Money and power: lessons from history for stablecoins and US dollar dominance – speech by Carolyn Wilkins

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In her speech, Carolyn Wilkins draws on historical experience of private money issuance to explore whether private digital money can operate safely at scale. She also considers what could happen if US dollar stablecoins become widely used, and what that could mean for the future of international monetary power.

Speech

Introduction

Thank you for inviting me. It is a pleasure to be here at Queen's University in Belfast to talk about payment innovations, and what they mean for international money and power.

I'll focus on stablecoins. They have some affinities with the local banknotes issued here. And while stablecoins are often presented in very dry terms - blockchains, tokens, settlement layers - the bigger questions are about money and power.

Payment means and systems are like electricity grids. When they are working, they are in the background, and when they are not, there can be widespread disruption. And, payment systems can be used by governments to enforce economic sanctions, as we saw after Russia's invasion of Ukraine in 2022. They can also be used to monitor financial flows and to project influence. That has made the infrastructure of money and payments an increasingly important part of economic statecraft.

The strategic issue here is what role stablecoins will play in a system where money, payments and geopolitical power are becoming increasingly intertwined. We want to know which forms of digital money will ultimately succeed, and which currencies and institutions will become embedded in the next generation of payment infrastructure. It is early days, so the answers are honestly unknown. But we can learn a lot by considering three questions.

First: can private digital money work safely at scale?

Second: what happens if US dollar stablecoins really do scale?

Third: what would that mean for international monetary power?

These questions are top of mind for me because the Bank of England recently published a framework for systemic sterling-denominated stablecoins.[1]

1. Can private digital money work safely at scale?

Let me start with what a stablecoin is.

A fiat-backed payment stablecoin is a privately issued claim designed to maintain a fixed value against sovereign money - usually one stablecoin for one dollar.

There is a familiar analogue here in Northern Ireland. Private banks issue their own sterling banknotes, which circulate pound-for-pound with other sterling money and are **fully backed** by ring-fenced assets, but the basic monetary promise is familiar: a privately issued claim that people expect to maintain its value at par.

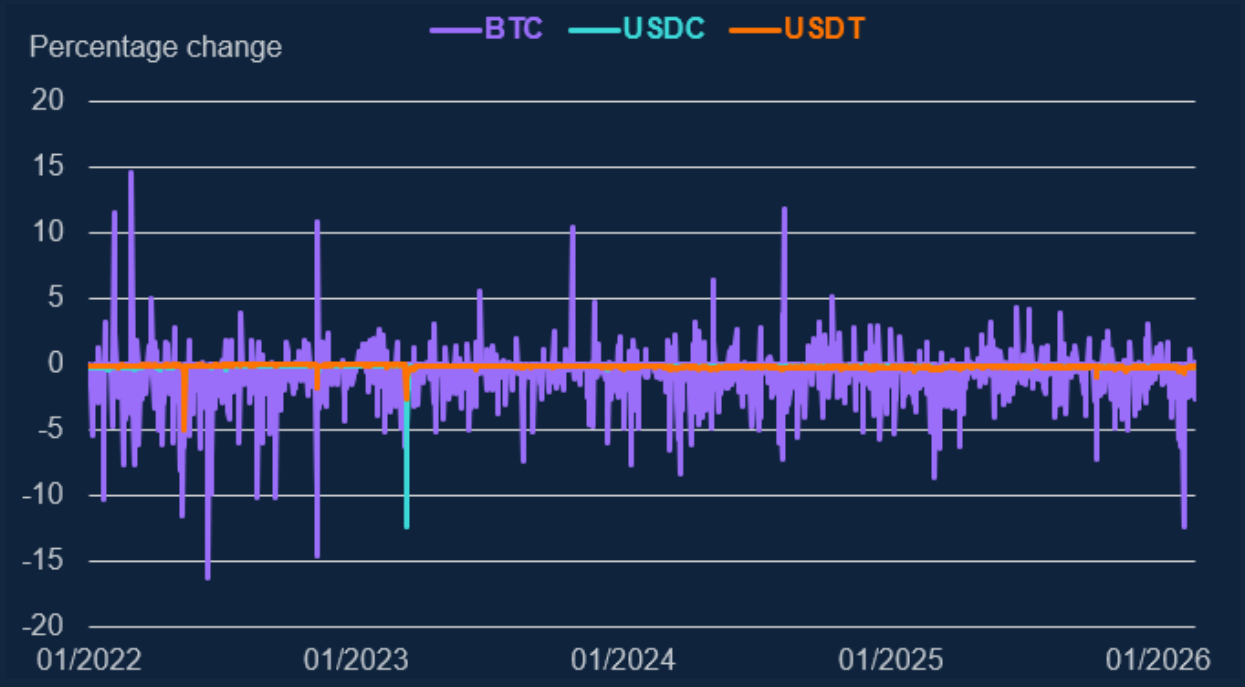
One way to see what stablecoins add is to compare them with Bitcoin. Bitcoin showed something fundamental: value can be transferred globally and continuously without a central intermediary. Bitcoin is not backed by reserve assets, and its value can move enormously.

In 2010, two pizzas were actually bought for 10,000 bitcoins - about $40 at the time. Today, 10,000 bitcoins would be worth about $770 million. Those are probably the most expensive pizzas in history.

Figure 1 shows the underlying problem more systematically. Bitcoin is far more volatile than the major payment stablecoins, making it poorly suited to everyday payments.

Stablecoins were designed to address that problem by backing the monetary promise of a stable value with reserve assets, while retaining some of the features of crypto technology. Transfers can take place continuously, often across borders, and transactions can be programmed using smart contracts.

Figure 1: Volatility of Bitcoin, USDT and USDC



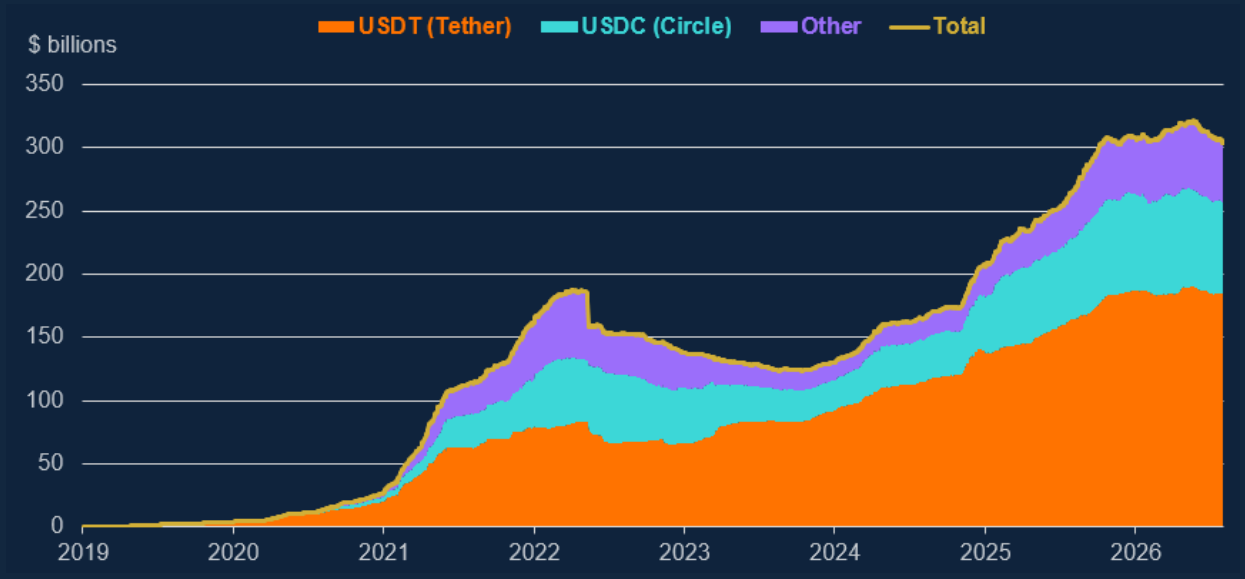
Source: Defillama.

There is a real demand for this innovation, particularly where payments systems are slow, expensive and difficult to access.

For now, they are used mainly inside the crypto ecosystem, as a settlement asset for trading and lending, as collateral, to provide liquidity, and as a way of moving between crypto markets and conventional money.

The market has grown very quickly. Stablecoins in circulation reached roughly $300 billion by mid-2026, up from less than $5 billion at the beginning of 2020 (Figure 2).

Figure 2: Stablecoins in circulation by market capitalisation



Source: Defillama.

As much as the blockchain technology seems avant-garde, the economic structure of stablecoins is very familiar.

Private institutions have issued money-like claims for centuries. Those systems repeatedly had to solve the same basic problems: can the issuer make good on the promise to redeem; will claims issued by different institutions be accepted and settled at the same value; and what happens when many people want to redeem at once?

The nineteenth-century history of private money is a useful place to start.

In the United Kingdom, private banknotes circulated alongside Bank of England notes. Scotland developed a relatively stable system built around large branch networks, stronger shareholder liability and regular clearing among banks. If a bank issued too many notes, other banks returned them for settlement and it lost reserves. That imposed discipline in normal times.

England had a more fragile structure. Many country banks were small and poorly diversified. This weakness was reinforced by the Bank of England's monopoly on joint-stock banking within London, which limited the development of larger banking institutions. Dozens of banks failed in the crisis of 1825. Parliament responded by allowing larger joint-stock banks outside London.

But stronger banks did not solve the problem of liquidity in a crisis. Reserves and crisis management became increasingly concentrated around the Bank of England. The Bank Charter Act of 1844 tied note issuance more tightly to gold, yet crises followed in 1847, 1857 and 1866. Each time, the statutory limit on note issuance was temporarily relaxed so that the Bank could lend into the panic.

So the UK experience points to two conditions for success. Private money needs mechanisms that keep different claims trading at par in normal times. And it needs a way to provide liquidity when the system comes under stress.

The United States learned much the same lesson, but through a more turbulent route.

During the Free Banking era, banks issued their own notes, and those notes did not necessarily trade at face value. Their value depended on the assets backing them, the reputation of the issuing bank and even the distance from the place of redemption. There were catalogues telling people what different banknotes were worth.

So a dollar was not always simply a dollar.

The National Banking Acts of 1863 and 1864 tried to fix that problem by requiring national banknotes to be backed by US government bonds. The notes became more uniform and the collateral improved.

But another problem remained. The supply of currency could not expand easily when demand for liquidity rose. The panics of 1873, 1893 and 1907 exposed that weakness.

Private clearinghouses tried to fill the gap by providing emergency settlement liquidity. In 1907, J.P. Morgan and others also organized extraordinary support. But the system still depended on improvised private cooperation.

The Federal Reserve Act of 1913 eventually put those crisis-management functions on a permanent national footing.

Across these historical experiences, several conditions for success stand out.

Private money needs credible convertibility, so holders are confident they can redeem at par, and high-quality, transparent backing that makes that promise believable. It also needs a sufficiently uniform regulatory perimeter, so that similar monetary claims are subject to consistent standards, and clearing and settlement arrangements that keep those claims exchanging at par. Finally, there must be credible arrangements for crisis management and loss allocation when the system comes under stress.

Together, these conditions support what Gary Gorton and Jeffery Zhang call the “no questions asked” property of money.[2] A monetary claim works well when people can accept it at face value without having to assess the issuer every time they use it.

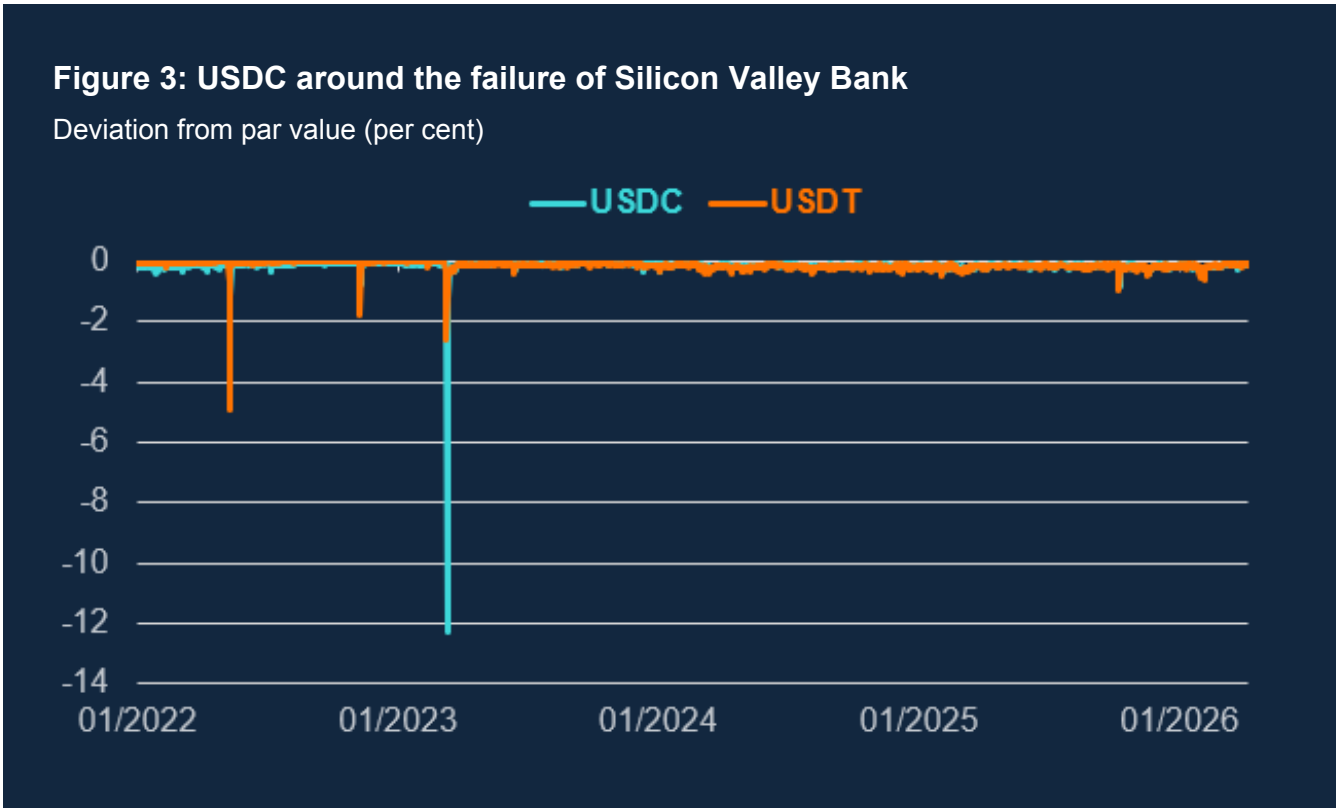
Stablecoins have already provided a useful test of that principle.

When Silicon Valley Bank failed in March 2023, Circle - the issuer of the stablecoin called USDC - had about $3.3 billion of reserves deposited there.

Holders suddenly had reason to question whether USDC could still be converted into one dollar. Redemptions accelerated and USDC lost its peg (Figure 3). The peg recovered after US authorities guaranteed all of Silicon Valley Bank’s deposits.[3]

Figure 3: USDC around the failure of Silicon Valley Bank

Deviation from par value (per cent)



Source: Defillama.

The episode showed how a weakness in the institutional structure behind a stablecoin can quickly affect confidence in the token itself.

Regulatory frameworks are now trying to address those weaknesses.

In the US, Congress passed the GENIUS Act in July 2025, creating a federal framework for all payment stablecoins.[4] The Act sets rules for who can issue a stablecoin, what assets must stand behind it, and what happens when a holder wants their money back.

It requires at least one dollar of eligible reserves for every dollar of stablecoins issued. Those reserves can include Treasury securities, bank deposits and other short-term liquid assets. It also strengthens disclosure and gives stablecoin holders priority in insolvency. One implementation challenge will be maintaining consistent standards across its federal and state regulatory regimes.

That goes a long way toward answering one question: are the assets there? The trickier question is: can they be turned into cash quickly when everyone wants to redeem at once?

We saw why that distinction matters during the “dash for cash” at the onset of the pandemic in March 2020. Even the US Treasury market came under severe strain, and the Federal Reserve had to intervene on a very large scale. Assets that are safe and liquid in normal times can become much less liquid in a crisis.[5]

The Federal Reserve has also proposed a new, limited form of account that would allow eligible firms to connect more directly to its payment system. That could make day-to-day settlement more reliable. But it would not allow them to borrow from the Fed, which means there is no pre-established source of emergency liquidity in a run.

The Bank of England’s framework for systemic sterling-denominated stablecoins, which will be finalised at the end of this year, goes further on some of these issues.[6] It is more restrictive about reserve assets and puts more weight on liquidity contingency planning, payment-system access and arrangements for failure. It also allows for the possibility of central-bank liquidity under appropriate conditions.[7]

This framework applies only to systemic stablecoins and is more demanding than the US framework. I think this is appropriate because it gives greater weight to the liquidity and crisis-management problems that recur in the historical record.

Let’s not forget that cross-border use makes these issues even harder. In some regimes, a stablecoin may be issued in one jurisdiction, hold its reserves in another, use a custodian in a third and serve holders in many more.[8] Redemption rights, insolvency treatment, supervision and crisis-management responsibilities do not automatically travel with the token.[9]

International banking spent decades developing home- and host-country responsibilities, common standards and supervisory cooperation. That said, stablecoins may become global much faster than the institutional framework around them.

So, my answer to the first question is a qualified yes. Private digital money can work at scale, but the historical record is clear about the conditions required to make that possible.

2. What happens if dollar stablecoins really do scale?

This brings me to the second question.

Today, about 98 percent of stablecoin value is denominated in US dollars.[10] The dollar therefore has a considerable first-mover advantage as stablecoins move beyond their original role in crypto markets.

The US administration sees this as a strategic opportunity. Treasury Secretary Scott Bessent has argued explicitly that dollar stablecoins can reinforce the dollar's international role and increase demand for US Treasury securities.

There are three main channels through which wider use could matter.

The first channel is settlement. Stablecoin transactions can take place around the clock and cross borders without passing through every link in a correspondent-banking chain. They do not eliminate intermediaries, but they can reduce reliance on traditional banking links. Recent work presented at Jackson Hole just a few weeks ago argues that this could make settlement faster or cheaper where cross-border banking is slow or costly.[11] In 2024, sending a USD 200 remittance cost around 6.4% on average globally, while costs in Sub-Saharan Africa averaged about 8.5%.[12]

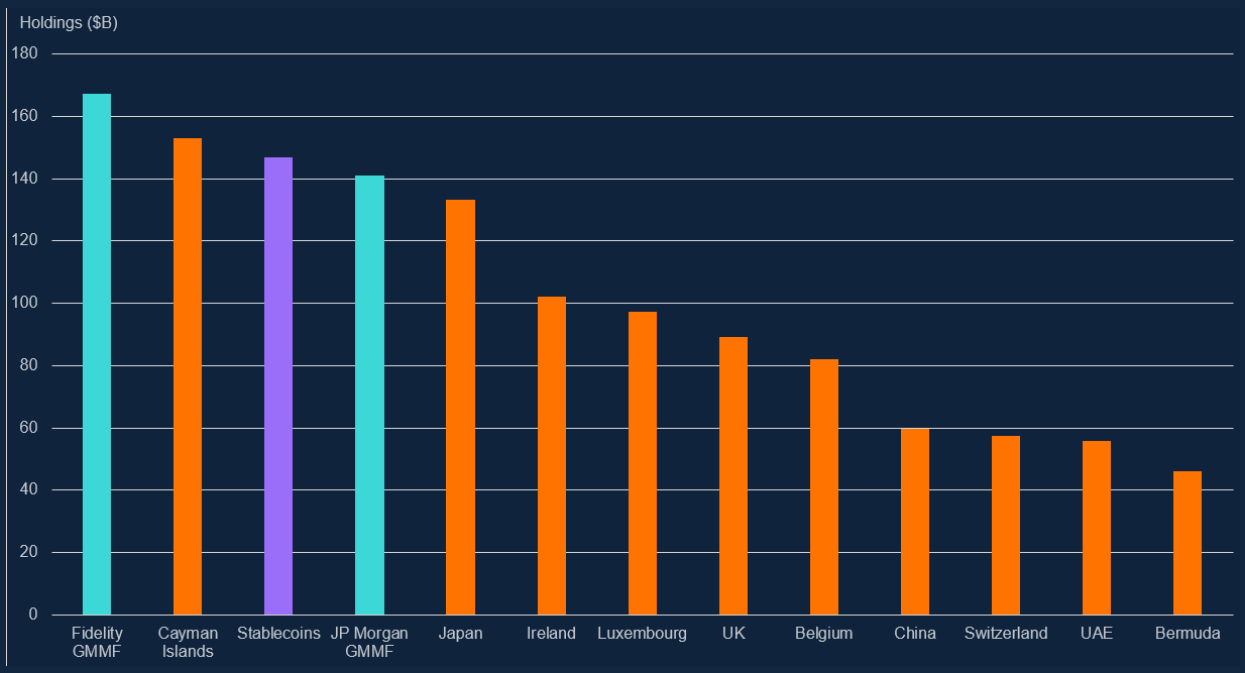
The second channel is digital dollarisation. If your local currency is unstable or access to dollar banking is difficult, a dollar stablecoin can put a dollar-linked asset on your phone without requiring a US bank account. Recent work finds that the advantage can be significant in some emerging-market payment corridors with capital controls or segmented foreign-exchange markets, although limited liquidity still constrains scale.[13] This could extend the use of the dollar into new digital markets.

The third channel is demand for US safe assets.

Stablecoin issuers hold reserves against their liabilities, and the GENIUS Act requires reserves to be held in specified highly liquid assets, including short-dated US Treasury securities.[14]

USDT and USDC together held almost $150 billion in Treasury bills at the end of 2025. Their net purchases in that year were around $33 billion (Figure 4).[15]

Figure 4: Treasury Holdings Q4 2025, US$ Billions



Source: Ahmed, R. and Aldasoro, I. (2025, revised 2026), *Stablecoins and Safe Asset Prices*, BIS Working Papers No. 1270; authors' calculations.

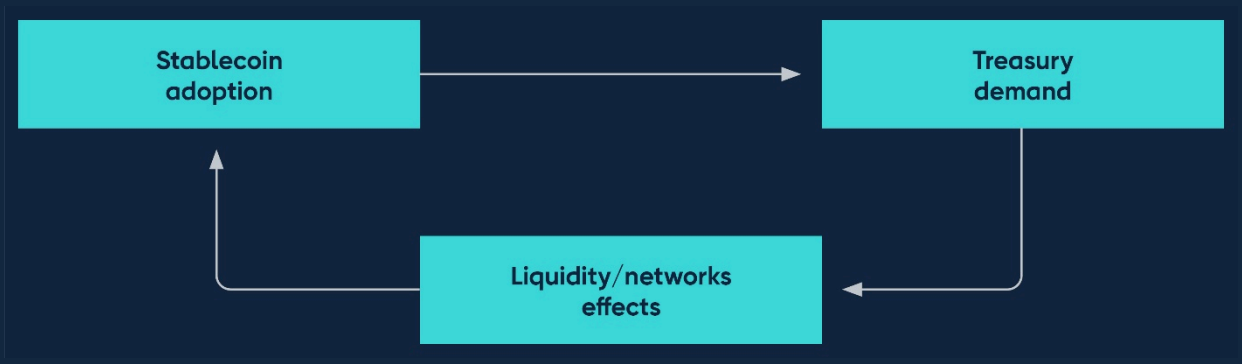
Those amounts remain small relative to the Treasury market as a whole, but they make the largest stablecoin issuers meaningful participants in the short-term market.

That additional demand can affect Treasury prices. Recent evidence suggests that stablecoin inflows put modest downward pressure on short-term Treasury yields, consistent with issuers adding to demand for safe and liquid assets.[16]

Of course, the overall effect will depend on where the money comes from. If investors move from a Treasury money-market fund into a stablecoin whose issuer then buys Treasury bills, the net increase in demand for US safe assets is limited. If stablecoins attract funds that would otherwise be held in another currency or another asset class, the effect is larger. If stablecoins instead draw materially from bank deposits, they could also affect bank funding costs and credit supply.

At sufficient scale, these channels could reinforce one another – creating a positive feedback loop. Greater use of dollar stablecoins expands dollar settlement. Issuers hold more Treasury securities. Deep and liquid dollar markets make dollar stablecoins more attractive to users and platforms.

Figure 5: Positive feedback loop



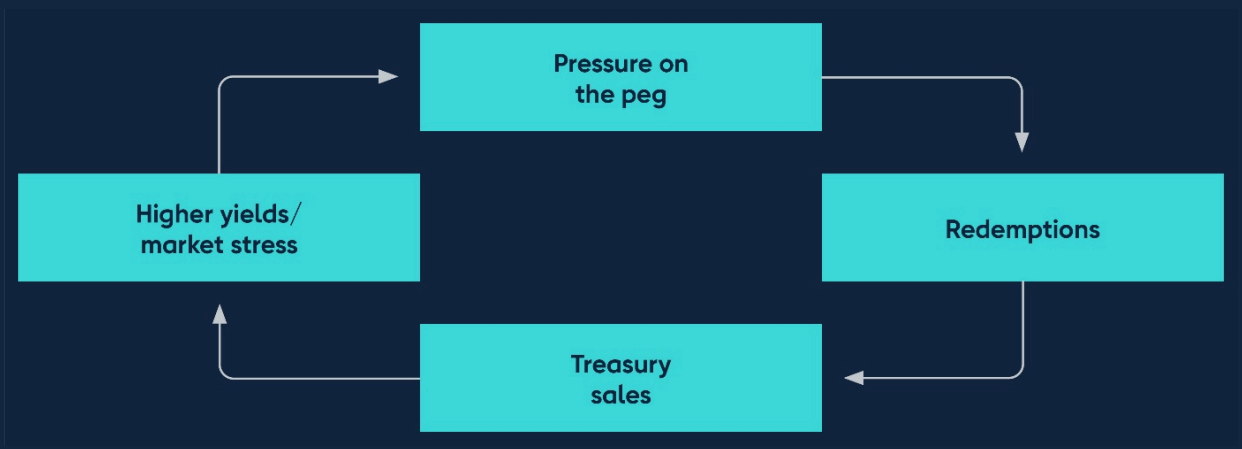
But the same balance sheet can work in reverse. Inflows mean reserve purchases; redemptions mean asset sales.

Remember, like deposits or money market fund investments stablecoins are demandable claims. They can trade around the clock, and holders can seek redemption quickly. Issuers therefore need to turn reserve assets into cash when redemptions rise.

If several large issuers had to sell Treasury bills at the same time, particularly into an already stressed market, they could amplify moves in yields and market liquidity. We saw a similar feedback mechanism in the UK gilt market during the LDI episode in 2022.

And the stress need not begin with the stablecoin. Concerns about US inflation, fiscal sustainability or institutional credibility could weaken demand for dollar assets, with stablecoin redemptions adding to the selling pressure.

Figure 6: Negative feedback loop



The stablecoin sector is not currently large enough for this mechanism to pose a major threat to the Treasury market or a material financial stability risk in UK. However, a major de-pegging episode could also damage confidence in regulated stablecoins more broadly.

US policy is intended to provide space for the sector to grow substantially. If successful, the balance-sheet link between stablecoins and the rest of the dollar system will matter more over time.

Scale therefore brings both benefits and vulnerabilities. Dollar stablecoins could extend dollar settlement, support digital dollarisation and add to demand for safe US assets. At greater scale, they would also create a stronger link between confidence in privately issued money and conditions in the markets where the reserves are held.

3. What would that mean for monetary power?

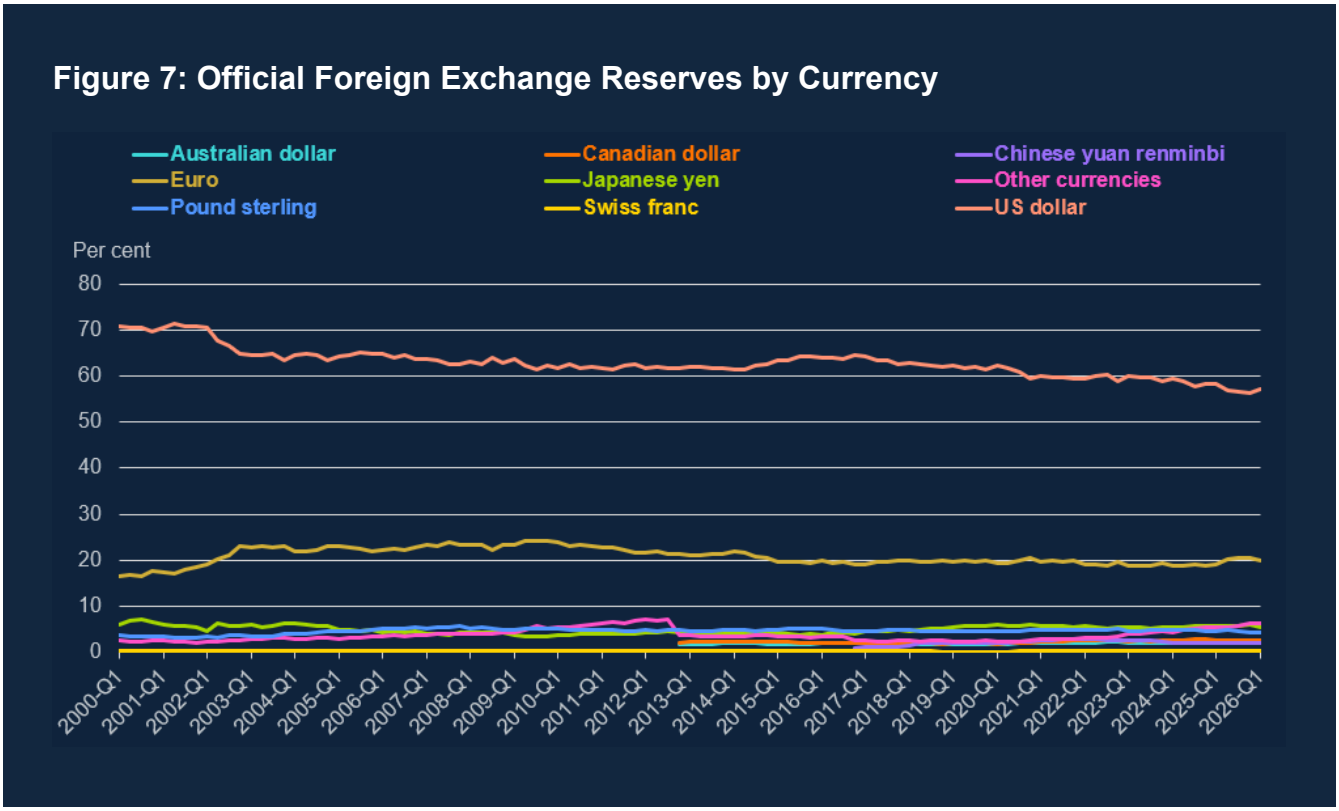
That brings me to the third question.

When I talk about monetary power, I do not mean only the dollar's share of reserves or international trade.

I mean control of the system itself. Who provides the monetary anchor, who provides liquidity in a crisis, who writes and enforces the rules, and who can control access to the financial network.

By conventional measures, the dollar remains in a strong position in global finance, although its share of global reserves has declined since the beginning of the century.[17] Its share of disclosed foreign-exchange reserves has fallen from a little over 70 percent around 2000 to about 57 percent in the first quarter of 2026. The decline has been gradual and spread across a range of currencies. The euro remains near 20 percent, while the renminbi accounts for a much smaller share. At the same time, the dollar was on one side of 89.2 percent of over-the-counter foreign-exchange trades in April 2025.[18]

Figure 7: Official Foreign Exchange Reserves by Currency



Source: IMF Currency Composition of Official Foreign Exchange Reserves (COFER) Survey.

Since the end of Bretton Woods in the early 1970s, there has been no promise to convert dollars into gold. The anchor instead has rested on confidence in the fiscal and monetary policies of the United States, as well as in its institutions and legal systems and judiciary.

The sheer economic and geopolitical weight of the US has traditionally reinforced those advantages.

Network effects have made the US more powerful. Firms tend to invoice in currencies widely used by their counterparties. Financial institutions value currencies with deep markets and liquid hedging instruments. US Treasuries provide a large stock of safe assets that are used as reserves, collateral, stores of value and pricing benchmarks.

That safe-asset advantage has historically been valuable to the United States. Investors have been willing to accept lower yields on Treasuries because they are safe and liquid; one influential estimate put that advantage at about 70 basis points.[19] But recent evidence suggests it has weakened. The advantage attached specifically to Treasury securities has fallen sharply, even turning negative at longer maturities, while the broader international advantage of the dollar remains strong.[20]

This financial infrastructure also gives the United States strategic leverage.

Because many international transactions depend on institutions subject to US jurisdiction or on access to dollar markets, US authorities can monitor financial flows, impose sanctions and restrict access to important parts of the financial network. Secondary sanctions can extend those effects beyond US institutions.

The sanctions imposed following Russia's invasion of Ukraine made the strategic importance of financial infrastructure particularly visible. More broadly, the use of financial sanctions has strengthened the incentive for some governments to develop alternative channels for international payments.

China is the most important example. This is not because the renminbi is close to displacing the dollar, but because China has the economic scale to develop alternative infrastructure.

It has expanded the Cross-Border Interbank Payment System, or CIPS, for renminbi-denominated international payments. China has also participated in mBridge, which has experimented with cross-border settlement using wholesale central-bank digital currencies.

These arrangements remain much smaller than the dollar-centred financial system. Their importance lies in the development of additional payment routes that rely less heavily on traditional dollar-based correspondent banking.

This points to an important distinction: the currency and the rails can change at different speeds.

The dollar could remain the leading reserve and financing currency while more cross-border payments move through regional or digital networks that are less centred on the United States. This form of monetary multipolarity does not require another currency to replace the dollar. But it could still reduce US direct control over the infrastructure through which some international payments are made.

Stablecoins can contribute to both sides of this process. Dollar stablecoins can extend dollar settlement into new digital networks. Other countries can use digital currencies, stablecoins or new payment platforms to develop alternative networks.

This competition can improve efficiency and encourage innovation. It can also create fragmentation if systems are not interoperable or if legal, regulatory and liquidity arrangements diverge sharply across jurisdictions.[21]

The strategic question therefore concerns both the currency people choose to use and the infrastructure through which they use it.

The US position remains strong because no competitor currently offers the same combination of deep and liquid capital markets, a large supply of safe assets, convertibility, legal credibility and established global use.

History nevertheless shows that network advantages are persistent rather than permanent.[22]

Sterling is the clearest example.

Before the First World War, sterling bills financed international trade far beyond transactions involving the UK. London was the leading international financial centre. Imperial trade links and the sterling area reinforced a powerful network even after the UK's relative economic position had begun to weaken.

The transition away from sterling took decades.

War debts strained the UK's fiscal capacity. The commitment to gold became harder to sustain. Britain's relative economic weight declined, and its ability to provide international liquidity weakened. At the same time, the United States became a larger economic and financial power.

The shift reflected changing economic strength and changing confidence in the institutions supporting the currency.

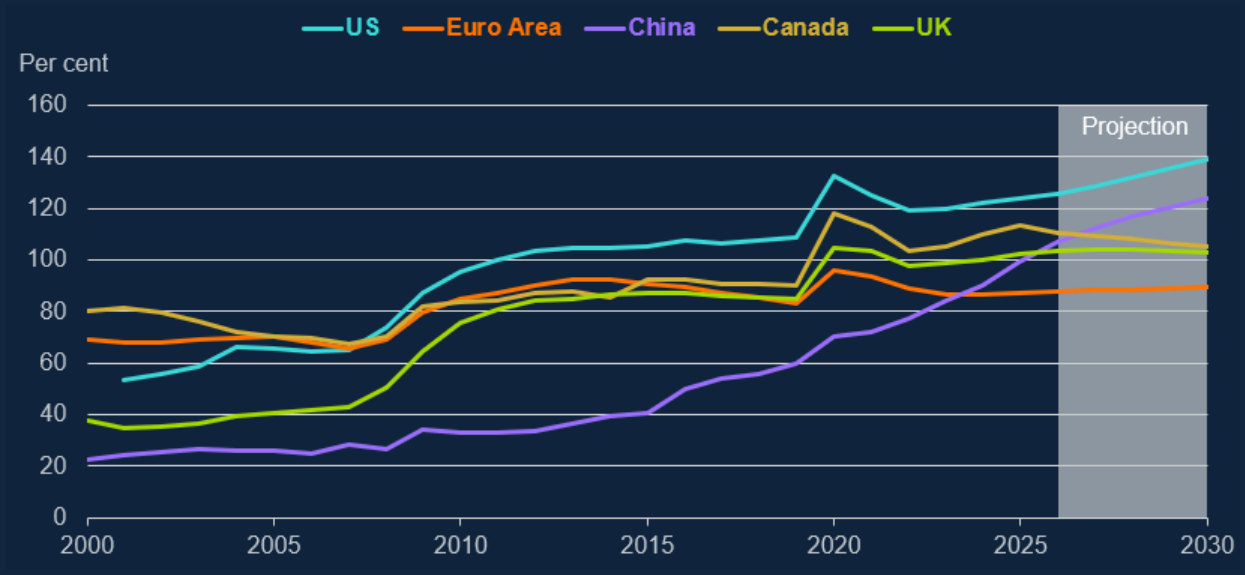
That history matters for the current questions about stablecoins and US dollar dominance.

Network effects can reinforce an international currency for a very long time. But, ultimately, they sit on top of fundamentals.

For the dollar, as for any currency, those fundamentals are the same ones I mentioned earlier: sustainable fiscal capacity; credible institutions and policies, including monetary policy; predictable legal institutions and the rule of law; deep and liquid capital markets; and a demonstrated ability to provide liquidity when the financial system is under stress.[23] General government gross as a percent of GDP has been on an upward trend and is projected to increase further, particularly in the US and China (Figure 8).

These are fairly old-fashioned foundations of monetary power. Digital technology does not make them less important.

Figure 8: General government gross debt (per cent of GDP)



Source: International Monetary Fund (IMF), World Economic Outlook Database, April 2026. Chart shows total gross general government debt on an internationally comparable basis. Separately published country measures can use different methodologies.

4. Conclusions

Let me close by returning to my three questions.

First, can private digital money work safely at scale? Yes. History shows that it can, but only when the institutions around it make redemption credible, support exchange at par and provide a way to deal with stress.

Second, what happens if dollar stablecoins really do scale? They could extend dollar settlement, deepen digital dollarisation and add to demand for US safe assets. But greater scale would also create stronger links between stablecoins and the markets in which their reserves are held. This could create financial stability risks that extend past US borders.

And third, what does this mean for international monetary power? History shows that network effects can sustain a dominant currency for a long time, so stablecoins could help reinforce the dollar. At the same time, global payments *systems* could become more multipolar. But technology cannot secure dollar dominance on its own. As sterling's experience ultimately showed, that rests squarely on monetary credibility, fiscal capacity, deep capital markets and the rule of law.

Acknowledgements and notes

These remarks draw on joint work that I have undertaken with Michael Bordo, entitled "**Money and Power: Historical Lessons for Stablecoins and U.S. Dollar Dominance**," Hoover Institution. I would like to thank Andrew Bailey, Sarah Breeden, Pavel Chichkanov, Clare Lombardelli, Sarah McDonnell, Raakhi Odedra, Francine Robb, James Talbot, and Michael Yoganayagam for their assistance in preparing these remarks.

These remarks reflect my views and not those of the Financial Policy Committee or other Bank of England colleagues.

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1. The Financial Market Infrastructure Committee (FMIC) is the Bank of England's committee for financial market infrastructure regulation and is responsible for setting the regulatory framework for systemic stablecoins. The Financial Policy Committee (FPC), of which I am a member, welcomed publication of the Bank's policy statement and draft rules in June 2026.

2. Gorton, G B and Zhang, J Y (2023), **'Taming Wildcat Stablecoins'**, University of Chicago Law Review, Vol. 90, No. 3.

3. Circle (2023), '**$3.3 Billion of USDC Reserve Risk Removed, Dollar De-peg Closes**'.

4. United States Congress (2025), '**Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025 (GENIUS Act)**', S. 1582.

5. Liang, N (2025), '**Stablecoins: Issues for regulators as they implement GENIUS Act'**, Brookings Institution; and Liang, N and Dudley, W (2026), '**Next Steps for GENIUS Payment Stablecoins'**, Brookings Institution. The authors note that the GENIUS Act leaves capital, liquidity and risk-management requirements to implementing regulation and argue that prudential standards are needed to ensure stablecoins remain convertible at par during periods of stress.

6. Bank of England (2026), '**Bank of England launches policy statement and draft rules on regulating systemic stablecoins**'.

7. The comparison is not entirely like-for-like since the GENIUS Act establishes the US framework for payment stablecoins generally, whereas the Bank's regime applies only once a stablecoin is recognised as systemic and focuses primarily on sterling-denominated systemic stablecoins.

8. The UK framework deliberately limits this problem for systemic sterling stablecoins by requiring an overseas issuer to establish a UK entity and by locating key safeguarding arrangements in the UK.

9. When it comes to stablecoins based on decentralised systems such as permissionless blockchains, there are important questions about who is legally accountable and which jurisdiction's laws and regulations apply across borders.

10. Aldasoro, I, Frost, J and Ito, H (2026), '**The impact of stablecoins on the international monetary and financial system**', BIS Papers No. 170.

11. Liao, G, Prasad, E and Zhang, T (2026), '**Financial Innovation and the International Monetary System**', paper presented at the Federal Reserve Bank of Kansas City's Jackson Hole Economic Policy Symposium.

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13. Du, W, Huang, C and Scharfstein, D (2026), '**Competing Rails for Cross-Border Payments: Banks, Fintechs and Stablecoins**', paper presented at the BIS Annual Conference, 26 June 2026; and Hofmann, B, Mehrotra, A and Paulick, J (2026), '**Dollarisation and Monetary Control: What Lessons for the Rise of Stablecoins?**', BIS Working Papers No. 1370.
14. United States Congress (2025), '**Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025 (GENIUS Act)**', S. 1582.
15. Ahmed, R and Aldasoro, I (2025, revised 2026), **Stablecoins and Safe Asset Prices**, BIS Working Papers No. 1270; and Aldasoro, I, Frost, J and Ito, H (2026), '**The Impact of Stablecoins on the International Monetary and Financial System**', BIS Papers No. 170.
16. Ahmed, R and Aldasoro, I (2025, revised 2026), '**Stablecoins and Safe Asset Prices**', BIS Working Papers No. 1270.
17. For more on the role of the US dollar, see Liao, G, Prasad, E and Zhang, T (2026), '**Financial Innovation and the International Monetary System**', paper presented at the Federal Reserve Bank of Kansas City's Jackson Hole Economic Policy Symposium.
18. Bank for International Settlements (2025), '**OTC foreign exchange turnover in April 2025**', Triennial Central Bank Survey.
19. Krishnamurthy, A and Vissing-Jorgensen, A (2012), '**The Aggregate Demand for Treasury Debt**', Journal of Political Economy, Vol. 120, No. 2, pp. 233–267.
20. Du, W, Keerati, R and Schreger, J (2026)**, '****Decoupling Dollar and Treasury Privilege****', NBER Working Paper No. 35000, March.**
21. The Financial Stability Board (FSB) agreed to **recommendations** for global stablecoins in 2023 to promote consistent and effective regulation, supervision and oversight of global stablecoin arrangements (GSCs) across jurisdictions.
22. Bordo, M D and Bastidon, C (2026), '**Currency Dominance Is Not Forever: Some Insights from a Non-Linear Dynamic Model**', NBER Working Paper No. 35647, August.
23. Eichengreen, B (2011), Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System, Oxford University Press.



Carolyn A. Wilkins

External member of the Financial Policy Committee

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