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Cryptomercantilism: Donald Trump's monetary doctrine

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Abstract

The notion of *cryptomercantilism* describes Donald Trump’s strategy of merging neo-mercantilism with digital finance to reinforce the international dominance of the US dollar. This policy promotes stablecoins—cryptocurrencies backed by US dollars—to maintain the dollar's supremacy while pushing for the development of crypto finance. This approach balances monetary control with crypto expansion, ensuring stablecoins serve US interests without threatening the dollar. By regulating stablecoins, Trump could extend American financial and monetary influence, potentially increasing global dependence on the US dollar. This shift would pose major risks for Europe.

Donald Trump's economic policy is rooted in a mercantilist logic, in which a state's power is defined by its ability to increase exports and impose its rules on other countries. Like the historical mercantilism of the 18th century, this neo-mercantilism driven by a strong state is far from contradictory with the defense of private interests and profits.[1] It seeks to use and valorize large private companies as the main vectors of state and national power. Economic power should not emanate from the principles of free trade, but from the ability of the United States to impose its standards on the rest of the world, through the constant use of power relations and a symbiosis between the state apparatus and corporate strategy.

Trump's mercantilism goes beyond protectionist trade policy to include a significant monetary component, already present in the program, statements during the presidential campaign and the key document of Washington's new economic policy: the Miran Doctrine. This monetary component comprises two elements: maintaining and even strengthening the dollar as the world's reserve currency, and developing the role of cryptocurrencies.[2]

Contrary to what the apology for bitcoin and the thunderous - and ultimately very unambitious - announcements concerning the creation of a cryptocurrency reserve suggest, it is highly likely that the Trump administration's crypto-mercantilism focuses on the development of stablecoins, i.e. cryptocurrencies which - unlike bitcoin - can have a stable value backed by the value of reserve currencies.

Expanding the global use of stablecoins exclusively backed by US dollars would enable Trump to resolve the contradiction between the two objectives of his ambition for monetary domination: maintaining the dollar as the dominant reserve currency internationally and making crypto-currencies the new spearhead of US monetary and financial power.

This would mean making the dollar the main reserve currency for the development of stablecoins, rather than providing political support and free rein to cryptocurrencies that are entirely disconnected from state currencies and could potentially threaten the status of the dollar.

The monetary aspect of Trumpian mercantilism

The Trump administration's various mercantilist objectives reveal a number of potential contradictions. The first of these lies between a purely mercantilist trade policy - protectionism (increasing exports and limiting imports from the United States) - and the desire to maintain the dollar's international dominance as a reserve currency. Trump is seeking to depreciate the dollar in order to boost US exports. To this end, he continues to pressure the Federal Reserve (Fed) to keep interest rates low, as a rate rise would tend to strengthen the value of the dollar. However, a weakened dollar is less attractive to foreign central banks, which could threaten its status as a reserve currency. This contradiction is not as obvious and mechanical as it may seem however: the dollar depreciated by almost 30% between 2000 and 2007, without this calling into question its status as a reserve currency. Yet, the Trump administration has envisaged a riposte to this possible contradiction by threatening countries that reduce their dollar reserves with tariffs that could reach 100%[3].

This threat clearly demonstrates the intrinsic link between trade power and monetary power that is woven by the Trump administration. Such a threat could prove counter-productive, however, by prompting certain countries to preemptively limit their exposure to the dollar and reduce their trade with the United States. But everything will depend on the ability of the countries concerned to free themselves from the dollar in their international transactions. Another - more profound - contradiction between the different objectives of US neomercantilism concerns the coexistence between the dollar and cryptocurrencies. By promoting the rise of cryptos, Trump seems to be encouraging

[1] This text was originally published in the Grand Continent, 18 March 2025. On the history of mercantilism and its relevance today, see Eric Helleiner, *The neomercantilists: A global intellectual history*. Cornell University Press 2021; Arnaud Orain. *Le monde confisqué. Essai sur le capitalisme de la finitude (XVIe-XXIe siècle)*, Flammarion, 2025.

[2] "Trump's official program", *the Grand Continent*, November 11, 2024; " Trump's Bitcoin Stockpile Plan stirs debate ", Reuters, August 6, 2024.

[3] "Trump repeats tariffs threat to dissuade BRICS nations from replacing US dollar", *Reuters*, January 31, 2025.

an alternative to the dollar. The announcement of the establishment of a cryptocurrency reserve held by the US Treasury - via an executive order signed on March 6 - symbolized the ambition of a cryptocurrency expansion policy, but it immediately came up against a fundamental contradiction. Unlike gold reserves held by central banks or the Treasury (to which reference is often made in this context), cryptocurrencies can be used as a means of payment[4]. The dollar price of bitcoin is therefore not just an asset price: it's an exchange rate between two currencies. Since the end of the Bretton Woods system, gold no longer has any monetary value, and the United States and European countries have stopped buying it - they retain only part of their historical stock. Central banks that buy gold do not attribute a monetary value to it, nor do they do so to legitimize and develop gold's monetary status. Holding a reserve of crypto-currencies that has monetary value would thus in no way be equivalent to the status of a gold reserve today: it would create a similar situation faced by countries that hold a lot of foreign exchange reserves - mainly dollars - in order to have a relatively stable exchange rate between the dollar and their domestic currency. The United States would therefore be unable to escape the question of the desired exchange rate between the dollar and these cryptocurrencies.

This would create the following dilemma: if the dollar price of cryptocurrencies rises, this would be tantamount to recognizing that there is a superior monetary alternative to the dollar. Countries that maintain a fixed exchange rate with the dollar recognize this superior status of the dollar, but it's hard to see the US acknowledging that cryptocurrencies are more stable, strong and internationally dominant currencies than the dollar. If the price falls, this would lead to losses for the US Treasury, which might require interventions to support the value of these cryptocurrencies.

The Trump administration recently announced the creation of a bitcoin reserve and - in a second phase - other crypto-currencies, but in practice this measure remains largely symbolic, for the reason we've just outlined. Official recognition of crypto-currencies would be tantamount to introducing a link between their value and that of the dollar, which would jeopardize the supremacy of the American currency. In its current form, therefore, the new reserve will consist solely of cryptocurrencies seized by the US Treasury in the event of fraud, and it will not be possible to sell them[5]. There is no commitment to buy more, nor to maintain an exchange rate between the dollar and certain cryptocurrencies. This involves the creation of a new Treasury office dedicated to this function, not the integration of cryptocurrencies into the US foreign exchange reserves, which remain managed by the Exchange Stabilization Fund. This reserve does not therefore give crypto-currencies any special monetary status; it merely serves as a reminder that the US administration has seized a large number of them, and therefore how deeply the development of these currencies is still linked to illegal activities.

Stablecoins spearhead cryptomercantilism

To get around the contradiction between the goal of dollar domination and the political promotion of crypto-currencies, Trump could promote stablecoins, crypto-currencies backed by a state currency like the dollar. Unlike bitcoin, Ethereum or other unbacked cryptocurrencies with a free-floating and fluctuating price, stablecoins have a fixed value and thus offer a more stable alternative to international payments.

Many experts have long doubted the usefulness of stablecoins and therefore their possible expansion. Unlike bitcoin and other cryptocurrencies with fluctuating prices, stablecoins don't allow you to earn money by anticipating a rise in their value. From a monetary point of view, it's not clear that stablecoins are any more valuable than the usual state-controlled currencies: why pay in stablecoins, which have the same value as dollars, rather than paying directly in dollars? For the same reasons, a significant part of the cryptocurrency community is reluctant to accept stablecoins, which are seen as contradictory to the original intention of these currencies - i.e. to get rid of any reference to a state.

[4] In the U.S., gold and foreign currency reserves are legally held by the Treasury, not the central bank, although the latter can in practice carry out certain financial operations with these reserves. The new reserve of bitcoins and other digital assets will be managed by a newly-created Treasury office, and not by the Exchange Stabilization Fund, which manages U.S. foreign exchange reserves.

[5] " Establishement of the strategic bitcoin reserve ", White House, March 6, 2025.

Like other cryptocurrencies, stablecoins can be used without going through banks, and their payment is made using blockchain technology, which guarantees the anonymity of transactions. Alternatively, payments can be made non-anonymously, enabling the identity of payers and recipients to be verified more quickly. They offer a faster, easier and cheaper payment technology than most bank transfers today. The potential market for international payments - including small payments and remittances, international money transfers between migrant workers and their families - is considerable, and could support the development of stablecoins. But to be reliable, stablecoins need regulation, i.e. the certainty that the company issuing the stablecoin has the promised reserves. For if a large number of holders simultaneously ask to convert their stablecoin into dollars, a crisis could arise, similar to a bank run, as was the case with the resounding crash of the stablecoin Terra Luna. Paradoxically, it's the virtual absence of regulation that has limited the widespread use of stablecoins for the time being.

The Trump administration could therefore impose regulations guaranteeing that stablecoin reserves consist exclusively of dollars. This is undoubtedly how it could attempt to resolve the contradiction between the power of the dollar and the development of crypto-currencies. This approach is consistent with Treasury Secretary Scott Bessent's recent statements, concomitant with the announcement of a cryptocurrency reserve, and which we believe will prove in the future to be far more important than the latter: “Stable coins will preserve dollar dominance”[6].

The political economy of stablecoin

The aim of developing stablecoins - in particular by regulating them - will be to maintain the dollar's dominance in international trade, not necessarily as a means of exchange, but as a reserve currency for stablecoins.

Two questions then arise. Firstly, will this strategy work against traditional banks or, on the contrary, will it help banks to integrate cryptocurrencies into their modus operandi and payment systems? If regulation is put in place, stablecoins could increasingly resemble traditional banking services (transfers, securities portfolio, etc.), and banks could offer these services. The fact that this isn't necessarily against the banks is actually advantageous for Trump, as it saves him from alienating the large US banks. Trump and the Republicans have always rejected central bank digital currency, i.e. a digital means of payment in dollars offered by the central bank, in the name of the competition this central bank currency would bring to the banks.

Secondly, how will the crypto community react? While the most radical cryptocurrency enthusiasts don't like stablecoins, because they don't fit in with their anti-bank, anti-state ideology, this isn't the case for all players in this ecosystem, and in particular the big financial players, such as exchange platforms and major tech companies. The hope for these players is that greater use of stablecoins could acclimatize a large proportion of individuals to the daily use of multiple digital payment methods, which could also develop their appetite for using unbacked cryptocurrencies - albeit in a lesser way than stablecoins for payments. Stablecoin would be the gateway to the habit of monetary multiplicity, just as banks are often the gateway to equity investment. The argument of the complementary nature of stablecoins and unbacked cryptocurrencies could be enough for stablecoin regulation to win the support of big tech, traditional and crypto financial circles, without however calling into question the priority of stablecoins and therefore the dominance of the dollar as the reserve currency for these stablecoins. Large digital companies (Amazon, Meta, etc.) could thus play a key role in facilitating payments *via* stablecoins backed by the US dollar, thereby reinforcing the dollar's dominance in international transactions.

A threat to Europe

Does US cryptomercantilism pose a threat to other states, and Europe in particular? What might be the reactions to this policy?

[6] "Stable coins will preserve dollar dominance, Bessent says", Axios, March 7, 2025.

As well as spending their time in front of Netflix, communicating primarily via Instagram, WhatsApp and Gmail, and shopping on Amazon, Europeans could also increasingly pay with stablecoins backed by the US dollar rather than the euro. Europe's payment system would therefore be increasingly dependent on the US dollar as a reserve currency, and that's exactly what Trump is trying to do.

This situation would parallel, for the payment system and perhaps on a larger scale, the Eurodollar market, i.e. the fact that the major non-American banks, including European ones, are already dependent on the dollar on the financial markets, as they borrow mainly in this currency. The fact that European banks borrow in dollars creates a situation of dependence, making the US central bank the lender of last resort for the international financial system, including the European one. This is what happened in 2008, and again in 2023: the Fed lent dollars to the ECB (through swap lines), so that the latter can supply them to European banks in the event of a crisis.

Trump's cryptomercantilism promoting stablecoins would therefore aim to do for the payment system what already exists in part for the financial system. Just as it blocks GAFAM, China will continue to prevent the use of dollar-backed stablecoins and, as is already the case, will push for the development of Chinese electronic payment methods. Even though the possibility of accessing stablecoins exists in Hong Kong, China regulates and prevents their use for payments, not only within China but also between China and the rest of the world.[7]

The development of the digital euro by the European Central Bank offers a response to American crypto-mercantilism, but its future is still uncertain and, above all, it will not normally enable international payments to be made beyond the euro area.[8] The question is therefore whether Europe will accept payments in stablecoins whose reserves are not at least partly made up of euros. In other words, do stablecoins risk creating an indirect dollarization of the European economy?

Insofar as the European Union is today the most advanced on stablecoin regulation - with the Markets in Crypto-Assets Regulation (MiCAR)[9] - it is in fact possible that, paradoxically, on the legal front, Trump will partly follow European legislation.

But while the latter has been built up in a mainly defensive mode, Trump could adopt it in an offensive mode, requiring payments from US residents to go through stablecoins backed only by the US dollar and not by other reserve currencies. This offensive regulation, consistent with his cryptomercantilist doctrine, could go hand in hand with a GAFAM payment policy using these stablecoins, for example on Facebook and Amazon, taking advantage of these companies' dominant global position.

This scenario is far more important and riskier than the Bitcoin reserve. It should already be worrying Europeans. After tariffs, territorial claims and the blackmail of military aid, it's highly likely that the USA's next offensive will be on payment systems, and that it will take hold.

The paradoxical form of this threat has a name: cryptomercantilism.

[7] China Jails Traders for Tether Stablecoin, Ledger Insights, December 19, 2024.
[8] Digital Euro FAQs, European Central Bank.
[9] Stablecoin Regulation Gains Momentum, Standard & Poors; The European regulation Markets in Crypto-Assets (MiCA), AMF.

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Eric Monnet is Director of Studies at EHESS, Professor at the Paris School of Economics, a member of CEPR (Centre for Economic Policy Research) and scientific advisor at the CEPII. He was an economist at the Banque de France from 2013 to 2019. He has published numerous articles on the history of the international monetary system, public debt, banking crises, financial markets and the financing of long-term investment in France and Europe in the 20th century. His work also focuses on the history and current issues of central bank policies. His research in economic history has won awards from the Economic History Association and SUERF-UniCredit, among others, and in 2021 he was awarded the prize for best young French economist (Le Monde - Cercle des économistes). His recent books include: Euro, les années critiques (2015), Controlling Credit: Central Banking and the Planned Economy in Postwar France, 1948-1973 (2018), L'Europe: une puissance publique? (2024) and Balance of Power. Central Banks and the Fate of Democracies (2024).

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