A Dollar Is Not a Dollar in Crypto

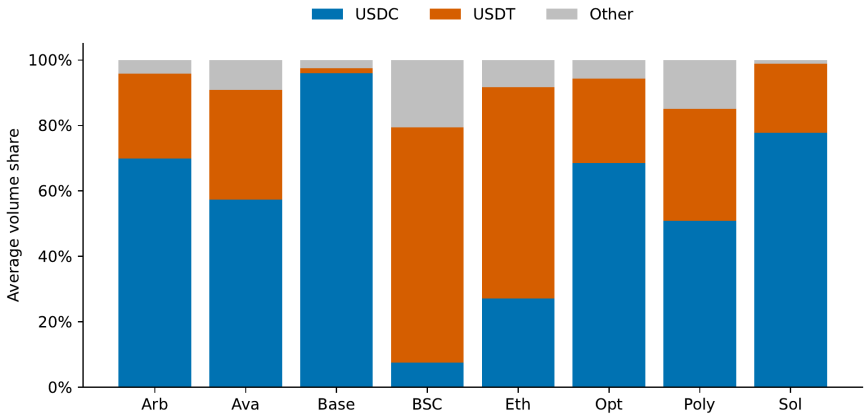
Discussion of Fang, Huber, and Zhou (2026), "Global Reach, Local Depth: Stablecoin Choice Across Chains"

Cesare Fracassi

McCombs School of Business, The University of Texas at Austin

5th CEMLA/Dallas Fed Financial Stability Workshop
Mexico City, November 12–13, 2026

Average volume share of USDC and USDT by chain



Why are some stablecoins used on some blockchains more than others?

- USDC and USDT are both worth $1
- If coins moved freely between chains, would these differences disappear?

The paper's answer

Yes! New users pick the coin with more liquidity and users on their chain, and that liquidity stays on its chain because of **imperfect interoperability**. So the same coin can be strong on one chain and weak on another. In the paper's simulation, giving each coin the liquidity and users from all its chains pulls shares together: USDC's share of new wallets on Solana falls from 73% to 41%.

The model in words

1. A new wallet shows up on a chain and picks one coin.
2. It picks the stablecoin that is cheaper and easier to use:
   - **Local:** how much liquidity and how many users the coin has on that chain
   - **Global:** how safe the coin is everywhere (reserves, reputation)
3. The wallet keeps a cash buffer. If the coin is easy to get on demand, the buffer is small.
4. The authors measure how much each factor matters, then ask: what if each coin's liquidity and users were shared across chains?

Two hidden quantities: depth and holding cost

Local depth (eq. 2)

$$v = a + x'\beta + \xi$$

v	how easy the coin is to use on this chain (hidden)
x	four measures on this chain: active contracts (the chain's activity) and, for this coin, DEX balances, DEX protocols, active wallets
β	weights: how much each measure matters
a	baseline level
ξ	everything not measured, specific to this coin and chain

Holding cost (eq. 3)

$$c = \exp(\alpha + y'\gamma + \eta)$$

c	cost of holding the coin (hidden)
y	five measures for this coin everywhere: lending yield, exchange volume, non-government reserves, peg deviation, price volatility
γ	weights
α	the coin's own baseline (higher for USDT)
η	everything not measured, shared by the coin on all chains

$x'\beta$ means: multiply each measure by its weight and add up. "exp" keeps the cost positive.

Equation 7 ties them together: the cash buffer

$$q^* = \max\bigl(0,\ 1 - c\, e^{v}\bigr)$$

q = balance ÷ expected weekly volume, proxied by first-week volume (both observed)

Rearranged (for wallets that hold a balance):

$$\log(1-q) \;=\; v + \log c \;=\; \underbrace{(a + x'\beta + \xi)}_{\text{depth, eq. 2}} + \underbrace{(\alpha + y'\gamma + \eta)}_{\text{cost, eq. 3}}$$

What this lets us uncover:

- Same coin, same week, different chains: the cost c is the same, so differences in the buffer come from depth. This gives the weights β on x.
- Average across chains for a coin and week: what is left is the cost. This gives the weights γ on y and the coin baseline α.
- How much the leftovers vary gives the size of the local and global shocks.

Do the estimated weights make sense?

Measure	Estimate (SE)	Sensible?
Depth, β (positive = deeper, smaller buffer)		
Active contracts on the chain	0.0049** (0.0024)	Yes, but tiny
DEX protocols for the coin	0.0888*** (0.0082)	Yes
Active wallets of the coin	0.0560*** (0.0035)	Yes
DEX balances of the coin	−0.0330*** (0.0023)	Unclear: wrong sign for depth
Holding cost, γ (positive = costlier to hold)		
Non-government reserve share	0.2707*** (0.0537)	Yes: riskier reserves, higher cost
Price volatility	0.0027*** (0.0009)	Yes
Exchange (CEX) trading volume	−0.2526*** (0.0223)	Yes: easier to trade, lower cost
Peg deviation, squared	0.1093 (0.3594)	Not precise
Lending yield	0.0231*** (0.0034)	Unclear: risk or opportunity cost?
USDC minus USDT baseline	−0.4361*** (0.0356)	Yes: USDC is cheaper to hold

My comments

I enjoyed reading this paper. It made me think more about why stablecoins are adopted on some chains and not others, and why a model is needed to pull it all together.

What I learned

- Stablecoin use is very uneven across chains: Base is 96% USDC, BSC is 72% USDT
- The first choice sticks: 81% of wallets active in two or more weeks use only one coin
- Separating global factors (reserves, reputation) from local ones (liquidity, users) is a useful way to think about it
- The data are rich: about 200 million wallets on eight chains

My comments are on three aspects

1. Network effects
2. Interoperability
3. Counterfactuals

Same dollar, different issuers, different outcomes

	USDC (Circle)	USDT (Tether)
Issuer	U.S.-based, publicly listed	Offshore private company
Regulation	First global issuer authorized under EU MiCA (2024); positioned for U.S. GENIUS Act compliance	Not MiCA-authorized, restricted for EEA customers; outside the GENIUS perimeter, with a separate U.S. token (USAT, 2026)
Reserves	Mostly cash and short-dated government paper; weekly holdings, monthly attestation	Treasuries plus gold, bitcoin, secured loans and other assets; quarterly attestation
Redemption	Circle Mint accounts, no published minimum, hours to days; most holders exit via exchanges	Verified institutions only, $100,000 minimum, fee of the greater of $1,000 or 0.1%, several days; most holders exit via exchanges or OTC
Where used	U.S. and EU regulated venues; overtook USDT in euro trading after MiCA	Emerging markets, Asia, Tron, and centralized-exchange trading; roughly 2.5 times USDC's supply

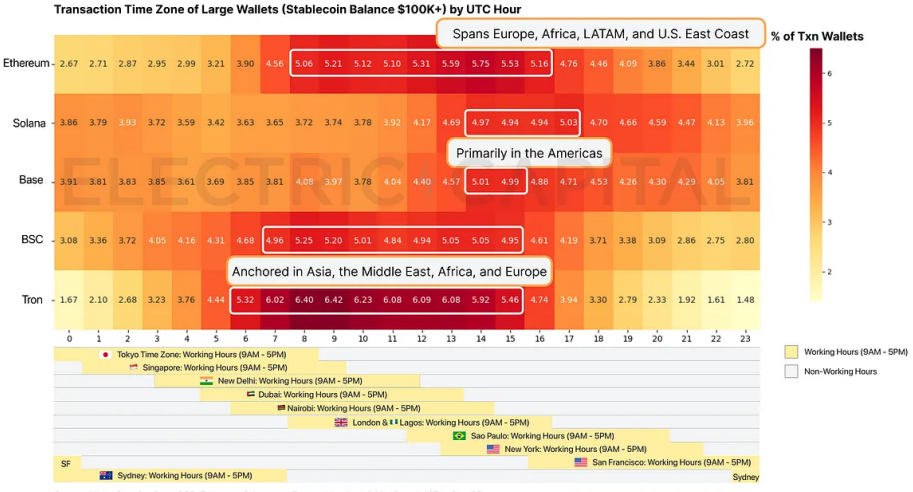
Sources: issuer disclosures; 2026 market reports (Kaiko, Spark, Eco).

Who holds which coin? Ownership by country

Country	USDT	USDC	USDT − USDC (pp)
Nigeria	59%	48%	+11
France	21%	14%	+7
Philippines	27%	20%	+7
Argentina	25%	20%	+5
Australia	34%	29%	+5
Singapore	29%	24%	+5
Thailand	25%	21%	+4
India	30%	27%	+3
United Kingdom	16%	14%	+2
Mexico	16%	16%	0
Brazil	14%	16%	−2
Germany	15%	17%	−2
Colombia	25%	29%	−4
United States	22%	26%	−4
South Africa	23%	29%	−6

Source: BVNK Stablecoin Utility Report 2026 (YouGov, Sept–Oct 2025)

Large wallets ($100K+) cluster around different financial hubs by chain



Source: Allium. Covering Base, BSC, Ethereum, Solana, and Tron stablecoin activities from Jul'25 to Sept'25

Source: Electric Capital, "How Stablecoin Usage Varies Across the World" (Oct. 2025).

Comment: network effects are not only about interoperability

- A network is worth more the bigger it is: more users and counterparties
- Compatibility/Interoperability can merge networks. But users also coordinate on where their counterparties already are, and that does not go away even if switching is easy.
- Geography matters: BSC is anchored in Asia, the Middle East and Africa; Ethereum is global with strong Western use

Example

Make BSC and Ethereum perfectly interoperable: users in different places and the apps they use would mostly stay put. Depth would not equalize.

Comment: model and measure interoperability

1. **The model does not measure interoperability, yet it varies a lot.** Seven of the eight chains are EVM, so one address works on all seven. Circle's CCTP moves native USDC between chains. Native USDC and USDT0 arrive on different chains at different dates.
2. **If the paper is about interoperability, model it and measure it.** It is the force behind the model, so use these differences instead of assuming full pooling.
3. **For example:** compare USDC and USDT on the same chain before and after CCTP arrives.

Comment: counterfactuals need a policy lever

1. **The paper's lever is local depth.** It moves each coin's liquidity and users across chains and watches shares respond.
2. **Local depth is not a lever.** The market determines it, and it partly results from adoption. Policymakers cannot set it.
3. **Interoperability can be regulated and changed by policymakers (e.g regulate bridges).** If it is modeled and measured, it becomes the lever: change interoperability, let depth and shares respond.