

Global stablecoin uptake could cement the dominance of the US Dollar

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Dollar-denominated [stablecoins](#) — private digital currencies backed by low-risk, liquid dollar [assets](#) — will strengthen King Dollar. They will be an upgrade to American soft power, reduce the carrying cost of Washington's mountain of debt, and improve the ability of billions of people worldwide to manage their financial affairs and safely and conveniently make and receive payments.

The U.S. enjoys what French Finance Minister Valéry Giscard d'Estaing decried as the "exorbitant privilege" of being able to borrow more cheaply than almost anyone else because of the dollar's role as the world's reserve currency. The greater the demand for dollars, the lower the cost of deficit spending.

It costs [11.3 cents to produce a \\$100 bill](#) and 0 cents to produce 100 electronic dollars. The U.S reaps

seigniorage — the value of goods and services purchased with greenbacks in excess of producing them. For physical dollars held under mattresses and in wallets, Washington enjoys a free loan.

Moreover, the greater the world's dollar dependency, the greater Washington's ability to bring pressure on bad actors by limiting their ability to transact in dollars and to access the dollar-dominated global financial system.

There's huge demand for dollars planetwide. King Dollar is widely used abroad as a unit of account, means of payment and store of value. [Dollar stablecoins](#) enabling people to store value and instantly make and receive payments from mobile phones anywhere anytime will massively boost the dollar's utility and consequently demand for dollars. These are powerful network effects. The more consumers, businesses, and financial institutions use dollar stablecoins, the greater their utility, and, therefore, the greater the demand for them.

The Fed estimates [over \\$1 trillion in banknotes were held by foreigners](#) in the first quarter of 2025, roughly half of total dollar banknotes outstanding, most in \$100 bills. Stablecoins are bearer instruments like hundred-dollar bills but electronic and consequently superior, except for facilitating

criminal activity or paying without electricity, the internet, and electronic devices.

The U.S. dollar is dominant in international transactions and financial markets. It's overwhelmingly the world's most frequently used currency in global trade. From 1999 to 2019, [the dollar accounted for 96% of trade invoicing in the Americas](#), 74% in Asia-Pacific and 79% in the rest of the world. The only exception was Europe, where the euro had a 66% share.

The Fed's [aggregate index of international currency usage](#) — a weighted average of official currency reserves, FX volume, foreign currency debt instruments outstanding, cross-border deposits and cross-border loans — highlights the dollar's enduring dominance. In 2024, the dollar index level was 66.6, the euro 23.8 and the Chinese-renminbi [2.6](#).

The U.S. dollar is legal tender in Ecuador, El Salvador, Panama, Zimbabwe, East Timor, Micronesia, Palau and the Marshall Islands. Hong Kong, Djibouti, the Eastern Caribbean Currency Union, the Cayman Islands and Bermuda use dollar currency boards. And Cambodia, Somalia, Lebanon, Costa Rica, Argentina, Venezuela, Turkey, Vietnam, the Democratic Republic of the Congo and Iraq, are to a large extent dollarized.

Dollar stablecoins address real needs. Their attractiveness, however, varies across different markets.

Existing digital payment systems in much of the world have critical mass, work extraordinarily well and are habit. The U.S. has four general-purpose credit networks, a dozen debit networks, digital wallet-anchored payment systems like PayPal, ACH, RTP, FedNow, and a raft of buy now/pay later systems.

While stablecoins have been the payment system of choice for moving funds in and out of the crypto world, they haven't found compelling mainstream use cases in the U.S. A majority of card purchase volume is made with credit cards offering ubiquitous acceptance, rewards, grace periods, an option to instantly draw revolving credit, robust consumer protections, recordkeeping, and trust.

Notwithstanding being theoretically more efficient, stablecoins are inferior for retail payments.

Instead, domestic changes will be in the plumbing. Stablecoins and deposit tokens will attack the friction of B2B and interbank settlement.

Abroad, however, their impact will be seismic.

Unlike cryptocurrencies such as bitcoin and XRP, backed by nothing, dollar stablecoins could pose a challenge to Swift and correspondent banking. Cross-border payments are less competitive and more expensive than domestic payments. They are supported by a patchwork of payment systems. Stablecoins offer a direct, peer-to-peer rail.

Still, unless and until a critical mass of cross-border payers and payees are operating in dollar stablecoins, there will be on-ramp-from-fiat and off-ramp-to-fiat costs on top of anti-money-laundering and know-your-customer compliance.

In countries plagued by debased national fiat currencies and weak national payment systems, of which there are a great many, dollar stablecoins' opportunity is enormous. There, dollar demand is insatiable, but physical greenbacks are hard to store, dangerous to transport, and awkward if not impossible for commerce, other than face-to-face. Stablecoins can quickly penetrate and dominate these economies through the internet and mobile phones. There will be massive currency substitution.

Many countries restrict the movement of capital abroad. They will find those restrictions more difficult to enforce. Easier and greater capital mobility will be

good for wealth creation and serve as a check on destructive economic policies.

Dollarization 2.0. will create or bolster parallel monetary systems where the U.S. dollar displaces weak local currencies and payment systems not by invasion, but by consumer choice.

From a public policy perspective, if there's a tricky part, it's striking the right balance between safeguards curbing use for criminal activity and ensuring low-friction for licit use. Physical dollars, of course, don't have that quandary.

If the world relies on U.S.-issued dollar stablecoins, that would help Washington police against criminals. They would be easier to monitor, and to blacklist, than with many foreign financial institutions and physical cash. Even when they're issued abroad, the U.S. has leverage to inhibit or effectively kill them.

[Some U.S. policymakers want to push for greater adoption of the dollar abroad.](#) The private sector has built a better mousetrap that can help. The only question is whether Washington will make it difficult to use dollar stablecoins abroad or grease the skids, further tilting the global payments landscape in America's favor, boosting the dollar's dominance and meaningfully improving the lives of billions of people.

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