

Why Gold Stablecoins Will Not Dethrone “King Dollar”

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In *Denationalisation of Money: The Argument Refined*, Nobel Prize-winning economist Friedrich Hayek argued for the benefits of a realm of competing, rather than monopoly, national currencies. Modern digital alternatives, including gold stablecoins, have a long shot at realizing Hayekian currency competition.

While King Dollar remains the world’s leading currency and no obvious, credible competitors are breathing down its neck, policymakers shouldn’t take its dominance for granted. It’s not invincible. The “barbarous relic”—gold—is an interesting dark horse.

The world’s reserve currency is backed by the confidence of its holders. It benefits from overwhelming historical inertia and powerful network effects. It’s underpinned by the world’s largest

economy, deep financial markets, a transparent legal framework, strictly enforced property rights, and the lack of viable alternatives.

The dollar seems strong relative to the currencies of countries that have been more aggressive in debasing their currencies. However, from President Trump's inauguration in January 2025 through mid-February 2026, the Fed's Nominal Broad Dollar Index was down 9.2%. Zooming out further, the dollar has lost roughly 97% of its value since 1900.

Furthermore, Washington's weaponization of the dollar and US-domiciled payment systems has prompted foes, and increasingly friends, to seek alternatives. American payment systems like Visa, Mastercard, American Express, Discover, PayPal, Western Union, and MoneyGram, as well as digital wallets Apple Pay and Google Wallet, are legally banned in pariah regimes such as Cuba, Iran, North Korea, and Syria, along with Crimea and eastern regions of Ukraine. US sanctions also effectively bar the use of these systems in Russia. And with the outsized role of US clearing banks, Washington prevents these regimes from using the world's primary interbank cross-border payment-messaging network, SWIFT.

To protect the dollar's privileged perch, US policymakers must avoid overusing its leverage. That means thoughtfully balancing sanctioning really bad actors with ensuring that the US dollar and payment systems remain sufficiently attractive for everybody else.

Dollar demand worldwide is massive. Fed economist Ruth Judson estimates that roughly half, or perhaps a bit more, of physical US dollars circulate abroad. Dollars held in foreign financial institutions total between \$13 trillion and \$16 trillion. And the demand goes far beyond physical cash and bank deposits: recent research by the Bank for International Settlements highlighted an enormous, hidden financial system, estimating there is \$80 trillion-plus in outstanding off-balance-sheet obligations to pay US dollars, primarily locked up in foreign exchange swaps and currency forwards.

Payments friction is the enemy of commerce. It's time spent authenticating payment credentials, enduring settlement delays, and navigating the regulatory drag on cross-border flows. For decades, the US dollar and payment systems have been the world's lubricant—the path of least resistance for global commerce. Mastercard and Visa are the only genuinely global retail payment systems. Apple Pay,

Google Wallet, and PayPal are powerful multinational digital wallets.

To quantify this dominance, Fed economists developed the Index of International Currency Usage. In 2025, the dollar ranked 59.69, the euro a distant second at 30.18, and the yuan a paltry 2.84.

But as Washington increasingly weaponizes the greenback, much of the world is looking for an off-ramp.

There are, however, no plausible fiat competitors that can dethrone the dollar near-term.

The euro is a multinational currency with heft, but outside the eurozone, it's failed to erode dollar dominance. Today, Brussels and Frankfurt policymakers worry more about dollar stablecoin penetration in the EU, and the dominance of US-domiciled payment networks and digital wallets, than they do about exporting the euro.

When global central banks hold foreign exchange reserves, they need assets that are highly liquid, incredibly safe, and available in massive quantities. The US Treasury market provides a mammoth, unified, and universally accepted pool of safe debt.

In contrast, the euro-debt market is fragmented, and much of it still operates in paper.

Global trade runs on efficiency and historical inertia. People use the dollar simply because everyone else uses the dollar. Almost all major global commodities—oil, gold, and wheat—are priced and settled in dollars, not euros. In the global foreign exchange market, the US dollar is on one side of nearly 90% of all daily trades, while the euro hovers around 30%.

Because the US financial system is so deep, transacting in dollars is cheaper and faster. This high liquidity lowers transaction costs, which in turn attracts even more volume away from the euro.

The underlying plumbing of global cross-border clearing relies heavily on US correspondent banks. The dollar dominates SWIFT used by banks worldwide.

The US is a single geopolitical and military superpower, whereas the EU is an alliance of sovereign states occasionally facing internal cohesion crises. During global panics, capital routinely flees to the unified geopolitical safety of the US dollar, limiting the euro's appeal as an ultimate safe haven.

Notwithstanding China's being an economic powerhouse and its efforts to internationalize its currency, the yuan faces much greater structural barriers than the euro preventing it from displacing the dollar. Transitioning away from the dollar system involves colossal switching costs, and currency dominance is not just a matter of economic size; it's a product of financial plumbing, legal frameworks, and market mechanics.

Beijing maintains strict capital controls to prevent capital flight, manage domestic liquidity, and maintain economic stability. Without unrestricted capital account convertibility, international businesses and global central banks cannot be certain they'll be able to move funds as needed. China's legal and financial systems are subordinate to the state. The inherent political risks—like sudden regulatory crackdowns, capital freezes, and arbitrary policy shifts—deter foreign central banks and institutional investors from making the yuan their primary store of value.

Additionally, global trade and foreign-denominated debt require a massive pool of safe, highly liquid assets where investors, corporations, and central banks can park their cash. China's bond markets are

large, but lack the US Treasury market's depth, liquidity, and transparency.

To supply the global economy with enough currency to facilitate trade, the issuing country generally needs to run persistent current account deficits—buying more from the rest of the world than it sells. China's economy, however, is structurally engineered around manufacturing and exports, resulting in gigantic trade surpluses. The Middle Kingdom absorbs foreign currency rather than exporting the yuan in the quantities necessary to lubricate global commerce.

Finally, the US dollar's value is largely determined by free-market forces. The yuan doesn't float freely. The People's Bank of China tightly manages its exchange rate. Global financial actors are reluctant to adopt a reserve currency whose value is artificially constrained by a central bank.

China's developed alternative infrastructure like the Cross-Border Interbank Payment System (CIPS) and increased bilateral yuan trade with heavily sanctioned nations. These moves only position the yuan as a regional alternative or a geopolitical hedge, rather than a true global replacement. While CIPS handles roughly \$90 billion each day, SWIFT and correspondent banks process \$5 trillion to

\$7.5 trillion daily, and the US banks' cooperative The Clearing House's CHIPS system moves close to \$2 trillion daily.

Network scale matters.

Before looking at non-sovereign challengers, it's worth noting how the digital revolution is reinforcing King Dollar. From January 2021 to February 2026, the market capitalization of dollar stablecoins increased over 1,000%. The capitalizations of the leading tokens, Tether's USDT and Circle's USDC, surged roughly 775% and 1,750%, respectively.

Issuing these stablecoins is highly profitable, as issuers earn interest on short-term US Treasuries while paying *de minimis* interest to token holders. Most dollar stablecoin volume is still tied to traditional cryptocurrency trading, but their utility in the traditional economy is growing. They enhance the dollar's reach, allowing people in countries with debased national currencies and weak payment systems to easily conduct their affairs in dollars via their mobile phones. They are also improving the efficiency and speed of cross-border payments in less competitive corridors.

Dollar stablecoins are boosting the global demand for dollars. However, their share remains miniscule

compared with the total pool of dollars and consequently their impact on the dollar's valuation has been imperceptible.

If no fiat currency can credibly dethrone the dollar, and dollar stablecoins merely extend American financial infrastructure, attention naturally shifts to non-sovereign alternatives—most notably gold.

Over the last decade, the US dollar price of gold has soared a staggering 322%, with the sharpest increases occurring over the last several years. JP Morgan estimated that between 2022 and 2024, global central banks purchased over 1,000 tons of gold annually—the fastest pace of accumulation since 1967. Even though the pace moderated in 2025, central banks still absorbed massive quantities, with quarterly demand averaging over 200 tons. Depending on the valuation methodology, global central bank gold holdings now account for roughly 20% of reserves.

Historically backing or defining money with gold prevented runaway money-printing. The persistent problem, however, is that physical gold is awkward—if not practically impossible—to use as a medium of exchange. Debit cards attached to gold accounts—such as those provided by Glint, VeraCash, and Alpine Gold Exchange—let

consumers spend in fiat currency worldwide, but these solutions remain decidedly niche.

A digital resurrection of the gold standard attempts to solve this, promising the stability of the yellow metal with the velocity of a crypto-asset or a Mastercard transaction. The market is responding: gold stablecoin total market capitalization, while still tiny compared to dollar stablecoins, surged roughly 50% since the start of 2026 to more than \$6 billion, with Tether Gold and PAX Gold accounting for the lion's share.

Despite the allure, particularly for the BRICS bloc and nations weary of American financial hegemony, gold stablecoins face significant hurdles.

Their business model, which relies largely on transaction fees, remains unproven at scale. They face unresolved regulatory questions. Policymakers haven't yet decided whether gold-backed tokens should be treated as securities, commodities, payment instruments, or something else entirely. Moreover, unlike sovereign currencies, gold stablecoins introduce issuer and custody risk: users must trust the gold actually exists and is unencumbered and fully redeemable.

Physical gold is cumbersome; it's expensive to vault, slow to ship, and impossible to spend directly at a point of sale. While the ultimate store of value, it's therefore a terrible medium of exchange.

Gold's weakness has always been velocity.

Tokenization attempts to solve this. Wrapping gold in a cryptographic shell transforms a static asset into high-velocity money. It becomes a bearer instrument that can settle instantly, cheaply, 24/7, outside the purview of SWIFT or the Office of Foreign Assets Control. This undercuts the pricing power of traditional B2B payment processors and bullion brokers. Furthermore, gold tokens enable people in hyperinflationary economies to hold fractionalized amounts of physical gold directly on their mobile phones, avoiding fiat debasement.

Gold stablecoins offer a fundamentally different value proposition than traditional payment rails: they are an independent monetary base moving on a near-free digital highway. Their daunting challenge is achieving network critical mass. Geoffrey Moore's seminal book *Crossing the Chasm* provides a framework for thinking about how challengers displace dominant incumbents: they must find and dominate niches before crossing the chasm into the mainstream. Gold stablecoins have a fighting

chance to establish beachheads in sectors where the primary concerns are avoiding counterparty risk, protecting purchasing power, and evading geopolitical censorship.

Nevertheless, it's hard to bet against King Dollar. Those predicting the imminent death of the dollar at the hands of a "Golden Tether" are confusing an asset with a network. A currency is not merely collateral or a store of value; it's the sum of its legal, financial, and institutional infrastructure, cemented by the deepest, most liquid capital markets in human history.

If a Brazilian soy exporter accepts a gold stablecoin from a Chinese buyer, that transaction is frictionless only in isolation. The friction returns the moment that exporter needs to pay taxes, buy American machinery, or service dollar-denominated debt. Unless the entire supply chain and the sovereign tax authority also pivot to gold, the recipient is forced to off-ramp back into fiat, incurring the very conversion costs and exchange risks the stablecoin was meant to avoid.

For gold stablecoins to compete with, much less displace, the dollar, they cannot simply be a digital warehouse receipt for bullion. They must evolve into a transactional currency. There would need to be a

parallel financial ecosystem where credit is issued in gold terms, invoices are settled in gold terms, and merchants prefer the stability of gold over the convenience of the dollar.

That future, while not impossible, is distant. Gold stablecoins' best prospects are carving out niches as a settlement layer for non-aligned trade and serving as a sovereign hedge against dollar weaponization. They may well serve as a "break glass in case of emergency" payment rail.

The dollar will not lose its crown because a better technology comes along; it will only lose it if Washington destroys the network effects that keep it there. Until then, gold stablecoins are a fascinating hedge and may grow into a meaningful parallel rail, but King Dollar will remain the operating system of global commerce.

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