

GENIUS Act Analysis: Structural Shifts in Digital Currency Issuance

Introduction

The GENIUS Act was introduced as a way to avoid a government-issued Central Bank Digital Currency (CBDC) and its potential for surveillance and control. However, what it enables may be even more problematic: a privatized version of the same monitoring architecture—now operated by profit-driven corporations rather than a public institution.

The Act sets up a framework where private companies, regulated and licensed, can issue digital dollars with certain built-in control and oversight. These firms operate under strict rules requiring transparency and compliance, and they handle much of the day-to-day management of these digital tokens.

While these digital dollars are used daily, the companies that issue them don't just provide a payment service—they also collect the interest earned on the government bonds that back those coins, mostly short-term U.S. Treasuries. This is not a minor technicality—it reflects a fundamental shift in how monetary value circulates and who benefits from it.

1. Structural Overview: GENIUS Stablecoins vs CBDC

Feature	CBDC (Gov-Issued)	GENIUS Act Stablecoin (Private-Issued)
Issuer	Central Bank	Private Banks / Fintechs
Legal Requirement for KYC/AML	Yes	Yes
Programmable Money Potential	Yes	Yes, via API (not native code)
Surveillance Capabilities	Full transaction visibility	Full visibility via issuer

Wallet Blacklisting/Freezing	Yes	Yes, required by law for issuers
Accountability to Voters	Some, allegedly(!)	None
Interest-Bearing	Possibly	No
Monetary Policy Integration	Direct	Indirect / Not required
Data Protection Standards	Undefined	Not mandated
Transparency Obligations	Partial	Minimal / Audit-defined

2. Stablecoin Resilience Under Market Stress

While the GENIUS Act mandates full backing by high-quality liquid assets like U.S. Treasuries, these are still marketable securities and subject to valuation changes under different conditions. Below is a scenario table showing how the value of reserves—and thus the perceived stability of a stablecoin—can change.

Scenario	Treasury Holding	Market Yield Change	Mark-to-Market Value	Redemption Demand	Result
Calm Market	\$1B in 3m bills	0%	\$1B	Low	Stable & Solvent
Rising Rates	\$1B	+100 bps	~\$997M	Low	Minimal concern
Liquidity Crunch	\$1B	+150 bps + selloff	\$990M	Moderate	Growing risk
Panic + Redemptions	\$1B	+200 bps + selloff	\$980M or less	High	Forced selling, peg stress

3. Critical Analysis

Under the GENIUS Act, the issuance of dollar-equivalents is no longer confined to the Federal Reserve. It is now delegated to fully private, profit-driven firms. These entities—such as JPMorgan Chase, Wells Fargo, Circle, and PayPal—issue stablecoins backed by U.S. Treasuries, meaning every digital dollar becomes a proxy investment in government debt.

You, the holder, receive none of the yield. In effect, the public is being nudged into holding Treasury exposure indirectly, while the interest income flows upward as private profit. The monetary base is being reconstructed to serve institutional rent extraction rather than public

stability or sovereignty.

This is perfectly legal—and structured under the GENIUS Act—but it is quietly creating a system where public value flows into private hands, without most people noticing. You're holding what feels like digital cash, but someone else is collecting the yield.

4. Long-Term Implications

As stablecoin adoption increases, and total volume reaches into the hundreds of billions or trillions, the interest earned on the underlying assets becomes a **private revenue engine powered by public debt**.

This is more than a regulatory shift. It is a **structural subsidy**. A core monetary function—the issuance of trusted digital currencies—is now formally licensed to private firms operating with limited transparency and democratic oversight.

The public never had full control over money creation, but this marks a further step away from even the appearance of public interest governance.

Conclusion

What may seem like a technical upgrade in digital payments masks a deeper economic transformation. The GENIUS Act restructures monetary flow and power—transferring yield from the public domain to private institutions, sanctioned by legislation and wrapped in regulatory legitimacy. It is not merely a payment innovation; it is the quiet reengineering of who benefits from the core functions of money.

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