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Cryptocurrency Mercantilism and Monetary Sovereignty: the Challenge of US Stablecoins for Europe

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The US government is actively promoting cryptocurrencies, especially stablecoins, which are digital assets backed by a reference currency. This strategy goes beyond the national financial framework; it aims to consolidate the global dominance of the dollar and reshape the international monetary order. By favoring dollar-backed stablecoins, the United States hopes to strengthen the influence of its tech giants in payments, and boost demand for dollar-denominated assets, particularly its public debt. The Genius Act provides the legal basis for this approach, in contrast to the European Markets in Crypto-Assets Regulation (MiCAR), which favors consumer protection over the financial risks of stablecoins. The US policy could weaken the efforts of the European Central Bank (ECB) to increase the international role of the euro, and threatens the monetary sovereignty of many countries. To avoid this, the EU would benefit, along with its partners, from defending a multilateral payment system based on cooperation.

The digital monetary revolution is now at the heart of global economic and financial debates. For more than a decade, the emergence of decentralized crypto-assets, such as Bitcoin and Ethereum, has fueled the imagination of alternatives to traditional monetary systems. However, their volatility and lack of economic anchoring have prevented them from acquiring a truly monetary role. They remain investment instruments rather than means of payment.

It is in this context that stablecoins have emerged. These digital tokens, issued by private actors, promise stability of value by being backed by assets considered safe (bank deposits, public debt, etc.) and by maintaining a fixed parity with a reference currency (dollar, euro, etc.). Their mechanism aims to ensure perfect convertibility with a reference currency, most often the dollar. Unlike decentralized crypto-assets, stablecoins seem capable of fulfilling the three functions of money: unit of account, store of value, and medium of exchange. Their rapid development has not escaped the attention of governments. In the United States, the new administration has decided to make them a strategic lever. In January 2025, a presidential decree called for support for innovation and the global dissemination of dollar-backed stablecoins. This pro-stablecoin policy is part of a general policy promoting all cryptocurrencies, but it has particular implications for US public debt and the international monetary system.

The objective is clear and has been repeated several times by Donald Trump and Scott Bessent: to use these private currencies to strengthen US monetary hegemony and consolidate global demand for US public debt.[1] This strategy, which can be described as crypto-mercantilism, is based on an alliance between the state and private companies, similar to the classical mercantilism of the 18th century, when European states relied on their trading companies to develop their power abroad.[2] The aim here is not to increase commercial exports,

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1. Monnet, E. (2025). Cryptomercantilism: Donald Trump's Monetary Doctrine. *SUERF Policy Brief*, No. 1139, April. More recently: Scott Bessent Bets on Stablecoins to Bolster Demand for Treasuries. *Financial Times*, August 20, 2025.
2. Orain, A. (2019). The True Nature of Contemporary Mercantilism. *Esprit*, No. 456, pp. 89-101.

but to use dominance over means of payment to encourage the holding of US public debt outside the United States. It is therefore a new means of monetary power without precedent in history, made possible only by the novelty of cryptocurrencies. Some analysts, and the Treasury Secretary himself, have estimated in the press and in several reports that the holding of US debt by stablecoin issuers could reach $2 trillion within a few years (2030): an amount higher than the US public debt currently held individually by Japan, China, or the European Union.

The Genius Act, passed by the US Senate in July 2025, aims to make this strategy possible by providing a legal framework for stablecoins in the United States. The objective is twofold: to put in place regulations that make stablecoins safer (so that they are more easily adopted), while ensuring that they remain highly profitable – and therefore sufficiently risky – for the companies that issue them. The aim is to facilitate both supply and demand.

Faced with this offensive, the European Union (EU) can only rely on the Markets in Crypto-Assets Regulation (MiCAR), which came into force in 2023, to strictly regulate stablecoins and protect consumers. The European Central Bank, for its part, is moving forward with the digital euro project, designed as a public alternative to private stablecoins. Although MiCAR was designed before the Trump administration's offensive on stablecoins, it does prevent dollar-backed stablecoins from quickly dominating the European payment system. Two opposing visions are thus at play: an offensive United States, which is banking on private innovation to strengthen its monetary power, and a defensive Europe, which favors regulation and monetary sovereignty. The central question is therefore how Europe can preserve its monetary autonomy and strengthen the international stature of the euro in a world where dollar-backed stablecoins risk increasing dependence on the dollar and marginalizing the euro.

The American crypto strategy: a new chapter in the history of currency

Stablecoins are part of a long tradition in which public and private currencies coexist. Monetary history is marked by compromises between sovereign authority and private financial and monetary initiatives. In the 19th century, the United States already had a multitude of banknotes issued by private banks, whose value was guaranteed by public debt held in reserve by these banks. Today, bank deposits are the main form of scriptural money and are credible thanks to the implicit support of the Central Bank and deposit guarantees.

Stablecoins follow the logic of the 19th-century US banking system, which was known for being highly unstable and crisis-prone, but in a digital version; they are private currencies, but their value depends on being pegged to more or less secure assets.[3] The novelty lies in the technological infrastructure; instead of circulating through the banking system, they are exchanged directly on blockchains, accessible in real time, which guarantees the security of transactions.

A stablecoin works on a simple principle. The issuer issues digital tokens (currency), whose value is guaranteed by assets purchased in exchange for this monetary issuance. Each token can then be freely traded on the markets, with the guarantee of one-to-one convertibility into a reference currency. This promise of stability distinguishes stablecoins from other decentralized crypto-assets (such as Bitcoin).

Numerous studies have highlighted the significant financial risks posed by stablecoins.[4] Indeed, a stablecoin holder may want to exchange it for a reference currency. If doubts arise about the reliability of a stablecoin issuer and all holders request this exchange at the same time, there is a risk similar to that of a bank run. In practice, this risk can be limited by requiring stablecoin holders to hold very secure and liquid assets. However, these assets generally offer low returns. The less restrictive the regulations, the more issuers will seek to hold a portion of higher-yielding, riskier, and less liquid assets, which may prove insufficient in the event of a bank run.

Since stablecoins can circulate worldwide, they could be adopted on a massive scale by any country as a means of payment. If the value of these stablecoins is pegged to the dollar, this could lead to the quasi-dollarization of payments in a given country, even if the currency used is not directly the dollar. By facilitating quasi-dollarization through access to digital payment technologies, stablecoins could therefore upset national and global monetary balances.

In May 2025, the total capitalization of stablecoins exceeded $250 billion. Three-quarters of this was concentrated in two US issuers: Tether (USDT) and Circle (USDC). Conversely, euro-denominated stablecoins remained marginal, accounting for less than 0.1% of the global market. Beyond the current figures, it is the potential for adoption that is causing concern. In emerging countries facing inflation or banking fragility, stablecoins offer a simple and credible alternative. They greatly facilitate domestic and international payments in countries with low levels of banking penetration, and represent a more stable store of value than the national currency in countries with high inflation. In countries where a significant proportion of the population does not have bank accounts, but where the entire population has access to phones and mainly uses apps (for payments, purchases, social media) owned by large American technology groups, the latter could quickly enable payments in dollar-backed stablecoins. This is what a White House report published on July 30, 2025 recommends.

3. Gorton, G. B. & Zhang, J. Y. (2023). Taming Wildcat Stablecoins. University of Chicago. *Law Review*, vol. 90, p. 909.
4. See, among others, Gorton & Zhang, *op. cit.*

Regulation of stablecoins: Genius versus MiCAR

Currency is not a strictly defined category; different assets can acquire a more or less "monetary" character depending on the applicable legal framework. Several key regulatory variables make stablecoins "monetary" and make it possible to limit, to a greater or lesser extent, the risks associated with allowing private actors to issue such currency. The European and American approaches differ widely. The latter allows for more risk-taking (and therefore higher returns) in order to promote the supply of stablecoins and their international circulation.

Determining who has the right to issue stablecoins sets the applicable regulatory framework and defines the scope of supervision. In the EU, only credit institutions or authorized electronic money institutions may issue stablecoins in the form of electronic money tokens. In the US, the Genius Act allows subsidiaries of banking institutions or qualified non-banking institutions with an *ad hoc* license to issue stablecoins. Furthermore, the regime applicable to significant issuers is very different on either side of the Atlantic. The Genius Act takes a uniform approach, with virtually identical requirements for small issuers and systemic players alike. Conversely, in the EU, issuers deemed significant in terms of size, volume or systemic importance are subject to a much stricter regime, particularly with regard to reserve management and basic prudential principles.

The rules governing issuance and redemption (i.e. the convertibility of the stablecoin into the currency to which it is pegged) are crucial in defining the "monetary" nature and credibility of the issuer's promise. In both MiCAR and Genius, redemption at par is mandatory, and stablecoins cannot be remunerated by an interest rate. With regard to assets to be held in reserve, the European regime is much stricter; 30% of these assets must be deposited in a bank account, with the remainder only being invested in highly liquid financial instruments. The US regime, on the other hand, is much more flexible, allowing for a wider range of investments. In the event of a crisis, MiCAR requires the existence of early management tools, already used in money market funds, to stop panic. In the US, the regulator sets capital and liquidity requirements on a case-by-case basis. Under MiCAR, issuers – especially when they are classified as significant – must comply with predefined quantitative and qualitative requirements. And the ECB can force the suspension of the issuance of stablecoins backed by a foreign currency if their circulation becomes too significant and therefore threatens the implementation of monetary policy in the eurozone.

Finally, both regimes prohibit unlicensed issuers from operating legally on their territory. But the United States seeks to attract foreign issuers as long as it can maintain political control over them. The Treasury Secretary may authorize a foreign issuer on a case-by-case basis and enter into international agreements to facilitate the interoperability of payments in dollar-backed stablecoins issued abroad. The EU, on the other hand, limits itself to encouraging cooperation between supervisors. Access to the European internal market is based on the "equivalence" mechanism (the granting of approval to a stablecoin originally issued in another jurisdiction), but this is not provided for in the current version of MiCAR; the Commission must examine the possibility of introducing it by June 2027.

What are the risks for the monetary sovereignty of the eurozone?

Even with relatively high adoption rates among households, the role of stablecoins in the European monetary system could remain limited, at least initially. If all users in the eurozone exchanged all their banknotes for stablecoins, the total volume of banknotes in circulation would be replaced, representing around €1.5 trillion. In a more ambitious scenario, if every working-age European citizen (aged 15 and over) held an average stablecoin portfolio of €500 for everyday payments, the total volume would reach around €191 billion, or €382 billion with an average portfolio of €1,000. Although these amounts are not insignificant, they remain modest compared to current bank deposits in the eurozone; €5,173.6 billion in demand deposits and €2,304.2 billion in short-term deposits (up to 3 months). According to MiCAR, 30% of stablecoin assets must remain in demand deposits, leaving 70% (a maximum of €267 billion) investable in securities, an amount insufficient to significantly destabilize bond markets and monetary policy autonomy. Total public debt in the eurozone stands at €12,753 billion (with French, German and Italian public debt each representing between €2,500 and €3,000 billion).

The use of stablecoins by businesses would represent a much more significant change. Businesses are key players in European payment systems because they influence consumer payment behavior and manage business-to-business payments. These payments are essential; although bank transfers (mainly between businesses) account for only 22% of the number of non-cash transactions in the euro area, they represent 93% of their total value. If euro area businesses started paying the current €235 billion in monthly salaries via stablecoins and using them for business-to-business transactions, the volume of stablecoin usage could increase considerably. In this scenario, a significant portion of the €2,450.8 billion in demand deposits currently held by businesses could migrate to stablecoins. That said, companies currently have little incentive to bypass the banking system for payments – particularly for wages – as banks offer a comprehensive range of integrated financial services, including credit and cash management. The strongest incentive would likely be in cross-border payments, where stablecoins could offer faster and cheaper alternatives to traditional international bank transfers.

Central bank digital currencies (CBDCs) may be a suitable alternative to stablecoins for making domestic payments faster and more anonymous than bank transfers or card payments. Competition between stablecoins and CBDCs may also encourage banks to improve their payment systems and make them less expensive. However, stablecoins could prevail if their issuers were allowed to offer cash rewards or discounts. The introduction of the digital euro is therefore an essential policy to limit the use of stablecoins in the euro area and encourage banks to improve their payment systems. Furthermore, if inflation remains low in the euro area, there is no advantage in using stablecoins to protect against the real loss of value of the euro. However, digital bank payments and CBDCs may offer more stable and attractive alternatives for domestic payments in the euro area, but this is not yet guaranteed for international payments.

A cooperative multilateral payment system as a countermeasure to the privatization of international payments

While European regulations severely limit the likelihood of widespread use in Europe of dollar-backed and riskier stablecoins, this is not currently the case in countries that do not yet have appropriate regulations, where banking players are less present and inflation is unstable.

The risks for the EU in this case would be indirect, involving:

- important economic partners losing their monetary sovereignty or suffering a financial crisis due to the widespread use of dollar-backed stablecoins by their populations;
- the international role of the euro diminishing, even though strengthening it is a priority objective for the European Commission and the ECB.

To avoid these risks, it seems neither realistic nor desirable for the EU to try to compete with the United States by promoting euro stablecoins through a weakening of MiCAR.

The current low market share and US dominance in internet technologies (particularly by GAFAM: Google, Apple, Facebook, Amazon, and Microsoft) show that the prospect of widespread international adoption of euro stablecoins is remote. And the very principle of stablecoins implies that they must be relatively risky for issuersin order to remain profitable, which *ultimately* shifts the risk to users. Apart from the speed of payments, their usefulness in a credit system seems limited at this stage.

An active policy of internationalizing the euro, on the other hand, can act as a stabilizing – rather than hegemonic – force, helping other countries to counter the risk of dollarization through dollar-backed stablecoins. The EU could thus benefit from wider use of its currency, while third countries would benefit from stable, reliable international means of payment, and respect for their monetary sovereignty.

The EU could thus promote a policy of developing digital payments around the world. This requires the development of infrastructure that ensures the interoperability of CBDCs and fast payment systems, such as Pix in Brazil, for cross-border payments.[5] The development of a cooperative and multilateral approach to payment systems between countries seems to be the only way today to avoid the privatization of international payments international payments via stablecoins indexed to the dollar.

5. Reslow, A., Soderberg, G., & Tsuda, N. (2024). Cross-border Payments with Retail Central Bank Digital Currencies. International Monetary Fund; and van 't Klooster *et al., op. cit.*

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