

## THE HIDDEN FISCAL DIVIDEND OF STABLECOINS

by  
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In July 2025, the United States enacted the [GENIUS Act](#) (Guiding and Establishing National Innovation for U.S. Stablecoins), its first comprehensive federal framework for regulating stablecoins. The law requires issuers of dollar-denominated tokens to maintain one-to-one reserves in “high-quality liquid assets” (HQLA), with a strong emphasis on U.S. Treasury bills.

At first glance, the Act looks like a piece of consumer-protection legislation, designed to bring order to a once-unregulated corner of digital finance. However, its significance runs deeper. By tying stablecoin issuance to Treasury securities, Washington has effectively hardwired a rapidly growing segment of digital finance into the very foundations of U.S. fiscal power.

What began as a stopgap for volatile cryptocurrency markets has been transformed into a mechanism for recycling global liquidity into U.S. debt markets. Stablecoins, [once dismissed](#) as speculative assets or vehicles for illicit finance, now represent a hidden but potentially consequential fiscal dividend for the United States.

### **Designed to evade the state, now reinforcing it**

Since their inception, cryptocurrencies were framed as a direct challenge to state authority. Bitcoin, [introduced in 2009](#), embodied a libertarian vision of money beyond the reach of governments and central banks. It was built on principles of decentralization and anonymity, explicitly designed to bypass traditional financial intermediaries and public oversight.

The rhetoric of early crypto communities was unambiguous: fiat money was corrupted by politics and inflation, governments could not be trusted,

and blockchain-based cryptocurrencies offered an alternative outside state authority. Stablecoins, when they emerged in the mid-2010s, initially appeared to carry the same risks. By issuing borderless tokens backed by fiat currencies but controlled by private firms, they seemed capable of creating parallel monetary systems untethered from sovereign oversight.

These claims by crypto’s founders and advocates gave rise to the assumption that digital assets would erode monetary sovereignty. The concern was that citizens, corporations, and even governments might begin transacting in tokens outside the formal banking system, reducing demand for sovereign currencies and undermining the fiscal base of the state.

### **How the GENIUS Act recast stablecoins**

The GENIUS Act turns this assumption on its head. By tying stablecoin reserves to U.S. government securities, the legislation transforms them from instruments that once operated outside the state and the banking system into extensions of American fiscal capacity. Stablecoins issued under the new framework amount to micro-claims on the U.S. Treasury.

The political architect of this design was Treasury Secretary Scott Bessent, who pushed the Act through Congress and made its strategic purpose clear. He described stablecoins as [“groundbreaking,”](#) forecast their market could [exceed two trillion dollars](#), and declared that [“locking in dollar supremacy”](#) was his top priority at the Treasury. Bessent has even suggested that stablecoins could become among the [largest buyers of U.S. Treasuries](#), underscoring that their fiscal impact is not incidental but central to his vision. While he framed the Act primarily in terms of monetary power, its fiscal implications are no less significant: by placing Treasuries at the core of stablecoin reserves, the law ensures that digital finance growth translates into reliable demand for U.S. debt.

This binding of private digital innovation directly to Treasuries creates a self-reinforcing mechanism. For users, stablecoins are as safe and liquid as the

assets that back them. For the United States, their global adoption translates into steady demand for short-term government securities. Stablecoins have been absorbed into the state's financial architecture, becoming conduits of U.S. fiscal power.

### The fiscal dividend

The GENIUS Act delivers a fiscal dividend that directly reinforces the twin pillars of American financial power: the global role of the dollar and the fiscal capacity of the U.S. government. By requiring stablecoin issuers to hold Treasuries, the law hardwires stablecoin growth into the balance sheet of the American government. Every token in circulation is both a digital dollar and a claim on U.S. debt, meaning that rising demand for stablecoins simultaneously sustains the international role of the greenback and deepens demand for Treasury securities.

This dynamic supports the U.S. in three ways. It upholds global dollar demand by embedding digital dollars in remittances, e-commerce, and decentralized finance. Even in regions with limited banking access, stablecoins provide a frictionless way to transact in dollars, extending the greenback's reach. It bolsters fiscal capacity by anchoring yields in the short-term debt market. Stablecoin issuers, like central banks before them, are predictable and permanent buyers of Treasuries. And it helps service U.S. debt by lowering borrowing costs and ensuring Washington can roll over obligations more cheaply and reliably, even amid large and persistent deficits.

Unlike official foreign reserves, which fluctuate with geopolitical tensions and policy shifts, this is demand tied to the structural digitization of money. The more stablecoins spread through everyday commerce, the more their reserves reinforce both the supremacy of the dollar and the Treasury's ability to finance the U.S. state on favorable terms. In Bessent's vision, what began as an attempt to evade government has been refashioned into a fiscal pipeline for it.

### Reinforcing dollar dominance

The GENIUS Act fits into a longer history of the United States converting financial innovations into extensions of its power. After World War II, the

[Bretton Woods system](#) institutionalized the dollar's role as the anchor of global finance. When that system collapsed in the early 1970s, the emergence of the [petrodollar](#) order, in which oil was priced and traded in dollars, reinforced its centrality. The growth of offshore dollar markets in the same era gave global banks the ability to create dollar liquidity beyond U.S. borders, ultimately expanding rather than weakening American reach.

Stablecoins are the digital counterpart to this pattern. Once considered a libertarian challenge to sovereignty, stablecoins have been re-engineered into instruments that both buttress fiscal capacity and extend dollar dominance into digital commerce. Far from undermining sovereignty, digital innovation has embedded the dollar more deeply in the global economy.

### Stablecoins in the treasury market

The Act is also a structural innovation in financial statecraft because of how it reshapes the mechanics of Treasury markets. Stablecoin issuers are now expected to hold large volumes of HQLAs such as Treasury bills, the backbone of global liquidity and collateral markets. Their steady demand eases the Treasury's financing burden at a time of persistent deficits. Unlike central banks, which adjust their portfolios for political or macroeconomic reasons, stablecoin demand is driven by user adoption. Issuers have every incentive to maintain credibility by holding the safest assets available, namely Treasuries, for which the stablecoin issuers will be rewarded by the coupon return on the Treasury notes, a higher return than that arising from holding U.S. dollar cash deposits per se.

In this way, stablecoins act as a digital counterpart to foreign reserve accumulation. Where once fiscal dividends came from central banks recycling export surpluses into Treasuries, they now come from global digital users whose demand is intermediated by private issuers.

### Concentration, risk and moral hazard

This new advantage, however, is not without risks. Chief among them is [concentration](#): a handful of



firms dominate stablecoin issuance. If just one of these major issuers were to suffer a governance failure, cyberattack, or loss of confidence, the result could be a wave of redemptions and a sudden liquidation of their Treasury holdings. Because these firms would be holding very large volumes of short-term government securities under the GENIUS Act, such an event could ripple through funding markets and destabilize Treasury yields.

This concentration also raises questions of influence. With only a few private companies serving as structural buyers of U.S. debt, their decisions and risk management practices acquire systemic importance. The Treasury's financing conditions would be indirectly tied to the stability and compliance of these firms. That interdependence creates the possibility of moral hazard: if an issuer became too large to fail, would Washington feel compelled to step in to prevent disruption to its own debt markets?

Cybersecurity, compliance lapses, and poor governance are [additional weak points](#). The very success of stablecoins could also generate systemic challenges. If growth accelerates too quickly, demand

for T-bills could become distorted or monetary policy transmission could be complicated, adding a further level of complexity to the task of the Federal Reserve in maintaining financial stability. Managing these risks will require strict oversight of issuers, rigorous auditing of reserves, and safeguards to ensure that Treasury market liquidity remains resilient.

Stablecoins began as a libertarian experiment aimed at circumventing the state. Today they serve as conduits of U.S. sovereign debt, reinforcing the dollar's supremacy and easing the Treasury's ability to service America's obligations. The GENIUS Act has turned a potential challenge into a structural support, confirming that financial innovation can be redirected to the service of U.S. power. This is the hidden fiscal dividend of stablecoins: the conversion of an anti-government market innovation into a new source of state strength.

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