Stablecoins: Modern Money

The debate over monetary architecture in the digital age.

By Dante Disparte

There is a comforting neatness to the argument that central bank digital currencies are the only future-fit form of money. On one side, there is fragile private money, forever prone to panic and collapse, while on the other, safe public money, issued and guaranteed by the state. It is a tidy binary. It is also the wrong debate.

The real question facing policymakers is not whether digital dollars should exist (they already do, by the hundreds of billions), but how they should be delivered. Should the state operate the retail money system directly, becoming the ledger-keeper for every citizen and enterprise? Or should digital dollars move through regulated private institutions, operating under public rules, public rails, public supervision, and with public backstops?

History and new laws, such as the 2025 U.S. GENIUS Act, have already answered this question, and not in favor of monopoly. Every durable monetary system of the last century has combined three things: sovereign money, private distribution, and public supervision. Central banks issue the unit of account, while commercial institutions carry it into daily life and regulators keep both the rules and operators honest. Nowhere in this formula does the state need to run the retail rails itself, for the true goal of a modern payment system is optionality, including the preservation of cash, the ultimate offline thrift. The mistake in the CBDC-only worldview is treating disintermediation, or cutting private hands out of money altogether, as a safety feature rather than what it actually is—a radical and untested restructuring of finance.

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YESTERDAY'S FAILURES ARE NOT TOMORROW'S ARCHITECTURE

Stablecoin critics invoke the ghosts of Terra-Luna and the broader wreckage of algorithmic stablecoins to indict the entire category. This is a bit like judging the safety of modern aviation by the record of early biplanes. Algorithmic stablecoins were not undercapitalized banks, they were unbacked promises dressed up as currency, sustained by little more than reflexive belief and false promissory statements on social media. Their failure was not a referendum on stablecoins. It was a referendum on the absence of reserves, something that has plagued the entire banking system necessitating public backstops and bank guarantee insurance, like the Federal Deposit Insurance Corporation.

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A properly regulated payment stablecoin looks nothing like that. It is fully reserved, bankruptcy remote, and redeemable at par on demand. Its backing sits in cash and short-dated Treasuries, not in exotic collateral or circular tokenomics. It is barred from maturity transformation, the very practice regulators rightly criticize when banks do it, funding long-duration, risky assets with liabilities that can flee overnight. That critique is well-earned against fractional-reserve banking. It simply does not travel to an instrument that is designed, by regulation, never to take that risk in the first place. Conflating the two is the analytical error at the heart of the CBDC-only case.

A WELL-REGULATED STABLECOIN REGIME

That digital payment networks may accelerate bank runs is a valid concern. But the answer to a faster, more digital financial system is not to make money more opaque, friction-laden, and analog. It is to make money more transparent, fungible, and accessible. This is precisely what a well-regulated stablecoin regime delivers. Reserves can be attested to daily, sometimes in real time. Redemption is near-instant and observable. Settlement is continuous rather than batched overnight, the way legacy banking still operates behind a curtain of end-of-day reconciliation. The prevailing regulatory regimes on either side of the Atlantic, and in major financial centers around the world, make stablecoins a more conservative near-peer of electronic money, rather than a highly runnable, risk-prone competitor to central banks and banks.

Put simply, traditional banking asks depositors to trust a balance sheet they cannot see. A well-built stablecoin lets them verify the collateral behind every token, every day. Failing to do so under the GENIUS Act invites fines and criminal penalties for stablecoin issuers, which have historically failed the "show me the money" test. That is not a source of fragility. It is a source of confidence and transparency the broader financial system needs. The remedy for digital-era runs is stronger transparency and tighter reserve rules, not the elimination of private participation in money. Prudential regulators, moreover, have created an uninterrupted chain of liability, imposing on regulated stablecoin issuers a worldwide obligation to redeem stablecoin circulation at par, even in their own bankruptcy. This is a standard that even regulated e-money issuers such as Wirecard, which failed in 2020, would struggle to meet.

CONCENTRATION DRESSED UP AS STABILITY

Here is where the CBDC-only architecture reveals its deepest weakness. To eliminate private demand deposits in favor of direct central bank money is not a technical upgrade. It is a revolution in the structure of finance, and revolutions rarely arrive without casualties.

Pull retail deposits toward the central bank, and you weaken the funding channels that have financed mortgages, small businesses, and working capital for generations. Expand the state's footprint in retail finance, and you invite exactly the kind of political pressure over credit allocation that independent central banks have spent decades trying to insulate themselves from. Even a central bank that insists on its own neutrality cannot escape becoming, in a CBDC-only world, the ultimate balance sheet, the dominant payments provider, and the

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anchor funding mechanism for the entire system. For these reasons, most CBDC projects self-impose balance, usage, and participation limits, for fear of a perverse, internecine flight of deposits.

That is not resilience. That is concentration wearing resilience's clothes. A financial system with a single, state-run chokepoint is not safer merely because the chokepoint is public. It is more brittle, because it has removed the redundancy—the multiple, competing, privately run rails—that allow a system to absorb shocks without a single point of failure taking the whole edifice down with it.

It is worth remembering, too, that "public" does not automatically mean "accountable." Private issuers operating under a strict reserve and disclosure regime answer to regulators, auditors, and a market that will punish them instantly for any shortfall. A central bank running the entire retail payment system answers, in practice, to a much slower and more political process. Trading market discipline for administrative discretion is not obviously a safer model. Rather than argue for a one-size-fits-all digital money regime, some central banks, such as the Bank of England, are rightly calling for a "multi-money system," in which multiple forms of tokenized and digital money, whether publicly or privately issued, will coexist.

COMPETITION IS A FEATURE, NOT A BUG

Underneath the CBDC-only argument sits an unexamined assumption, which is that a monopoly provider of digital money is inherently the safer one. Nothing in monetary history supports that. Competition among regulated actors tends to produce lower costs, better user experience, wider distribution, and faster innovation. This is the same dynamic that has played out in nearly every network industry since the telegraph, and the dynamic that has given the U.S. dollar an exorbitant privilege as the world's principal reserve and trading currency.

The internet itself is the model worth emulating. Governments did not build every website or run every service. They set the protocols (TCP/IP, domain governance, baseline security standards) and let private firms compete to build on top of them. That division of labor—public standards and private execution—is exactly what has allowed the internet to scale globally while remaining resilient to the failure of any single provider. Digital money networks should be built the same way, with public rules, open rails, and enough competition among issuers that no single failure becomes a systemic one.

STABLECOINS AND MONETARY SOVEREIGNTY

This is the section of the debate that deserves the most attention from central bankers, and the one that is most often framed incorrectly. From a U.S. perspective, a U.S. dollar-backed stablecoin circulating in Lagos, Buenos Aires, or Manila is not monetary secession from the dollar system. It is a monetary export.

Every foreign holder of a dollar stablecoin is, in effect, demanding dollars. Each one deepens dollar network effects abroad, extends the reach of dollar usage into economies the traditional banking system has never adequately served, and expands demand for the short-term Treasuries that back those tokens. A domestic CBDC digitizes money for use within a jurisdiction's own borders. A regulated dollar stablecoin internationalizes the dollar itself, carrying it into corners of the global economy that correspondent banking was too slow, too expensive, or too inefficient to reach. If there is a single line worth remembering from this debate, it is this: CBDCs may be instruments of domestic monetary administration. Stablecoins are instruments of monetary reach.

A well-regulated stablecoin is not a substitute for sovereign money. It is sovereign money adapted for the internet age.

Central bankers who worry about "digital dollarization" abroad are, in effect, worrying about the dollar's continued relevance in a fragmenting global order, one in which rival currencies and closed-loop payment systems are actively competing for share. A dollar that shows up as a fast, programmable, composable, and divisible token in a digital wallet is a dollar that just won a contest it might otherwise have lost to a local alternative or a rival reserve currency. Treating that outcome as a threat to the dollar gets the geoeconomics backwards.

THE CONTEST AHEAD

The framing offered by CBDC advocates implicitly assumes the future of money will be decided at the level of domestic retail payments. It will not. The future will be decided by cross-border commerce, internet-native finance, programmable transactions, and global settlement networks that do not stop politely at national borders. The best defense, should this future digital currency

economy be perceived as a threat, is not to balkanize the domestic money movement system with proverbial digital currency firewalls. Like the internet itself, the best defense and path to economic relevance is connectivity, technology readiness, and regulatory harmonization. In short, the rise of stablecoins and digital currencies is not a zero-sum proposition.

Stablecoins already operate fluently in that environment. CBDCs, by contrast, remain largely experimental, domestic, fragmented across jurisdictions, and slow to interoperate with one another. This is a predictable outcome when CBDCs may be designed as a sovereign, closed system rather than an open one. The real question facing policymakers is not whether digital money will cross borders as it already does, continuously, at internet speed. The real question is whose digital money will define that cross-border traffic, and under what rules. Encouraging harmonization, regulatory reciprocity, and clear financial integrity standards for digital wallet providers (which the Financial Action Task Force has done for years) is the path to ensuring fungibility of comparable and compatible forms of digital money in the future.

A TRADITION WORTH CONTINUING

None of this is new, even if the technology is. Central banks have always issued the base layer of money and private institutions have always distributed it. Regulators meanwhile have always set the boundaries within which that distribution occurs. Stablecoins do not break this tradition. They extend it into internet-native form and internet-native scale, hence the necessity for global regulatory coordination, which many bodies, including the Financial Stability Board among others, have advocated for years.

The actual choice before policymakers is not public money versus private money. It is public money distributed through modern, competitive, transparent networks, versus public money distributed through a single, state-operated network. History has a clear preference for the former. State monopolies rarely out-innovate competitive private markets operating under firm public guardrails, and there is little reason to expect monetary infrastructure to be the exception.

BETTER ARCHITECTURE

None of this is an argument for *laissez-faire* crypto or worse yet a reversion to the era of perilous internet funny money. A credible stablecoin regime like the GENIUS Act or Europe's Markets in Crypto-Assets regulation is a demanding one. It should require full reserve backing at all times; collateral limited to cash and short-term Treasury instruments; daily public disclosure of reserves; independent, recurring audits; direct and enforceable redemption rights for holders; genuine prudential supervision; robust anti-money laundering/countering the financing of terrorism compliance; and clear resolution and wind-down planning in the event an issuer fails.

Under that framework, innovation stays where it belongs, in the private sector, competing to build better products for end-users, businesses, and cross-border use cases. Trust stays where it belongs, anchored in public oversight and enforceable rules. And monetary policy retains its effectiveness, because the reserves backing these instruments still run through the same Treasury and central bank functions that have always anchored the two-tiered central banking system.

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THE REAL LESSON

Monetary architecture matters enormously, and getting it wrong in the digital age will not be a minor policy error, like confronting the rise of open digital money with a monetary Minitel. Proposed remedies often confuse public trust with public provision as if the only way to guarantee confidence in money is for the state to issue and distribute all of it directly. The lesson of the digital age is not that governments must replace private innovation to keep money safe. It is that governments must set firm, enforceable rules under which that innovation can flourish safely, exactly as they have done, imperfectly but successfully, with banking, payments, and securities markets for a century.

A well-regulated stablecoin is not a substitute for sovereign money. It is sovereign money adapted for the internet age, thus carrying the public money's credibility into digital commerce, cross-border trade, and programmable finance, all without requiring the state to become the sole architect of every transaction. In a world increasingly shaped by geopolitical currency competition and internet-native finance, the most resilient monetary system will not be the one that abolishes private participation. It will be the one that harnesses it, and sets rules that are adaptive enough to make that participation safe. ◆