

Stephen I Miran: A global stablecoin glut - implications for monetary policy

Speech by Mr Stephen I Miran, Member of the Board of Governors of the Federal Reserve System, at the BCVC Summit 2025, Harvard Club of New York City, New York City, 7 November 2025.

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Thank you, I really appreciate the opportunity to speak to you today.^{[1](#)}

I am excited to be discussing stablecoins. This innovation has been unfairly treated as a pariah by some, but stablecoins are now an established and fast-growing part of the financial landscape. Putatively, stablecoins were originally intended to facilitate holding and trading cryptocurrency. But their proliferation has been aided by providing users with a stable store of value, a means of payment, and the ability to move capital quickly, irrespective of territorial borders.

Demand for dollars continues to be strong, so it's no surprise that a more efficient means of accessing dollars has become increasingly popular. With the passage this year of the GENIUS Act (Guiding and Establishing National Innovation for U.S. Stablecoins Act), there is now a clear regulatory pathway in the U.S. for stablecoin issuers to broaden their reach and solidify stablecoins as a core part of the payment system. I believe economic research has some catching up to do. Economists meticulously study demand for dollar assets and consider how monetary policy may be affected, and the rapid growth of stablecoins affects the supply of loanable funds in the U.S. economy. I am encouraged that the Federal Reserve is taking steps to recognize the importance of stablecoins for the payment system; greater transparency and rising adoption should help us consider their effect on monetary policy as well.^{[2](#)}

Stablecoins and Dollars

Essentially all stablecoins are denominated in dollars, and their success is at least partly due to the U.S. dollar's enduring status as the world's preferred currency.^{[3](#)} Stablecoins are also contributing to the dollar's dominance by allowing an ever-growing share of people around the globe to hold assets and conduct transactions in the most trusted currency.

My thesis is that stablecoins are already increasing demand for U.S. Treasury bills and other dollar-denominated liquid assets by purchasers outside the United States and that this demand will continue growing. All else equal, this new demand lowers borrowing costs for the U.S. government. However, as a central banker, my focus is on what I believe may be a substantial and long-term force putting downward pressure on a crucial guideline for monetary policymakers known as r^* . The neutral rate, or r^* , is the policy interest rate that neither stimulates nor restricts economic activity when the economy is operating at its potential once the transitory effects of cyclical economic shocks have abated. There are several open questions with respect to the impact of stablecoins on U.S. monetary policy: How many assets will be managed by stablecoin issuers? Will the funds come from domestic or foreign sources, and where might

substitution pull funds out of the banking system? What are the systemic risks related to runs on stablecoins? Since monetary policy must be forward looking, my colleagues and I would be best served exploring these topics now. In these remarks, I'll focus on the consequences for monetary policy if stablecoin growth follows industry expectations. In short, stablecoins may become a multitrillion dollar elephant in the room for central bankers.

GENIUS Act

While I tend to view new regulations skeptically, I'm greatly encouraged by the GENIUS Act. This regulatory apparatus for stablecoins establishes a level of legitimacy and accountability congruent with holding traditional dollar assets. For the purposes of monetary policy, the most important aspect of the GENIUS Act is that it requires U.S.-domiciled issuers to maintain reserves backed on at least a one-to-one basis in safe and liquid U.S. dollar-denominated assets. These reserves can be held in bank deposits, short-term Treasuries, overnight repurchase agreements (repos) or reverse repos backed by U.S. Treasuries, or government money market funds. Depending on the source of funds used to invest in stablecoins, it may constitute new loanable funds in the U.S. economy or the overall amount of money available for borrowing and lending.

Even stablecoins outside the ambit of the GENIUS Act are likely to boost demand for Treasuries and other dollar-denominated assets. Stablecoins that do not comply with the GENIUS Act can invest reserves in a much broader range of assets but, to be viewed as reliable stores of value, will likely end up still investing substantially in U.S. dollar securities with minimal credit risk.

The inter-quartile range of private-sector estimates compiled by Federal Reserve staff roughly projects stablecoin uptake reaching between \$1 trillion and \$3 trillion by the end of the decade. For reference, the Fed grew its holdings of U.S. Treasury securities by just over \$3 trillion during the latest round of quantitative easing in response to the COVID-19 pandemic. In total, under \$7 trillion in Treasury bills are outstanding today. If these forecasts prove accurate, the magnitude of additional demand from stablecoins will be too large to ignore.

Potential for Broad Adoption

The innovation of public blockchains means that stablecoins can trade freely on rails that anyone in the world can use. This advancement represents potentially transformational change for consumers and businesses outside the U.S., particularly those in emerging market economies (EMEs) or even advanced foreign economies (AFEs) with burdensome restrictions on their payment systems. In many jurisdictions, low-friction payment rails are unavailable. Banking services to convert local currency or assets into dollars may be limited. Basic banking services themselves may be limited. And billions of people worldwide are subject to capital controls preventing convertibility and access to dollars. Globally, savers disproportionately favor dollar-denominated assets, and the ubiquity of capital controls is indicative of that revealed preference.

For stablecoins to enter widespread use, there must be a bridge from local fiat currencies into stablecoins. One can imagine many possible bridges, often already in use for existing dollar vehicles: Remittances from immigrants working in the U.S. might

take the form of stablecoins; exporters may receive portions of their payment in stablecoins, perhaps undeclared if domiciled in jurisdictions that proscribe stablecoin use; people might trade local currency for cryptocurrency and then use that cryptocurrency to buy a stablecoin; or they might trade physical cash or goods or services or other assets for stablecoins. Stablecoins merely make it easier to traverse some of these bridges and increase incentives for doing so because once stablecoins are in circulation in an economy, they can circulate more freely and cheaply behind capital controls than traditional forms of dollar payments.⁴

These bridges will not be frictionless or have infinite capacity. For people who want to use dollars either as a store of value or a means of payment but are unable to do so, stablecoins make it incrementally easier. Stablecoins will not instantly obliterate barriers to dollar use, but they will perforate those barriers.

Reserve assets and currency provided by the U.S. are global public goods, but some jurisdictions prohibit their citizens' enjoyment of them. Stablecoins might establish an easier means for the financially repressed to enjoy these global public goods and evade draconian restrictions on their finances. For individuals and businesses in many nations, especially those in which dollars are used for large purchases like homes, this also leapfrogs the challenges of high and unstable inflation or volatile exchange rates.

To be fair, stablecoin growth may not live up to the forecasts I cited earlier. Potential limits on yield and reward arrangements could limit adoption, particularly in open economies. The presumption that the crypto industry will grow at the prodigious rates of recent years cannot be taken for granted. But even with these considerations, it seems likely to me that the growth in stablecoin usage outside the U.S. will continue at a high rate.

One important distinction is that if domestically purchased stablecoins are financed with bank deposits, or foreign purchases are financed with existing dollar-denominated holdings, then that doesn't affect the amount of loanable funds in the financial system. Further, there's some risk that a flow of deposits out of the U.S. banking system and into stablecoins could disintermediate banks, affecting the transmission of monetary policy and stunting the velocity of money.

However, because GENIUS Act payment stablecoins do not offer yield and are not backed by federal deposit insurance, I see little prospect of funds broadly fleeing the domestic banking system. The real opportunity in stablecoins is to satiate untapped foreign appetite for dollar assets from savers in jurisdictions where dollar access is limited; by contrast, users in the U.S. and AFEs like the euro zone already freely access Treasuries, dollars, and other instruments that offer yield or deposit insurance. I therefore expect most demand for stablecoins to come from locales unable to access dollar-denominated saving instruments, boosting demand for dollar assets.

Implications for Monetary Policy

The supply–demand balance for loanable funds determines the neutral interest rate, or r^* . As I discussed in a recent speech, I believe a range of different factors are putting downward pressure on r^* and should be considered in formulating monetary policy.⁵ Some researchers have tried to estimate how much stablecoin growth might lower

interest rates. In 2024, work by Marina Azzimonti and Vincenzo Quadrini estimated that if stablecoins are in widespread use and fully backed by U.S. securities, it could put as much as 40 basis points of downward pressure on interest rates.⁶

In estimating the effect of the projected growth of stablecoin issuance on demand for Treasuries and other highly liquid dollar assets, it is helpful to make a comparison to what most researchers believe was a large factor during an era of declining interest rates that began around the turn of the millennium-what former Fed Chairman Ben Bernanke called the global saving glut.⁷ In measuring the global saving glut, Bernanke reported that the annual U.S. current account deficit widened by 4 percentage points of U.S. gross domestic product (GDP) from 1996 to 2004.⁸

As I mentioned earlier, projections indicate between \$1 trillion to \$3 trillion of growth in stablecoins over the next several years. Adoption depends on regulatory clarity, institutional integration, and factors emanating from outside the U.S.-for instance, growth in EMEs, foreign exchange fluctuations, foreign political stability, and so forth.

An additional \$2 trillion of foreign demand for dollar assets by the end of the decade would, all else equal, increase the current account deficit by roughly 1.2 percentage points of GDP over this period. This increase would represent about 30 percent of the size of the original global saving glut. More bullish stablecoin-uptake forecasts on the order of \$4 trillion would double the size of this effect, making it about 60 percent the size of the original global saving glut. These magnitudes would matter for monetary policy.

Demand could obviously differ in domestic versus foreign adoption or miss these estimates. My goal is not to pinpoint the most accurate forecast, but to highlight the potential power of this channel. You can fill in your own numbers using this same method-my crystal ball is no clearer than others'. Moreover, the asset mix purchased by the rest of the world 20 years ago differs from that purchased by stablecoin issuers. The effects of a lower neutral rate might therefore manifest in financial markets differently than they did last time.

Even relatively conservative estimates of stablecoin growth imply an increase in the net supply of loanable funds in the economy that pushes down r^* . If r^* is lower, policy rates should also be lower than they would otherwise be to support a healthy economy. A failure of the central bank to cut rates in response to a reduction in r^* is contractionary.

If a global stablecoin glut looks like a global saving glut, some other consequences may be replicated, too. For instance, a lower r^* increases the odds that the zero lower bound (ZLB) binds in the future, limiting the ability of short-term interest rates to move down to provide accommodation but not restraining their ability to move up to restrict activity. Markets may expect policy to spend more time at the ZLB because of that inability to provide accommodation and get away from zero. That may make the fed funds rate more volatile to the upside with respect to other financial conditions, even as downside volatility remains muted by the ZLB, simulating elements of former Chairman Alan Greenspan's "conundrum."⁹

Moreover, if a global stablecoin glut is driven by flows out of foreign currencies and into the U.S. dollar, it will, all else equal, make the dollar stronger. Depending on the strength of this effect relative to other forces affecting the Fed's price-stability and maximum-employment mandates, that might be something that monetary policy reacts to.

Finally, incremental dollarization may reduce the benefits of floating exchange rates. Exchange rates often function as shock absorbers, adjusting rapidly to changes in relative conditions across countries so that nominal prices don't have to. If nominal prices are sticky and exchange rates are not, the cyclical distortions associated with those rigidities are less detrimental for the economy. Increased real price rigidity because exchange rates cannot adjust would intensify the volatility of global business cycles. And Fed policy will have a greater effect on foreign economic growth with greater dollarization, increasing business cycle synchronization. Whether this phenomenon would matter for the U.S. and not just for countries that dollarize a portion of their economies remains speculative.^{[10](#)}

America's capital markets are the world's deepest, helping to support economic growth, fund new ideas, and allocate capital efficiently. However, our financial infrastructure, not unlike our physical infrastructure, could use a reboot. Stablecoins may well lead the way on this front, facilitating dollar holdings and payments domestically and abroad. While there has been extensive research on the topic since the advent of stablecoins a decade ago, the scope for rapid increases in issuance makes it now even more imperative to consider what widespread adoption may mean for monetary policy, both in the U.S. and abroad.

^{[1](#)} The views expressed here are my own and are not necessarily those of my colleagues on the Federal Reserve Board or the Federal Open Market Committee.

^{[2](#)} See Board of Governors of the Federal Reserve System (2025), [proceedings](#) of the Payments Innovation Conference, streamed live on October 21, YouTube (Washington: Board of Governors).

^{[3](#)} For the list of stablecoins circulating, see the DeFiLlama website at <https://defillama.com/stablecoins>; at the time of writing, 99.6 percent of stablecoins were denominated in dollars. For more on the enduring global preference for dollars, see Carol Bertaut, Bastian von Beschwitz, and Stephanie Curcuru (2025), "[The International Role of the U. S. Dollar – 2025 Edition](#)," FEDS Notes, (Washington: Board of Governors of the Federal Reserve System, July 18).

^{[4](#)} Although many countries have existing black markets for dollars, these are likely to be less preferred to stablecoins because of the difficulty of verifying and saving currency. Relative to stablecoins, physical cash is riskier, and both more difficult and costlier to store or move in large volumes. Moreover, many black market dollars trade at a premium because the amount of dollars available is limited.

⁵ See Stephen I. Miran (2025), "[Nonmonetary Forces and Appropriate Monetary Policy](#)," speech delivered at the Economic Club of New York, New York, September 22.

⁶ See Marina Azzimonti and Vincenzo Quadrini (2024), "[Digital Assets and the Exorbitant Dollar Privilege \(PDF\)](#)" *AEA Papers and Proceedings*, vol. 114 (May), pp. 153–56. This paper and related work by the same authors-including the 2025 paper "[Digital Economy, Stablecoins and the Global Financial System](#)," NBER Working Paper Series 34066 (Cambridge, Mass.: National Bureau of Economic Research, July)-expand on some of these ideas but do so in a model in which stablecoin issuers can choose to hold much less-or even none-of their assets in Treasury securities. The prediction on the interest rate depends on the fraction of reserves held in Treasury securities by stablecoin issuers. With a low enough fraction, the stablecoin steady-state interest rate can actually also be higher. However, such a pattern does not match what we observe from issuers or the guidelines in the GENIUS Act, and I therefore prefer to assume a high value of the fraction of reserves held in Treasury securities. It follows that the stablecoin steady-state interest rate is lower than the steady-state interest rate in which stablecoins are absent.

⁷ In his 2005 speech that coined the term and launched a thousand papers, then-Fed Governor Ben Bernanke estimated that the global saving glut began around 2001. See Ben S. Bernanke (2005), "[The Global Saving Glut and the U.S. Current Account Deficit](#)," remarks delivered at the Sandridge Lecture, Virginia Association of Economists, Richmond, Virginia, March 10.

⁸ After peaking in 1995 at 7.91 percent, the 10-year yield fell to 4.92 percent in January 2001.

⁹ See Alan Greenspan (2005), [testimony](#) before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, February 16, 109th Cong. (Washington: U.S. Government Printing Office), quoted text in paragraph 23.

¹⁰ Caballero, Fahri, and Gourinchas (2017) note that once the ZLB for global interest rates is reached, the world economy becomes increasingly interdependent as countries can no longer use monetary policy to insulate their economies from world capital flows; see Ricardo J. Caballero, Emmanuel Farhi, and Pierre-Olivier Gourinchas (2017), "[The Safe Assets Shortage Conundrum \(PDF\)](#)," *Journal of Economic Perspectives*, vol. 31 (Summer), pp. 29–46.