



Stablecoins' Role in Statecraft: Implications for Nebraska

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Executive Summary

The United States faces a monetary crossroads as global de-dollarization pressures intensify and cryptography redefines trust in money. This paper outlines how the GENIUS Act and Nebraska Financial Innovation Act position private stablecoin issuance as a tool of American statecraft – extending dollar dominance, funding defense priorities, and exporting US monetary influence over adversaries and trade partners alike. Yet, these benefits come with structural risks: fiscal overextension, foreign backlash, and long-term inflationary consequences. While stablecoins serve short-term objectives by absorbing Treasury supply, their reliance on persistent public debt worsens the nation's fiscal situation. To hedge structural risks and secure enduring prosperity, Nebraskans should instead foster Bitcoin-centered banking models.

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The dollar system faces profound challenges in the midst of an ongoing global monetary reordering. Although many foreign central banks seek to diversify reserve holdings under geopolitical and trade tensions by rolling off Treasuries to buy gold, foreign households and firms are increasingly adopting dollar stablecoins in a flight to safety (hedging local currency exchange rate risk). These micro decisions add up to a macro effect of bifurcation, increasing volatility in foreign exchange markets. Closer to home, recent concerns over Federal Reserve independence pale in comparison to the challenges facing capital allocators in some G20 countries, for example:

- US allies like the UK, France, and Japan – critical to countering Russian and Chinese military power – face severe fiscal uncertainty and elevated risk premia with revolving doors of Prime Ministers.
- Countries with histories of authoritarian governance like India, Brazil, and Saudi Arabia are pursuing central bank digital currencies (CBDCs) to the chagrin of private sector financial freedom.
- Argentina, Turkey, and Indonesia each offer multiple case studies of hyperinflation – all of which remain disastrous for their populace today.

While de-dollarization is an ill-defined concept, its processes are not distributed evenly, and some are reversible. If the US moves to print away its debt, many countries will need to print more to satisfy their own dollar-denominated debts. While managing effects of the Nixon Shock,



Treasury Secretary Connally told G10 leaders in 1971 that the newly floating and inflated dollar “is our currency, but it’s your problem.”¹ His blunt description of that historic dollar glut presaged Secretary Bessent’s recent promise of accelerating dollar issuance:

“[W]e are going to put a lot of thought into the stablecoin regime. And as President Trump has directed, we are going to keep the U.S. the dominant reserve currency in the world, and we will use stablecoins to do that.” – Treasury Secretary Scott Bessent, remarks at the White House Digital Assets Summit, March 7, 2025²

The GENIUS Act aims to rapidly counter financial decoupling threats from the BRICS+ bloc (especially China) and extend dollar dominance through private issuance of stablecoins as a tool of statecraft. This may be especially useful to expand both American trade and influence in key terrain of the Great Power Competition (GPC) like Africa and Latin America. As tokenized Treasury bills, private stablecoins offer an innovative vision for digital signature-based assets and show cryptography’s essential role for trust in money of the digital age.

With potential reforms after GENIUS, the Nebraska Financial Innovation Act positions in-state actors to capitalize on these tectonic shifts. Digital asset depositories stand to issue stablecoins in line with national strategy to reach an addressable market worth trillions of dollars. The runway for stablecoin issuers to create value, however, is severely limited by unresolved geoeconomic questions of Triffin’s Dilemma³ and a winner-take-most market structure.

Stablecoin market dynamics are best represented by El Salvador-based Tether.⁴ As the inventor of stablecoins, Tether controls roughly 66% of the \$260 billion global market (as of September 2025) with over 450 million users, annual user growth exceeding 100 million, and 2024 transaction volumes of \$10 trillion – compared to Visa’s \$16 trillion. Tether’s product, USDT, is issued mostly on proof-of-stake blockchains, with ongoing efforts to use Bitcoin’s Taproot Assets protocol for greater decentralization and security.⁵ Tether’s capture of T-bill net interest margin is highly profitable – net income passed \$93 million per employee in 2024, over

¹ Chatham House, [Policymakers can learn from Nixon’s ‘dollar shock’](#), March 2022

² US Government Publishing Office, [Remarks at the White House Digital Assets Summit](#), March 2025

³ This refers to observations on the Bretton Woods system by economist Robert Triffin in the 1950s-60s, which describe parallel constraints of today’s fiat dollar system. The basic formulation is that an issuer of the global reserve currency must run persistent trade deficits to export sufficient liquidity to fill foreign reserve demand. This turns the domestic economy into a net importer of goods and undermines productive capacity – hollowing out manufacturing. Dr. Triffin prescribed resolving it through gold-backed IMF deposits, but the Nixon Administration chose inflation instead. The analysis in this paper assumes an inflationary path is once again being pursued.

⁴ BitMEX founder Arthur Hayes offered a comprehensive [analysis of Tether](#) and their centrality to the stablecoin market structure, June 2025.

⁵ Lightning Labs, [Announcing Taproot Assets v0.6](#), June 2025



500 times greater than \$184,000 at JPMorgan Chase.^{6,7} The firm accretes shareholder value by converting most retained earnings into hard assets, accumulating 80 tons of gold and over 87,000 bitcoins.^{8,9}

While Tether's competitive moat as the leading digital bank for the Global South is vast, they are expanding in the US and the business model is attracting new entrepreneurs and leverage, including Circle's initial public offering and the Trump family's investment in World Liberty Financial. Under the GENIUS Act, other non-financial American firms could begin to use their large international distribution channels to profit from stablecoin exports. Retailers like Amazon and Walmart and technology companies like Meta and Alphabet expressed interest in entering this market – to compete with Chinese rivals like Alibaba and Tencent (WeChat).¹⁰ Without federal action to amend GENIUS, such entrants may undermine a meaningful portion of banks' deposit base through rebating activities that emulate interest payments.

Americans generally have little incentive, however, to use stablecoins at present given our yield-bearing banking system and deep, open capital markets. Instead, the greatest stablecoin demand is likely to continue from households and firms in ex-US Eurodollar markets, even China and its offshore proxies. Abroad, stablecoins offer a hedge against weaker fiat currencies, mobile-first user experiences, positive yield when staked as collateral, reliable remittances, faster settlement, and much lower costs than other means of accessing dollars.

In terms of impact, stablecoins turn more foreign households and firms into US government creditors. Short of nationalizing industry or waging wars of conquest, this resembles a final frontier of untapped savings to fill national coffers.¹¹ Both trade partners and adversaries already fear a proliferation of stablecoins undermining their currencies and reducing options for seigniorage as a tool of public finance – manifesting a form of the Dollar Milkshake Theory.^{12,13}

Christine Lagarde's renewed push in November 2024 for the EU's Capital Markets Union (CMU) Action Plan offers an example of this fear: "There is now an urgent need to channel retail savings into European capital markets in order to develop those markets and finance EU

⁶ Blueprints by Bridget Harris, [The Most Profitable Business Per Employee in the World](#), May 2025

⁷ JPMorgan Chase, [Resolute Annual Report 2024](#), March 2025

⁸ Jack Ryan, Bloomberg, [Crypto Firm Tether Holds \\$8 Billion Pile of Gold in a Secret Swiss Vault](#), July 2025

⁹ BitcoinTreasuries.net, [Tether Holdings Limited](#), October 2025

¹⁰ Heeb, Andriotis, and Dawsey, Wall Street Journal, [Walmart and Amazon Are Exploring Issuing Their Own Stablecoins](#), June 2025

¹¹ Cornell Professor Sarah Kreps offered a comparative analysis of these federal funding mechanisms in her essay "Easy Money, Easy Wars?," from [The Satoshi Papers](#), 2025.

¹² Brent Johnson, Santiago Capital, [The Dollar Milkshake](#), March 2025

¹³ Christopher Bendiksen, CoinShares Research, [Bitcoin and Stablecoins are a Threat to Weak Emerging Market Currencies](#), June 2024



priorities.”¹⁴ To the extent stablecoins enable currency substitution, foreign governments may also respond in ways disruptive to Treasury markets such as capital controls, dollar-denominated debt defaults, resource embargoes, military action, etc. – clouding the durability of this strategic tool. To soften the geopolitical blow from monetary reordering, the US may soon offer new dollar swap lines as a carrot to trade partners and reduce stablecoins’ disruption of foreign exchange reserves.¹⁵ This approach could be a competitive measure to disrupt China’s progress toward a dual circulation strategy.

Targeting a lower Fed funds rate from late 2025 onward would enable the rapid expansion of Treasury bill issuance to satisfy dollar stablecoin demand. Secretary Bessent estimates this reaching \$2 trillion or greater by 2028, an eightfold increase in three years.^{16,17} As a tool of statecraft, stablecoins export US monetary inflation to price-insensitive foreign buyers and front-run other nations in engineering the digital economy. Revenue raised this way can fund pressing defense needs, fulfilling a core objective in the “Mar-a-Lago Accord.”¹⁸

Under the GENIUS Act, private stablecoin issuers will necessarily operate through short-duration Treasury purchases, partially monetizing structural deficits, and transferring financial repression (negative real yields) to stablecoin holders. While stablecoins are privately issued, they depend on new public debt – incurring interest obligations without directly collateralizing credit growth to fuel GDP and associated marginal tax revenues. Although a multi-trillion-dollar print will compress yields at the short end of the curve and lower stablecoin issuers’ margins, additional financial engineering will be required to prevent a runaway debt spiral.

The rising stablecoin bid on US debt is also occurring within the economic reality of a peacetime federal debt-to-GDP ratio over 120% and an atrophied defense industrial base insufficient to deter Russian and Chinese revanchism. Net interest expense surpassing defense spending places the nation in a weak strategic posture and shows diminishing returns from operating the legacy dollar system. Additional massive borrowing through stablecoin issuance is a non-remedy when excess borrowing itself is the prima facie concern for economic stability.

¹⁴ European Central Bank, [Follow the money: channelling savings into investment and innovation in Europe](#), November 2024

¹⁵ Research by the Atlanta Fed and Deutsche Bank indicate the plausibility of Federal Reserve swap lines once again serving geopolitical ends. See Robert McCauley, [The Offshore Dollar and US Policy](#) and Stefania Spezzati, Reuters, [De-dollarisation could speed up with US isolationist policies](#).

¹⁶ House Ways & Means Committee, [Full Committee Hearing with Treasury Secretary Scott Bessent](#), June 2025

¹⁷ BitMEX founder Arthur Hayes [estimates](#) that various swap line scenarios could further amplify this market’s growth to \$34 trillion by 2030.

¹⁸ Stephen Miran, Hudson Bay Capital, [“A User’s Guide to Restructuring the Global Trading System,”](#) November 2024



Combined effects of this context hinder America's ability to supply both global public goods incumbent upon the reserve currency – necessitating a fundamental monetary reordering.

Indeed, the executive branch's actions to expand T-Bill issuance may reflect a step toward embracing fiscal dominance by reducing the role of the Federal Reserve in managing the short end of the curve. Such policy measures appear to follow the Treasury-Fed Accord precedent (1942-51), which used financial repression to pay down war debts.¹⁹ This time around, a weaker dollar is necessary to “run the economy hot” and grow exports. Stablecoins help the US in its race to debase against China and the EU while heading off some constraints of Triffin's Dilemma for a few brief years.

With stablecoins, the dollar is competing to reach its maximum addressable market. If debt-absorbing stablecoins also help the US outspend China in the GPC, bills will eventually come due. Without a productivity and taxation miracle, an inflationary sovereign deleveraging remains the most likely long-term option.²⁰ Creditors can only handle so much dilution until a critical mass begins saving and/or demanding repayment in harder money, increasingly bitcoins in today's macroeconomy of declining trust. Indeed, Bitcoin's inherent properties shape its macroeconomic function as an unstoppable and portable liquidity release valve on the perpetual credit expansion backing all fiat currencies.

If these trends have legs, balance sheets capitalized with bitcoins will increasingly acquire balance sheets without. As signposts of where markets are heading, consider the following:

- In the first half of 2025, publicly traded American companies raised \$86 billion for corporate treasury strategies to buy bitcoins – more than double the total financing raised in initial public offerings over the same period.²¹
- The Trump Media and Technology Group's July purchase of \$2 billion worth of bitcoins represents two-thirds of the firm's liquid assets.²² This position was roughly equivalent to the market cap of World Liberty Financial's USD1 stablecoin.
- In 2025 alone, Texas, New Hampshire, and Arizona codified state-level Strategic Bitcoin Reserves (SBRs) similar to the nation's SBR created in Executive Order 14233. The federal SBR analogizes Bitcoin as “digital gold” and directs Treasury treatment to

¹⁹ Federal Reserve History, [The Treasury-Fed Accord](#), November 2013

²⁰ Lyn Alden, “[Nothing Stops This Train](#),” May 2025

²¹ Zuckerman and Huang, Wall Street Journal, [The Hottest Business Strategy This Summer is Buying Crypto](#), July 2025

²² Trump Media and Technology Group Corp. press release, [Trump Media Announces its Purchases for Bitcoin Treasury Reach \\$2 Billion](#), July 2025



indefinitely hold bitcoins – a material distinction from treatment of all other digital assets held in the national stockpile.²³

- Members of Congress support the SBR, reflecting public sentiment, and have introduced legislation to follow the CLARITY Act. Senator Lummis (R-WY) introduced the BITCOIN Act to capitalize the SBR with 1 million bitcoins²⁴ – calling it a digital “Louisiana Purchase.” Representative Begich (R-AK) introduced a House companion.

Rather than focusing on stablecoins, Nebraskans should consider Bitcoin-centric banking business models as the most useful opportunity under the Nebraska Financial Innovation Act – from robust custody solutions to collateralized ag lending^{25,26} to correspondent banking services that protect export markets access. Embracing Bitcoin is a moonshot opportunity, with potential risks and rewards falling every day. Effective public policies would support broad-based adoption to build and protect capital within Nebraska for generations to come. As Satoshi Nakamoto wrote days after the network’s launch, “It might make sense just to get some in case it catches on. If enough people think the same way, that becomes a self fulfilling [sic] prophecy.”²⁷

About the Author

Evan Egger is the Executive Director of the Nebraska Bitcoin Association. He formerly worked as an economist in Nebraska’s Department of Economic Development, analyzing the intersection between development programs and the state’s economy. Evan also spent five years working on insurance technology and a decade in the Army. In Afghanistan, he led Soldiers on consulting and intelligence missions from tactical to strategic levels. Evan holds a Master of Global Business Administration degree from Tufts University and a BA in Economics from the University of Nebraska-Lincoln.

About the Nebraska Bitcoin Association

The Nebraska Bitcoin Association (NBA) is a nonpartisan nonprofit with a mission to educate Nebraskans about Bitcoin since block height 906,893. The NBA team comprises professionals experienced in education, computer science, financial services, energy, and more – working together to raise the level of local dialogue about Bitcoin and adjacent technologies protecting freedom in the digital age. The views expressed in this paper do not necessarily reflect the views of all NBA management or its affiliated volunteers.

²³ Federal Register, [Executive Order 14233](#), March 2025

²⁴ Library of Congress, [S.954 – BITCOIN Act of 2025](#), March 2025

²⁵ Casey Cruickshank, Nebraska Bitcoin Association, [“Fixing the Farm Crisis,”](#) August 2025

²⁶ Andrew Hohns, Battery Finance, [“America Wins with Bitcoin,”](#) June 2025

²⁷ Satoshi Nakamoto, Cryptography Mailing List, [Bitcoin v0.1 released](#), January 2009