What is a stablecoin?

A stablecoin is a type of cryptocurrency whose value is pegged to a specific asset or a basket of assets to minimize price volatility. Typically, stablecoins are pegged to fiat currencies (such as the US dollar), precious metals (like gold), or other cryptocurrencies. Their goal is to ensure price stability, making them convenient for transactions, storing value, or use in decentralized finance (DeFi).

Examples of popular stablecoins:

- **Tether (USDT)**: pegged to the US dollar at a 1:1 ratio.
- **USD Coin (USDC)**: also pegged to the US dollar.
- **DAI**: a crypto-backed stablecoin supported by smart contracts.

Stablecoins can be:

1. **Fiat-backed**: reserves are held in fiat currency (e.g., USDT, USDC).
2. **Crypto-backed**: backed by other crypto assets (e.g., DAI).
3. **Algorithmic**: use algorithms to control issuance and maintain stability (e.g., TerraUSD, prior to its collapse).

They are popular in the crypto economy because they combine the advantages of blockchain (fast transactions, transparency) with relative price stability.

Revision #2
Created 2025-09-24 14:40:05 UTC by Hostmaster
Updated 2026-09-14 13:36:26 UTC by Hostmaster