

CBDCs: a government solution in search of a problem

By Eric Grover

The Paypers

April 1, 2026

Four contenders are routinely hyped as poised to disrupt the reigning global payment system: (1) stablecoins backed by fiat currencies - principally dollars, but also gold and other assets, (2) unbacked cryptocurrencies, (3) Central Bank Digital Currencies (CBDCs), and (4) shared ledgers enabling near-instant atomic exchange between national payment systems. They've attracted public and private capital, as well as evangelists and sceptics.

Not all digital-money innovations are created equal. They differ in governance, trust models, regulatory posture, and real-world utility and adoption.

For consumers and businesses in most countries, however, private-sector dollar stablecoins will be the most consequential near-term. Dollar stablecoins can immediately serve multiple compelling payments

use cases worldwide, boost King Dollar, and improve the lives of billions of people today relying on weak national currencies and inefficient payment systems.

Global demand for dollars is enormous. As the [IMF observes](#), ‘Dollar demand is underpinned by the strength of the US economy, the quality of its institutions, and the depth of its financial markets. These dynamics are reinforced by strong network externalities - as users benefit from using the same currency - and strategic complementarities across the dollar’s various international functions.’

Cryptocurrencies not backed by real-world assets or claims debuted with Bitcoin in 2009. Since 2014, over half of the 24,000-plus cryptocurrencies launched have failed. As of February 2026, only five of them had market capitalisations greater than USD 50 billion (BTC, ETH, BNB, XRP, and SOL). They’ve struggled to find compelling mainstream payment use cases and a path to network critical mass. They are too volatile in value, face a hostile regulatory environment, lack trustworthy and accountable governance, and often suffer from inferior technical performance.

Consequently, none has found a critical mass of people willing to pay with them or merchants willing

to accept them - the fundamental prerequisites for payment network relevance and value.

[More than 130 countries](#) are exploring, have launched, or are piloting CBDCs. They're a government solution in search of a problem.

The first retail CBDC, the smartcard-based Avant, was launched in 1993 by the Finnish central bank. The central bank quickly lost its appetite for running a consumer-facing business and, in 1995, sold Avant to a group of commercial banks. Consumers found Avant inferior to debit cards and cash, and it was shuttered in 2006.

Ecuador's central bank [launched a retail dollar CBDC in 2014](#). It was distributed by the state's mobile network operator, CNT, and offered VAT refunds to incentivise use. It was finally shut down in 2018. Over the system's life, only 42,000 consumers and 7,000 merchants ever used it, totalling a mere USD 65 million in payments.

Economist Larry White noted, 'There is no reason to believe that a national government can run a mobile payment system more efficiently than private firms... If the government sincerely wishes to help the poor and unbanked, it should let private providers enter

the competition, which will drive down the fees that the poor and unbanked will have to pay.'

Trust - not technology - was decisive. White added, 'Personally, I would find dollar-denominated account credits that are claims on [the leading private mobile phone companies] Movistar or Claro more credible than claims on the government of Ecuador. After all, unlike the government, neither company defaulted on its bonds in the past 12 years.'

Ecuador's dollar CBDC failed because people didn't trust the central bank, fearing the system was a Trojan horse to de-dollarise the economy, and because of its reliance on a single distributor - the state MNO.

Recent attempts have fared no better, despite improved technology and broader awareness. Launched in 2020, the Bahamas' CBDC, the Sand Dollar, makes up less than 0.5% of currency in circulation and has achieved minimal use. Nigeria's eNaira debuted in 2021; it's not trusted, and usage is *de minimis*. Jamaica launched its JAM-DEX in 2022. Thus far, it has been used as a government transfer mechanism, but consumer payments are negligible. The Eastern Caribbean Central Bank shut down its initial DCash platform and is currently in 'reboot'.

The ECB is promoting its digital euro as critical to competing with US-domiciled payment networks like Mastercard and Visa, as well as digital wallets such as PayPal, Apple Pay, and Google Wallet. ECB President Christine Lagarde warned that Europe must not rely on foreign payment systems for critical payments infrastructure.

A [coalition of academic progressives](#), financial reform NGOs, and inequality scholars captures the euro-zeitgeist, arguing that a digital euro is essential to protect European sovereignty. The signatories are largely economists critical of - if not outright hostile to - private-sector banking, payment systems, and US-domiciled financial institutions.

Policymakers in Brussels and Frankfurt are mortified by the possibility that the next payment system European consumers and businesses embrace will be dollar stablecoins.

While no wholesale CBDC is yet commercially relevant, they may have promise. Project Helvetia III is a pilot between the Swiss National Bank and SIX Digital Exchange, providing instant swaps of wholesale Swiss Franc CBDCs for banks trading securities on the SIX exchange. The Banque de France has built a proprietary blockchain (DL3S) to

enable the Eurosystem to settle tokenized assets, but it is not yet live.

Meanwhile, private-sector deposit tokens are already operating. JPM Coin runs on a permissioned public blockchain, and Citi's Deposit Token Services runs on a private chain. Both are enabling early-stage instant, 24/7 cross-border and domestic funds transfers.

Several initiatives aim to make CBDCs and national banking systems instantly interoperable across borders. If widely adopted, they could improve cross-border payments. But dollar stablecoins and Mastercard's and Visa's instant credit-push systems already operate globally.

The BIS-led [Project Agorá](#) is a collaboration between the Fed and the central banks of the UK, Japan, France, Switzerland, South Korea, and Mexico, along with the dominant global cross-border interbank payment-messaging network Swift and over forty financial institutions. Its goal is to establish a common ledger enabling near-instant exchange of CBDCs and commercial bank deposit tokens - a radical upgrade to the existing system.

In contrast, mBridge aims to bypass the reigning dollar-anchored global system. Developed initially by

the BIS, it enables China's PBOC - first among equals - and the central banks of Hong Kong, Thailand, the UAE, and Saudi Arabia to settle payments.

In October 2024, tellingly, the BIS disassociated itself from mBridge. The official reason was project maturity; the reality was that the platform was being positioned as a means to evade Western sanctions.

The IMF has proposed its XC platform, a centralised or distributed ledger that would be used to support the atomic cross-border exchange of tokenized CBDCs, bank reserves, and foreign exchange assets.

Competition isn't based primarily on these systems' technical merits. They only need to be 'good enough'. Governance, trust, and having compelling real-world use cases matter more.

Mastercard, Swift, and Visa already provide governance, rules, and trust for payments worldwide. Each, therefore, has a powerful platform on which to support the real-time interoperability of value exchange between national systems. There is a risk they'd cannibalise their existing business, but it is always better to cannibalise yourself and dominate a new space than cede it to competitors.

Many policymakers in Brussels, Frankfurt, Beijing, Moscow, Caracas, and even Washington, D.C., fear private money will erode state control over payments. Yet consumers and businesses already rely principally on private commercial bank money. Private stablecoins - operating across dozens of public blockchains - will be far more responsive to market needs and will out-innovate the Fed.

Multiple systems supporting instant cross-border interoperability between national systems may eventually find a path to network critical mass. But governments shouldn't privilege CBDCs.

A dynamic mix of competing currencies and payment systems - chosen by consumers, businesses, and banks - maximises value.

Dollar stablecoins enabling instant payments anywhere, anytime, will have a major near-term impact. Longer term, platforms enabling instant atomic exchange of value between public and private national systems may also play meaningful roles.

About Eric Grover

Eric Grover is the Principal at [Intrepid Ventures](#), providing corporate development and strategy consulting to financial services, payment network, and processing businesses, principally in North America and Europe. He's a payment thought leader with a comprehensive understanding of the global payment network and processing space,

including each stage in the payments value chain: credit, debit, and prepaid issuing, issuer processing, payment networks, and merchant acquiring and processing. His prior experience includes Visa International, GE Consumer Finance, BofA, NationsBank, Transamerica, and serving as a director on Nordstroms credit card A/R subsidiary's board.