BCE – 476 CE in the West, until 1453 CE in the East) Influenced Law, architecture, military strategy, and spread of Christianity. The Mongol Empire (1206 – 1368 CE) was the largest contiguous land empire, connecting East and West, facilitating trade and cultural exchange. Chinese Empires (Multiple dynasties, including Han, Tang, Song, Ming, Qing) Influenced Cultural, technological, and political influence over Asia and beyond, especially through the Silk Road. Islamic Caliphates (632 – 1258 CE) Spread Islam, science, philosophy, and trade across the Middle East, North Africa, and parts of Europe and Asia. Spanish Empire (15th – 19th Century) was the First global empire. It colonized vast territories in the Americas, Africa, and Asia. The Portuguese Empire (15th – 20th Century) was the early maritime empire, and it established trade routes to Africa, Asia, and South America. Ottoman Empire (1299 – 1922 CE): Dominated Southeast Europe, Western Asia, and North Africa, controlling key trade routes. British Empire (16th – 20th

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Century) was the largest empire in history, controlling a quarter of the world's land and population at its height. French Empire (Napoleonic Era and Colonial Empire, 19th – 20th Century) Spread of Napoleonic code, influence in Africa, Asia, and the Americas. Dutch Empire (17th – 20th Century) was the Major maritime power, controlled colonies in Asia, the Americas, and Africa, and was key in global trade. Russian Empire (1721 – 1917) they spread Territorial expansion across Eurasia, significant political and military power.

2. Rise of the magic card: Dollar

Finally, everything is lost in time. Those who once ruled with pride are no more. Now it's time for the Americans. The Second World brought everything to America. They are now the biggest power in the world. United States (20th – 21st Century) became a post-WWII global superpower, dominating international politics, economy, and culture. We are all bound to think of them as masters because our second god is ruled by them. Money is our second god. The U.S. dollar became the world's dominant currency due to a combination of historical, economic, and geopolitical factors. After World War II, the Bretton Woods Agreement of 1944 established the dollar as the global reserve currency, linking it to gold and positioning the U.S. at the center of the global financial system. The U.S. economy, which emerged as the strongest post-war economy, with deep financial markets and vast trade networks, reinforced the dollar's international use. Even after the U.S. abandoned the gold standard in 1971, the dollar's influence persisted, largely due to its use in global oil trade (the "petrodollar" system), foreign reserves, and international loans [4]. Trust in the U.S.'s political stability, military power, and robust financial institutions made the dollar a safe-haven asset during economic crises, further solidifying its role as the backbone of the global economy.

3. The first real enemy of America post-Cold War: BRICS

Like it or not, we are ruled by the dollar and by America. If the world wants to get out from the rule of the dollar, they must make something that is more powerful or equally powerful as the dollar. So, BRICS started its journey. BRICS originally started as BRIC in 2001, a term coined by economist Jim O'Neill to highlight the economic potential of Brazil, Russia, India, and China [5]. In 2010, South Africa joined, turning it into BRICS. Its main purpose was to overthrow the power of America.

BRICS was formed to foster economic cooperation, political dialogue, and strategic alliances among its members, providing a platform for these nations to discuss trade, development, and challenges, and to present a unified voice on the global stage, especially in opposition to the dominance of Western institutions like the International Monetary Fund (IMF) and the World Bank [5]. These countries have sought to increase trade among themselves and reduce reliance on the U.S. dollar in favor of using their local currencies. The New Development Bank (NDB), often called the BRICS Bank, was established in 2014 to finance infrastructure and development projects in member countries and other emerging economies. BRICS countries have discussed reducing their reliance on the U.S. dollar for trade and financial transactions, a concept known as de-dollarization [5]. This idea has gained traction in response to U.S. sanctions on countries like Russia and to limit the influence of the dollar in global trade. BRICS members have explored using local currencies or creating a shared currency for trade within the bloc, though these plans are still in development.

4. What is digital Ruble?

The Russian digital ruble is a central bank digital currency (CBDC) developed by the Central Bank of Russia to modernize its financial system and bolster economic resilience, especially in response to escalating Western sanctions following Russia's invasion of Ukraine in 2022 [2,6]. The digital ruble was introduced in 2023 through a pilot program, with full-scale implementation targeted for 2025 [6]. Unlike decentralized cryptocurrencies like Bitcoin, the digital ruble operates on a centralized ledger controlled by the Russian government, ensuring that the state has full oversight over transactions. It is designed to function as a secure, fast, and cost-efficient third form of money, complementing both cash and non-cash rubles, offering the benefits of quick payments, reduced transaction fees, and enhanced financial transparency.

4.1. Difference between cryptocurrencies and digital ruble

The main difference between cryptocurrencies like Bitcoin and the digital ruble lies in their control, purpose, and structure. Cryptocurrencies are decentralized, meaning they are not controlled by any government or central authority and rely on blockchain technology to facilitate peer-to-peer transactions. Their purpose is to provide financial independence and privacy, often operating outside traditional banking systems, but they are also highly volatile due to market speculation. In contrast, the digital ruble is a centralized currency issued and controlled by the Central Bank of Russia. It serves as a digital extension of the national currency, designed to modernize the country's financial system,

improve transaction efficiency, and provide stability since it is pegged to the traditional ruble. While cryptocurrencies prioritize anonymity and decentralization, the digital ruble is fully regulated by the state, offering limited privacy as all transactions are monitored by the government. Additionally, while cryptocurrencies can be volatile, the digital ruble remains stable as its value is tied to the physical ruble and governed by Russian monetary policy.

4.2. Purpose of Digital Ruble

The digital ruble is part of a broader strategy by Russia to protect its economy from the financial sanctions imposed by the U.S. and Europe, particularly following the Ukraine conflict. These sanctions targeted Russian banks and limited their access to international payment systems like SWIFT (Society for Worldwide Inter-bank Financial Telecommunication), a global messaging system that connects over 11,000 financial institutions across more than 200 countries [3]. It enables banks to securely communicate details about financial transactions, such as payments, transfers, and trade orders, without actually transferring money itself.] have pushed Russia to seek alternative mechanisms for trade and financial transactions. The digital ruble, by offering a state-controlled digital currency, provides a way for Russia to reduce its reliance on the U.S. dollar and the global financial infrastructure dominated by Western institutions [2]. This effort is also tied to Russia's ongoing geopolitical conflict with the U.S., as Washington has used economic sanctions to isolate Russia from the global financial system.

5. Digital Ruble: Becoming the symbol of friendship

These sanctions created immense pressure on Russia's economy, isolating it from the global financial system and pushing the Russian government to find alternative ways to manage its financial infrastructure and conduct international trade. In response to sanctions and economic isolation, Russia has also been exploring partnerships with nations like China and India to conduct trade in their local currencies, with the digital ruble potentially playing a role in these exchanges [6]. Russia's push for the digital ruble is also part of a global trend where countries like China (with its digital yuan) are developing CBDCs to challenge U.S. financial dominance [2]. By accelerating the roll-out of the digital ruble, Moscow hopes to not only strengthen its domestic economy but also challenge the influence of the U.S. dollar in global trade. The conflict in Ukraine has intensified this drive, with Russia positioning the digital ruble as a tool to bypass sanctions, diversify its trade partners, and increase its financial sovereignty in a world where economic warfare plays a critical role in international relations.

6. Conclusion

The old world is dying, and the new world struggles to be born: now is the time of monsters. [7]

- Antonio Gramsci

Now, we are the slave of capital on a large scale; we are the slave of the dollar. Maybe we are going to be free soon from the dollar. A new power is rising: the digital ruble. In the end, remember that humans are slaves by nature. Maybe they will be free from the dominance of the Dollar, but ultimately, they are going to be slaves to the Digital Ruble. You can't deny that humans are the ultimate slaves of money.

"Those whose nature is to be slaves, they will only change their master, not their nature." [8]

- Imtiaz Mahmood

Compliance with ethical standards

Disclosure of conflict of interest

The author declares no conflict of interest.

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