

# In God We Trust

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**Abstract:** Should you find the notion of the United States of America having the ability to print money without gold reserves seemingly unjust from a subjective standpoint, this study aims to provide an objective examination. Despite subjective opinions, it is imperative for scholars to acknowledge, if not endorse and support, the prevailing world order orchestrated by the United States and its western counterparts. This research offers compelling reasons why, irrespective of its fairness, any scholar with a modicum of logic and alternative analysis should recognize the real importance of the existing global framework in addition to the financial system, as even with imperfections, the western world operates under democratic principles, contrasting with the alternative of Chinese communism. According to this study, the current world order is characterized by stability. The alternative, if not order, is the potential descent into chaos, which according to quantitative data presented by the study, will impact far beyond the United States' borders: through quantitative analysis, the study demonstrates the potential global consequences of alternative economic systems, particularly the risk of widespread chaos if the current order were to collapse. This research contributes valuable insights into the complex interplay between economic systems, political ideologies, and global stability, offering a foundation for informed policy discussions.

**Keywords:** *Current World Order, the U S Dollar, Financial system, Debt, Currency.*

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## I. INTRODUCTION

In the realm of scholarly exploration, every statement, regardless of its apparent significance, merits attention. This is particularly true when scholars delve into matters of global consequence, such as the ongoing shifts in the world order and the phenomenon commonly referred to as de-dollarization. (Fleur et al., 2024)

Within the context of our study, our focused research inquiries address the severe financial repercussions of an upheaval in the existing world order and the process of de-dollarization (Druzin, 2023). The study explores the intricate web of potential outcomes, pondering what might transpire if Europe and the United States are no longer at the forefront. Furthermore, the analysis ventures into the uncharted territory of envisioning who might emerge as the architects of a new global order and what specific paradigm could replace the democratic framework currently shaping our lives.

This study seeks to propel innovation on both practical and theoretical fronts and is significant now more than ever,

particularly in the context of alliances championing De-dollarization. With the rise of influential partnerships like BRICS (Brazil, Russia, India, China, and South Africa) and the expanding reach of such alliances, the imminent threat to global prosperity has gained unprecedented credibility (García Herrero, 2024). It is imperative for individuals, institutions, and nations to equip themselves both theoretically and practically to navigate and overcome the impending challenges. The United States, as a dominant economic and military power, plays a pivotal role in shaping the current global landscape. Its influence extends beyond its borders, impacting international trade, financial systems, and geopolitical alliances. Understanding the potential ramifications of changes to the U.S.-led world order, especially in the context of de-dollarization, is not just an academic exercise but a critical endeavor for policymakers, businesses, and individuals worldwide. By analyzing the potential scenarios and challenges that may arise, this study aims to equip stakeholders with the knowledge necessary to adapt and thrive in an evolving global environment.

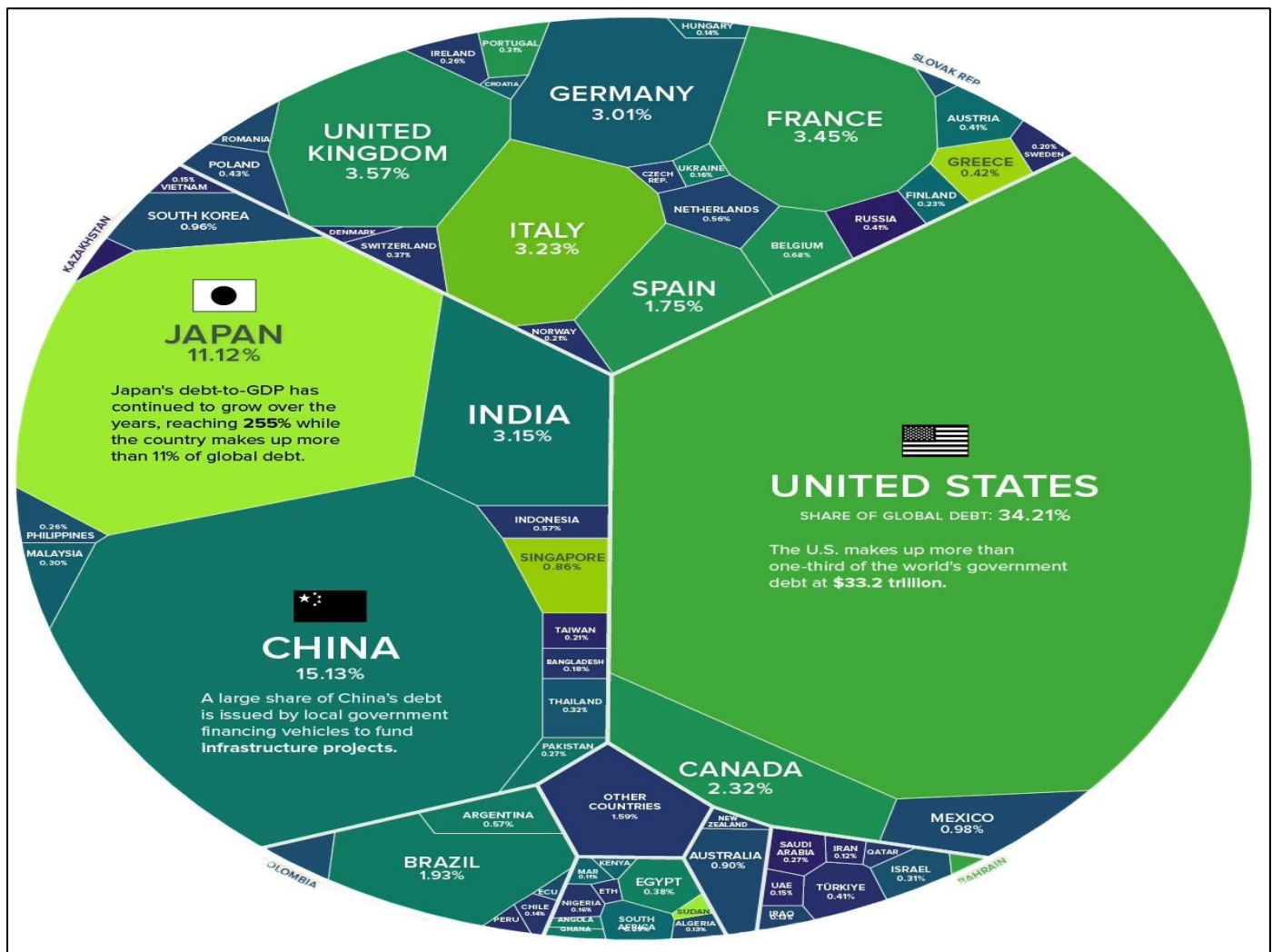


Fig 1 Significance of the United States on a Global level

Source: International Monetary Fund Data IMF – Made Through Visual Capitalist

With a debt surpassing one-third of the global total, the examination centered on the United States holds immense significance for the entire world. Considering the impact of a single institution like Lehman Brothers causing a widespread crisis in 2008 (Cochrane 2009), the potential consequences of a failure in the world's largest economy, which also boasts the most widely used currency, become even more crucial and substantial, therefore understanding the vulnerabilities and resilience of the U.S. economy is thus paramount in anticipating and mitigating potential global financial shocks.

## II. LITERATURE REVIEW

With a increasing power since 1944, the U.S. dollars have established a lock-in effect, covering almost all the globe (Grewal 2008). Throughout more than 80 years, this powerful currency U.S. dollars, was constantly proving an exorbitant privilege (Eichengreen 2011). Our ongoing international order even though looks like a monopoly, but may have been useful for the entire financial system. In fact, this global convention is contingent on four major giant financial institutions which are the World Trade Organization (WTO), the International Monetary Fund (IMF), the United Nations (UN), and the World Bank. These institutions are

supporting our whole economy (Ikenberry 2018) and the foundation of all these four supranational organizations is pertaining to a great degree on the U.S. dollars.

Together with its 193 member countries, the WTO, which accounts for 98% of world commerce, ensures unrestricted international trade while boosting profits (Duesterberg 2019). The IMF, one is one of the few institutions with such an unparalleled degree of credibility. According to the United Nations, the major coordinating body, the UN charter is owned by nearly all governments (Rahman 2002, Gasbarri 2021). Moreover, the US is the largest donor to the World Bank, a significant worldwide supplier of development aid, which has substantial financial reserves (Mazarr 2017, Wolf 2021).

However, a growing trend, for evolving major parallel, direct competitors' institutions, which will be based on a new currency, are competing with Western-denominated currencies. Alternatively, there are reportedly no substitutions to any of these institutions until now, as there is not a serious rival to the world's reserve currency, the greenback.

Many associations have been founded in the recent years, namely ASEAN, G7, G20..., for economic and political purposes. Nonetheless, one of the biggest and is the BRICS.

BRICS group, created for an economic reason and moving towards a deeper political purpose, comprises Brazil, Russia, India, China, South Africa. They represent about 31.5 percent of global GDP as per purchasing power parity terms and this percentage is only expected to increase by 75%

before 2030 (Chris, 2023). Planning to grow internationally on a hand, the BRICS have been establishing new alternative institutions, like NDB (New Development Bank-2009), to facilitate investments across developing economies, in addition to the Asian Infrastructure Investment Bank (AIIB-2016), to finance sustainable infrastructure for tomorrow. On another hand, new countries are joining their group. For instance, Saudi Arabia, which even though have declined so far the invitation to join Brics, yet remains open for possible discussions regarding joining the group in the future.

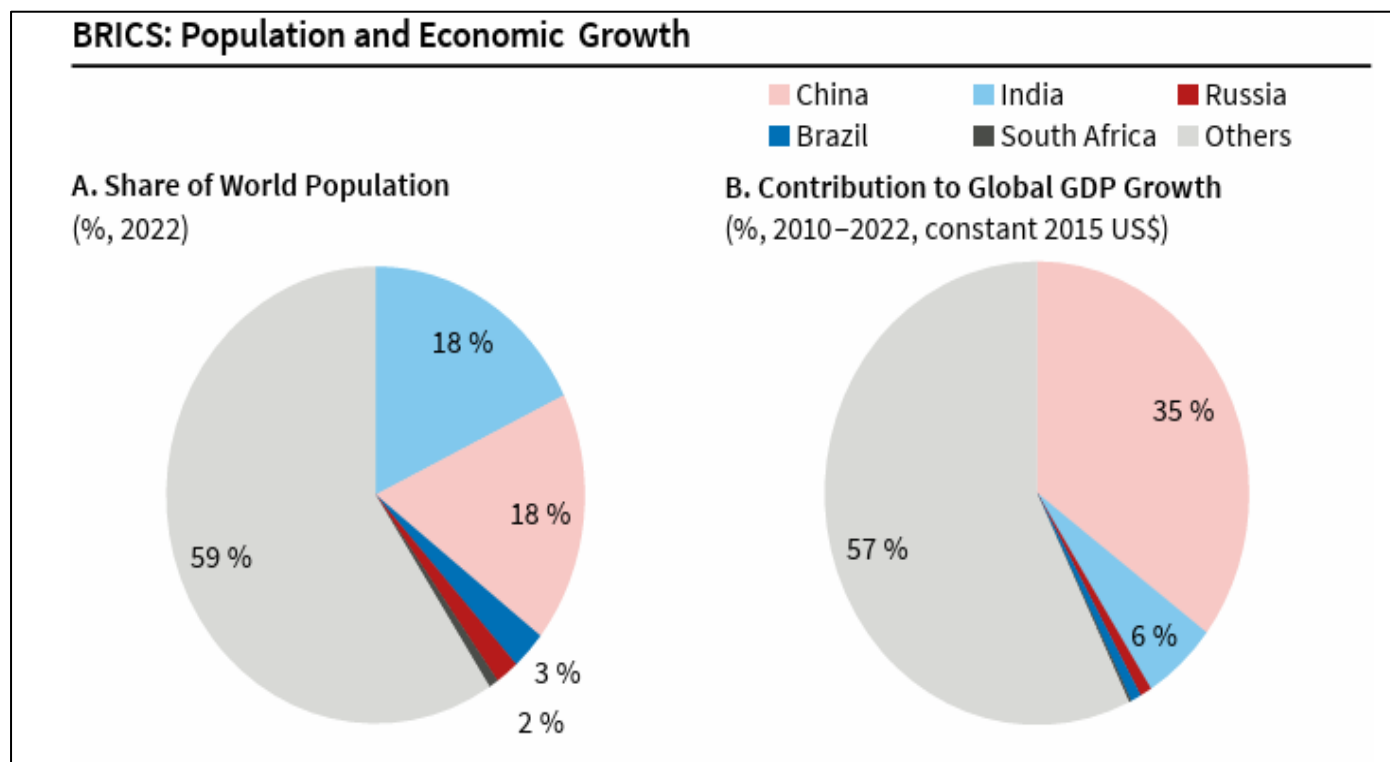


Fig 2 BRICSs According to the World Bank  
Source: The World Bank – Made Through IFO Institute

Nonetheless, China is attempting to reshape the future trajectory of globalization. As a matter of fact, China has the second major center of global economic gravity, and it has the world's biggest consumer market (Wolf 2021). The former is trying to attempt to cause a tipping point, where the market suddenly slides from an old network to a new one, hence seeking to denote a zero-sum game between these two competing networks, U.S. and China (Druzin 2021). Thus, BRICS group, with a China-centric aim, wants to adopt a new currency to dethrone the U.S. dollars (Graham 2024).

Conversely, the offshore availability of the Chinese Yuan is found to be in a short supply compared to the U.S. dollars, and its cross-border employment for settlements is substantially dimmed by the greenback (James 2023). Besides, the convertibility of the renminbi stands confined by their nationals' policies, which in its turn will place a limit on its potential to flourish as a cross-border currency in the financial world. Regarding the subject of international trade, and concerning the emerging market's local currencies, the dollar far more entirely satisfies the four functions of money,

in the manner of a commonly accepted: medium of exchange, unit of account, store of value, and standard of deferred payment. With the greatest part of the world foreign exchange reserves, the U.S. dollars accounts for more than half of these reserves held by central banks, afterwards comes the EUR.

Following World War I, the United States promptly rose to the pinnacle of the financial power rankings. Out of apprehension concerning America's hegemony over the world financial system, and its propensity to "weaponize it", other countries have begun to experiment with alternatives that would undermine the dollar.

As the U.S. dollars network effect englobes more countries, as its own value increases, with the interdependence of its *de facto* currency within international trade. (David 1985, Katz and Shapiro 1985, Arthur 1994). It has advanced to the point of supremacy over the course of more than eight decades.

And ever then, its grip on power has steadied to such an authoritative, worldwide framework.

#### ➤ *Hypothesis Statement*

##### • *Hypothesis 1:*

- ✓ Null Hypothesis (H0): The potential collapse of the U.S. dollar would have insignificant repercussions for countries beyond the United States.
- ✓ Alternative Hypothesis (H1): The potential collapse of the U.S. dollar would have significant repercussions for countries beyond the United States, as measured by their external debt exposure to the U.S.

##### • *Hypothesis 2:*

- ✓ Null Hypothesis (H0): A devaluation of the U.S. dollar would have an insignificant impact on global national reserves.
- ✓ Alternative Hypothesis (H1): A devaluation of the U.S. dollar would have a significant impact on global national reserves, leading to a decline in foreign exchange reserves denominated in U.S. dollars.

##### • *Hypothesis 3:*

- ✓ Null Hypothesis (H0): The most likely alternative to the current U.S.-led world order is a democratic system of governance.
- ✓ Alternative Hypothesis (H1): The most likely alternative to the current U.S.-led world order is not a democratic system of governance, potentially leading to a shift towards authoritarian regimes.

#### ➤ *Hypothesis Development and Rationale*

In accordance with the initial Null Hypothesis, a key objective of this study is to convincingly refute the notion that the potential collapse of the U.S. dollar holds insignificant repercussions for countries beyond the United States. To directly gauge this significance, our focus lies on comparing the external debt of the United States to that of the rest of the world. Emphasizing external debt is crucial as it is owed to nonresidents, thereby directly impacting them.

The selected degree of freedom is 99.99%, representing one of the highest degrees available in statistics. This choice ensures the reliability of the results as the study undertakes a comprehensive comparison of the external debt of the United States against 207 other countries worldwide (CIA USA, 2023).

Table 1 Hypothesis One

Variables Compared	Degrees of Freedom	Goal	Number of Samples	Data Source
US External Debt Vs Rest of the World	99.99%	Measure a Direct impact of a DE dollarization on the rest of the world	207 Countries	Central Intelligence Agency CIA

Nonetheless, even if Hypothesis one proves to be rejected successfully, it merely implies that creditors of the United States would incur losses on funds lent to the American government. To prevent a misguided underestimation of the issue, the second hypothesis assumes that the global national reserves would remain unaffected by a devaluation of the US Dollar. This presumption relies on the belief that governments and central banks worldwide are cognizant of this challenge and have taken proactive measures to address it.

Therefore, the second Null Hypothesis, utilizing data from the International Monetary Fund (IMF), posits that foreign exchange reserves denominated in US Dollars have experienced a decline. Consequently, the proposed de-dollarization would have an insignificant impact on national economies, both developed and developing (Beainy 2023).

Finally, the third Null Hypothesis presumes that as an alternative for the current world order system governed by the United States and the West, a democracy will govern. This hypothesis will use World Bank Data of Gross Domestic products GDP and will use the Economist Intelligence Unit EIU Democracy Index Report.

### III. RESEARCH METHODOLOGY

The primary source of data for this inquiry is the Central Intelligence Agency (CIA) of the United States, providing information on the external debt of more than 207 countries. Another credible source employed in this study is the International Monetary Fund (IMF). The data obtained from the IMF was utilized in collaboration with Visual Capitalist to illustrate the alarming current situation, as depicted in the figure. Moreover, for the second hypothesis, data from the IMF's Currency Composition of Official Foreign Exchange Reserves (COFER) is also incorporated. To ensure objectivity in this scientifically grounded study, the evaluation of democracies and freedom in countries relies on the Global Democracy Index Score of 2022, as issued by the Economics Intelligence Unit (EIU). Additionally, for assessing economic performance, the Gross Domestic Product (GDP) data is sourced from the World Bank's 2023 Report. This approach aims to maintain a rigorous and impartial foundation for the study's findings. The study's reliability is fortified by utilizing trustworthy data sources, coupled with a high level of confidence set at 99.99%, both the former and the latter combined with incorporating well-established statistical tests ensures a robust framework. This meticulous approach instills reasonable assurance that the study's results, whether refuting or confirming the Null Hypothesis, maintain accuracy, presenting an error ratio of 1 in 10,000.



#### IV. RESULTS AND DISCUSSIONS

Table 2 T-Test at a 99.9% Confidence Level

<i>Statistic</i>	<i>Value Us Debt</i>	<i>Value Rest of the World Avg</i>
Mean	\$33,275,951,000,000	\$369,906,173,188
Observations	1	206
Hypothesized Mean Difference	0	
Df	205	
T Stat	27.9	
P(T<=t) one-tail	0	
t Critical one-tail	3.13	
P(T<=t) two-tail	0	
t Critical two-tail	3.34	

With a T Statistic significantly surpassing the T Critical value, the study confidently rejects the Null Hypothesis, affirming that the American Debt, as per CIA data, significantly exceeds the average debt of other nations. In fact, it stands at a staggering 8995.78% higher than the global average. However, the aforementioned data only indicates the precarious nature of the colossal American debt, highlighting that a failure to settle it could result in losses for debtors,

including governments, potentially leading to the forfeiture of their investments. In financial terms, Hypothesis One posits that the American Debt resembles a Debt without Recourse, affecting the rest of the world primarily and solely through their investments. However, this assertion is only partly accurate, as the research delves into in Hypothesis Two.



Fig 3 World Currency Reserves Post Covid-19

Article & Sources: <https://howmuch.net/articles/worlds-top-reserve-currencies-2019> International Monetary Fund-  
<http://data.imf.org>

As per the International Monetary Fund's Data, the repercussions of a potential dollar devaluation extend beyond merely losing investments in the United States. In such a scenario, the world would also risk losing over half of its own reserves. This risk arises because, apart from gold, the US Dollar ranks among the most utilized assets in foreign currency reserves globally. Hence, investing in dollars resembles an investment with recourse, as the potential

repercussions could result in the entire world losing roughly half of its wealth. To underscore the significance of this study further, it's worth noting that, akin to the US Dollar, the Euro—the second most utilized currency globally—is also trust-pegged rather than gold-pegged. Consequently, a staggering 82% of the world's foreign currency reserves would be at risk of depletion.

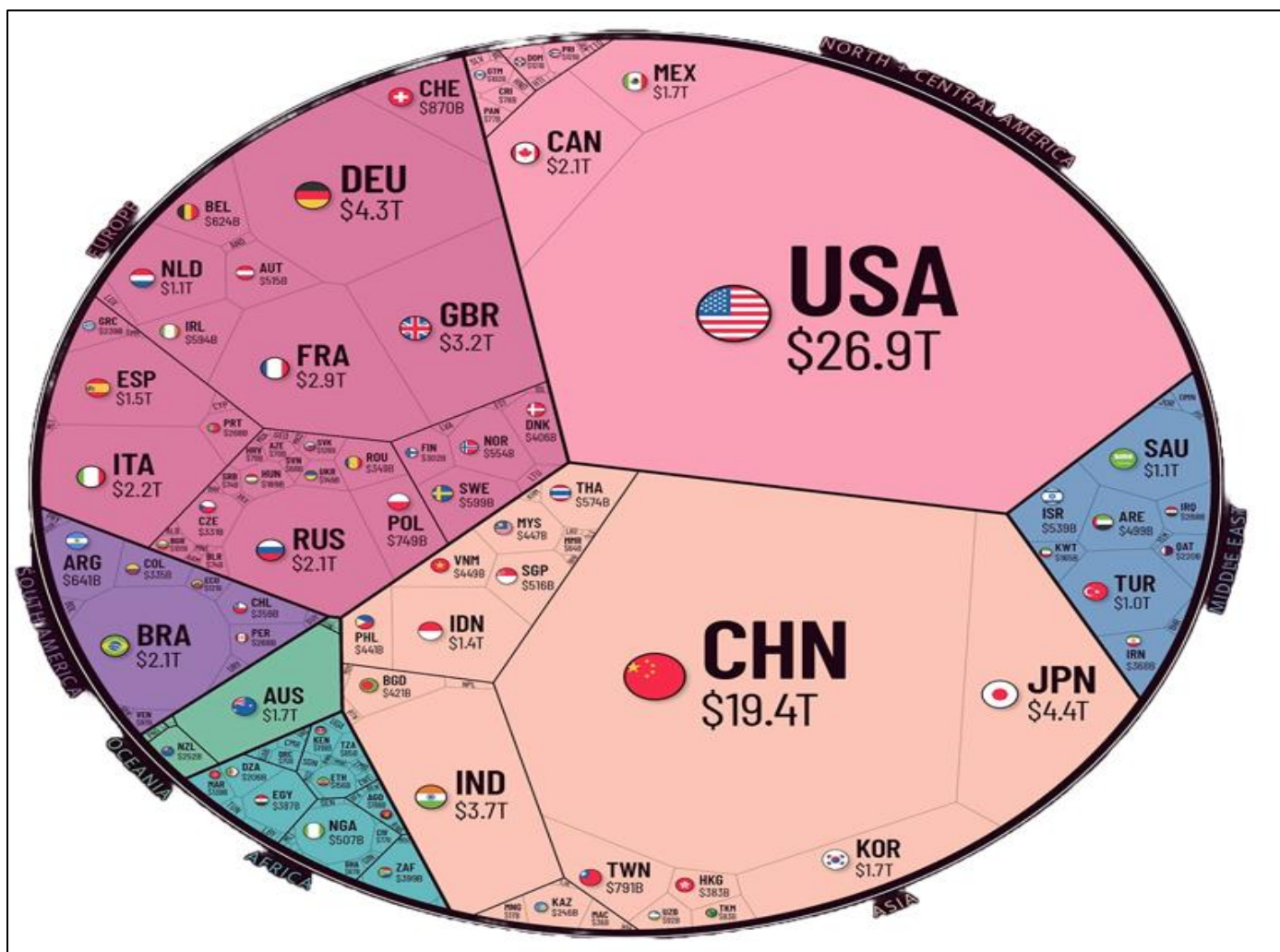


Fig 4 GDP as of 2023

Sources: 1-IMF Data Mapper 2-World Economic Outlook 2023 3-Visual Capitalist (Limitations: No IMF Data Found for Lebanon, Afghanistan, Pakistan, Sri Lanka and Syria)

Based on the aforementioned statistical data derived from reputable and current sources within the realm of international finance, it is evident that the People's Republic of China stands as the world's second-largest economy. Notably, this economic powerhouse operates within an authoritative political system, placing it within the lower percentile of countries in terms of democratic governance, as indicated by the Democracy Index (European Intelligence Unit, 2022).

Upon amalgamating the findings of this study's hypotheses, the first hypothesis posits that a default on United States debt obligations would yield profound global ramifications. This assertion is grounded in the fact that even

though the United States have the highest GDP, technology and Research and development contribution in the world (Beainy and Kamel 2023) USA Debt accounts for over 34% of the total global debt burden. Consequently, nations would face significant losses, not only in terms of their investments in US treasury instruments such as bills, bonds, and notes, but also in the form of substantial depletion of their own reserve holdings. This depletion would stem from the fact that the US dollar constitutes more than half of all international foreign currency reserves. However, this scenario represents a best-case outcome, as currencies such as the euro are tethered to trust rather than the gold standard. Consequently, any erosion of trust in the US dollar would exert adverse effects on the



euro, which stands as the second-largest reserve currency globally.

In summary, the global community would be confronted with the daunting prospect of an 80% depletion in foreign currency reserves should a default on US debt occur. Under such circumstances, the only viable alternative to widespread economic upheaval would lie in the authoritative governance of the People's Republic of China. It is noteworthy that unlike the United States, China does not uphold principles of free speech, religious freedom, or freedom of expression.

## V. CONCLUSION

This study used an objective approach, employing mathematical sciences to generate results with an exceptional degree of confidence, reaching an impressive 99.9% level of statistical certainty. Given the profound implications of this research on humanity at large and on individual lives, it is crucial to recognize that each person will be impacted, even though to varying extents, according to the arguments and results presented by the study.

Irrespective of personal stances on United States policies, whether supportive or critical, it is evident that two alternatives emerge within the current paradigm: the first entails a descent into absolute chaos, in such a scenario individuals would face the loss of life savings and sustainable livelihoods; the second presents the prospect of a new world order under Chinese governance.

While the latter alternative may appear more appealing than the former, individuals who cherish freedom and uphold the intrinsic worth of every human being, such as yourself, would likely find it challenging to endorse the governance of Communist China over that of the Democratic United States.

In contemplating a course of action, it becomes imperative to consider humanity's collective perspective (Beainy and Kamel 2023). Aligning with anti-dollar factions may not serve the greater good, nor the interests of nations supporting such groups. Instead, as scholars and international influencers, our responsibility lies in promoting global stability, human freedom, and democracy.

Despite the formidable challenges that may lie ahead, it is through unity and perseverance that humanity shall endure. In echoing - In GOD we Trust - the motto of the US dollar, let us affirm our trust in the divine providence, recognizing that together, through scholars and practitioners, through thinkers and hard laborers, through education and through work, Humanity will prevail.

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