Chapter 2
Tokenization and the People's Ledger:
Two Sides of the Same Coin?

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ABSTRACT

This chapter examines the tensions between the tokenization of tangible assets and the concept of the 'People's Ledger'. The aim is to determine whether both approaches can be viewed as opposing models of a future financial architecture or whether they can complement each other in hybrid forms. Methodologically, the analysis follows an interdisciplinary approach that integrates economic, legal, and political-economic perspectives. First, the functionality and potential of tokenization, along with its associated risks—namely, fragmentation, smart contract vulnerabilities, and cyber risks—are presented. Next, the People's Ledger is discussed as a radical centralization solution that promises stability, inclusion, and public control, but simultaneously harbors risks of power concentration and surveillance. The chapter concludes that neither pure decentralization nor complete centralization is viable. Instead, hybrid models are emerging that combine the efficiency and innovative power of tokenized systems with the stability and democratic legitimacy of public institutions.

INTRODUCTION

The digital transformation of financial markets has reached a critical point. Over the past decade, the emergence of distributed ledger technologies (DLT), tokenization, and decentralized finance (DeFi) has been hailed as a paradigm shift comparable

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to the introduction of joint-stock companies or electronic trading platforms. Tokenization—the process of representing real-world assets, such as stocks, bonds, real estate, or commodities, as digital tokens on a blockchain—promises to fundamentally reshape the architecture of finance. By enabling fractional ownership, automated settlement via smart contracts, and 24/7 trading on global platforms, tokenization is expected not only to reduce transaction costs, increase market liquidity, and expand access to capital markets for previously underserved individuals and businesses, but also to foster financial inclusion and efficiency.

However, as with previous waves of financial innovation, the disruptive potential of tokenization is inextricably linked to significant risks. Market fragmentation due to competing technological standards and protocols, liquidity silos, and interoperability challenges could undermine the efficiency gains promised by tokenization. Furthermore, the shift toward decentralized infrastructures introduces new systemic vulnerabilities: errors in smart contracts, manipulation of oracles, cyberattacks, and governance failures can spread shocks at unprecedented speed. The rapid proliferation of tokenized assets and DeFi platforms has already raised regulatory concerns at the national and international levels, as evidenced by the debates surrounding the European Union's Markets in Crypto Assets Regulation (MiCAR), the controversial jurisdiction of the US Securities and Exchange Commission (SEC) over digital assets, and the repeated warnings from the Bank for International Settlements about the fragility of decentralized systems.

Against this backdrop, debates about the future of financial intermediation are intensifying. If tokenization undermines the traditional role of banks and market infrastructures, a fundamental rethinking of the institutional foundations of the economic system seems inevitable. One particularly radical proposal is the so-called People's Ledger, presented by Saule Omarova (2021). Her vision is to transfer commercial bank deposits to the central bank's balance sheet, thereby establishing a direct relationship between citizens and the monetary authority. In such a system, the central bank would become a universal public platform for money and payments, offering programmable accounts, direct lending mechanisms, and macroprudential instruments embedded in the architecture of money itself. The People's Ledger thus represents not only a monetary reform, but a comprehensive reorganization of the financial system under public control.

Proponents argue that this model could prevent bank runs, improve financial stability, and democratize access to credit by eliminating dependence on for-profit intermediaries. The People's Ledger, with its potential to democratize access to credit, offers a ray of hope for a more equitable financial system. Critics, however, warn of equally serious drawbacks: the concentration of economic power in the state, the potential misuse of sensitive transaction data, and the erosion of innovation in the private sector. The People's Ledger thus embodies the opposite of tokenization-

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