

GUEST ESSAY

Why Trump Wants to Make America the 'Crypto Capital of the Planet'

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Mr. Edsall contributes a weekly column from Washington, D.C., on politics, demographics and inequality.

Donald Trump's views of the cryptocurrency industry have shifted markedly in recognition of the emergence of that sector as a major player in the world of campaign finance.

In 2021, Trump was an outspoken critic of digital currencies, telling Newsmax, "I'm not a fan of bitcoin and other cryptocurrencies, which are not money, and whose value is highly volatile and based on thin air."

That same year, Trump told Fox Business that crypto was a "disaster waiting to happen" and that the United States should "regulate very, very high."

This year, he has done an about-face. At a June 27 Bitcoin conference in Nashville, Trump told attendees that if he is elected again to the presidency, he would make the United States "the crypto capital of the planet." He also promised to fire government regulators who have been critical of the industry.

The 2024 Republican platform, carefully worded by Trump operatives, declares:

Republicans will end Democrats' unlawful and un-American crypto crackdown and oppose the creation of a central bank digital currency. We will defend the right to mine Bitcoin, and ensure every American has the right to self-custody of their Digital Assets, and transact free from government Surveillance and control.

Crypto companies — and the venture capitalists heavily invested in them — have returned the favor, not only throwing their support to Trump but also helping him and the Republican Party to crack open a Democratic bastion, the high-tech industry.

A story from April on Puck, “‘All-In’ for Trump,” reflects the changed political environment:

An election cycle ago, Silicon Valley Republicans had to go into witness protection to support Trump. Now, post-cancel culture and post-“All-In,” an influential cohort of billionaires and quasi-billionaires is getting ready to write checks for 45.

William D. Hartung, a senior research fellow at the Quincy Institute, replied by email to my question about the evolution of Silicon Valley's support for Trump:

Trump's popularity in the tech community is highest among extreme libertarians and/or megalomaniacs like Peter Thiel, Elon Musk and Palmer Luckey. They see him as a disrupter and as the political figure most likely to reduce taxes and regulations in ways that give them maximum freedom in how they run their businesses and spend their money.

There is a messianic streak running through large parts of the Silicon Valley defense start-up and venture capital communities that argues that they are the true “doers,” the real modern-day patriots and the only ones who can restore America to dominance abroad and greatness at home — if only government would get out of their way and let them do the job.

An example of what Hartung describes is “The Little Tech Agenda,” a paper released in July 2024 by two Trump supporters, Marc Andreessen and Ben Horowitz, the founders of Andreessen/Horowitz (also known as a16z), a venture

capital firm that has “\$43 billion in committed capital across multiple funds.”

“Our political efforts as a firm are entirely focused on defending Little Tech,” the two wrote. “We will fight for Little Tech — for the freedom to research, to invent, to create jobs, to build the future — with all of our resources.”

Andreessen and Horowitz argued that “the vanguard of American technology supremacy has always been the start-up” but that start-ups “must go up against incumbent companies that have overwhelmingly superior brands, market positions, customer bases and financial strength — incumbents that are out to strangle start-up competition in the cradle. Incumbents often have another enormous advantage — the ability to wire the government against start-up competitors.”

In their essay, Andreessen and Horowitz expressed their commitment to do battle with “the anti-start-up bias that is increasingly pervasive across the American government,” posing “a clear and present threat to the health and vitality of American technology success — and therefore to the American economy, the American military and the American people.”

Though venture capital firms and their executives still favor Democrats over Republicans, Republicans have significantly improved their position.

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In 2020, according to OpenSecrets, venture capital supported Democratic candidates over Republicans by four to one, \$40.7 million to \$11 million; in the current election, with a month and change to go, the Democratic advantage has been cut to two to one, \$28.6 million to \$14.9 million.

Republican gains in high tech are limited to a coterie of vocal conservative billionaires; employees of tech firms remain overwhelmingly Democratic, if campaign contributions are a guide.

Reuters reported on Sept. 24 that workers at Alphabet (Google's parent company) and their families donated \$2.16 million to Kamala Harris, "nearly 40 times as much as Trump has received." Similarly, workers at Amazon and Microsoft gave \$1 million and \$1.1 million to Harris, while the "Trump campaign pulled in \$116,000 from Amazon workers and \$88,000 from Microsoft workers."

The right-wing tech insurgents are, however, willing to donate millions of dollars, providing key backing to Trump, whose fund-raising has fallen far behind the money flowing to Harris.

Equally important, these conservative donors are plowing money into independent campaigns to defeat embattled incumbent Democratic senators and members of the House.

One political committee, Fairshake PAC, and two affiliated committees, Defend American Jobs and Protect Progress, exemplify the political ascendance of cryptocurrency.

Two years ago, Fairshake did not exist. Today it has not only raised more money — \$276.8 million, according to OpenSecrets, which relies on Federal Election Commission data — than any other business PAC but four times the \$65.5 million combined total raised by the five PACs ranked just below Fairshake: the National Association of Realtors, Blue Cross/Blue Shield, the American Association for Justice (plaintiffs' lawyers), the American Bankers Association and Honeywell International. (For its part, Fairshake calculates the numbers differently and says it has raised \$169 million.)

The major donors to Fairshake are all companies and executives of firms directly engaged in cryptocurrency transactions or heavily invested in such firms, including Coinbase, \$70.5 million; Ripple, \$45 million; Andreessen/Horowitz, \$49

million; Jump Crypto and Jump Trading, \$15 million; and Tyler and Cameron Winklevoss, \$4.9 million.

Officials of Coinbase and Fairshake are explicit in voicing their intentions.

“How do people understand that crypto is real — that it’s a real issue?” Kara Calvert, the head of U.S. policy at Coinbase, told my newsroom colleague Shane Goldmacher in March. “When you have \$85 million behind an issue, that’s pretty real.”

Josh Vlasto, a spokesman for Fairshake, told Goldmacher: “We’ll have the resources to affect races and the makeup of institutions at every level. And we’ll leverage those assets strategically to maximize their impact in order to build a sustainable, bipartisan crypto and blockchain coalition.”

The Fairshake trio of PACs made independent expenditures favoring both Democrats and Republicans who support cryptocurrency and in opposition to those who are critical. Since Republicans are overwhelmingly supportive of the industry while Democrats are split, the practical consequence is that the trio’s spending tilts overall in favor of Republicans.

Fairshake has already spent \$10.1 million in the successful effort to defeat Katie Porter’s bid for the Senate in California, along with \$2.1 million and \$1.4 million to defeat the House members Jamaal Bowman and Cori Bush.

The most consequential spending, however, is by the Fairshake subsidiary PAC, Defend American Jobs, which has already invested \$34.4 million in independent expenditures supporting Bernie Moreno, a Republican in Ohio who is trying to defeat Senator Sherrod Brown.

The Brown-Moreno contest is a crucial battleground between Republicans and Democrats seeking to control the Senate next year. The RealClearPolitics average of the four most recent polls in Ohio gives Brown a 3.7-point lead over Moreno.

Not only has Trump himself taken notice of the surge in cryptocurrency cash floating around this election cycle; members of his family — always eager to make a profit — have formed a company to benefit from digital currencies.

In a Sept. 24 article, “Bitcoin, Burgers and Big-Money Donors: Inside the Trump Crypto Alliance,” The Wall Street Journal reported:

Trump’s tendency to entwine his business interests and political career also has taken a crypto turn. Trump has launched and sold four collections of nonfungible tokens — crypto’s version of digital trading cards — to his supporters since 2022.

His latest crypto business venture, World Liberty Financial, launched with much fanfare Monday evening, through a two-hour livestream featuring Trump and his family on Elon Musk’s X platform. The project, which said it wants to “make crypto and America great by driving the mass adoption of stablecoins and decentralized finance,” has shared few details about its mechanics so far. The team behind the project said it would sell and distribute a token to wealthy investors who meet certain income and net worth criteria.

Democrats, in turn, have begun to respond to the political power of the crypto industry.

On Aug. 23, Kamala Harris stepped back from the Biden administration’s generally critical view of cryptocurrency, telling those gathered at a New York fund-raiser that she intends to “encourage innovative technologies like A.I. and digital assets.”

A 2023 Pew Research report found that 17 percent of American adults have invested in crypto. A Federal Reserve survey, “Economic Well-Being of U.S. Households in 2023,” found, however, a much lower, and steadily declining, share of adults using cryptocurrency: “Overall, 7 percent of adults held or used cryptocurrency in 2023, down 3 percentage points from 2022 and down 5 percentage points from 2021.”

Both Pew and the Fed found that these investors were disproportionately younger men with relatively high incomes. Forty-one percent of men 18 to 29 told Pew that they had acquired some form of digital currency.

Still, there are clouds on the horizon for Bitcoin and other digital currencies.

Eswar Prasad, an economist at Cornell and Brookings who has written extensively on the influence of new technologies, warned in a 2021 Brookings paper, “The Brutal Truth About Bitcoin,” that the digital currency rests on fragile assumptions.

In a 2023 paper, “The Future of Money and Its Implications for Society, Central Banks, and the International Monetary System,” Prasad wrote that Bitcoin “is a remarkable invention.” But, he went on to say, “there is only one problem. It doesn’t work.”

In practice, he wrote:

It cannot be scaled up. If I were to try to buy a cup of coffee with a Bitcoin, first of all, I’d pay very large transaction fees. It also takes about 10 minutes for a transaction to be added to the blockchain and validated in that block of transactions.

So it’s expensive and slow to process, and the cup of coffee would probably cool in my hands before I could actually complete the payment. This is not a viable transaction medium. Bitcoin has become what it was never meant to be — a purely speculative financial asset. And the value of this asset seems to come from its scarcity and nothing more.

In an email, Prasad acknowledged:

Other decentralized cryptocurrencies like Ethereum now have a different process for validating transactions that is far more efficient — quicker, cheaper, requiring minimal energy and much more scalable. However, all of these decentralized cryptocurrencies share the problem of unstable value, which renders them less than ideal mediums of exchange for conducting transactions.

Given these limitations, Prasad wrote, the Federal Reserve could issue a “central bank digital currency, which by definition has stable value, and the underlying payment system can process large volumes of transactions quickly and cheaply.”

Such “an official digital currency,” Prasad added,

would substantially undercut the roles of cryptocurrencies and other private digital currencies as mediums of exchange. One can still envision stablecoins with sophisticated programmable features continuing to play a role in blockchain-based decentralized finance. For normal transactions, however, a C.B.D.C. would probably dominate most cryptocurrencies.

In December 2020, Project Hamilton, “a joint research effort between the Federal Reserve Bank of Boston and the Massachusetts Institute of Technology into the technical feasibility of a potential central bank digital currency,” was completed.

The conclusions drawn from this experimental research demonstrated the potential competitive threat to the cryptocurrency industry posed by the issuance of a federally backed digital currency:

“We created a design for a modular, extensible transaction processing system, implemented it in two distinct architectures and evaluated their speed, throughput and fault tolerance,” the Project Hamilton engineers wrote.

“Both architectures met and exceeded our speed and throughput requirements,” the project engineers continued. The first architecture “durably completed over 99 percent of transactions in under two seconds and the majority of transactions in under 0.7 seconds,” meeting its goal of creating a core processing engine for a hypothetical general-purpose C.B.D.C.

The industry is acutely aware of this competitive threat, and it is one of the reasons for the line in the 2024 Republican platform I mentioned that declared the party’s commitment to “oppose the creation of a central bank digital currency.”

Roberto Gonzalez, a professor of anthropology at San Jose State University and the author of “How Big Tech and Silicon Valley Are Transforming the Military-Industrial Complex,” published by Brown University’s Watson Institute, described in an email how defense-oriented tech firms are contributing to the shift among technology companies to the Republican Party:

Defense Department contracts with both big tech firms like Microsoft, Amazon, Oracle and Google and with smaller start-ups like Skydio and Hawkeye360, have exploded over the past five or six years. Tech executives who had previously been reluctant to openly do business with defense and intelligence agencies now have fewer qualms about pursuing contracts with them.

The tech leaders most drawn to Trump, Gonzalez continued,

are generally those who have been most willing to steer their companies toward large contracts with military and intelligence agencies. Some of Trump's biggest tech supporters are leaders from Silicon Valley firms doing lots of defense tech work: Palantir's Peter Thiel, Space X's Elon Musk and Anduril's Palmer Luckey.

They understand that a Trump administration would be more likely to propose bigger defense budgets, and they're positioned to take advantage of that. So too do a number of leaders from the V.C. world whose firms have increasingly invested in defense tech start-ups. Here, I'm thinking of people like Douglas Leone and Shaun Maguire from Sequoia Capital.

Gonzalez added that Trump "would also escalate tensions with China, and any potential conflict between the U.S. and China would be a windfall for defense tech firms like Anduril and Palantir."

In recent years, Musk has won an increasing number of Pentagon contracts. Some examples of his companies' involvement include the award to SpaceX last year of up to \$70 million, a 2023 \$23 million contract to deploy Starlink terminals in Ukraine and a 2021 \$1.8 billion classified contract disclosed by The Wall Street Journal.

Musk has not only endorsed Trump but has also created an independent expenditure committee, America Pac (Texas), that has spent \$31.4 million so far promoting Trump and a total of \$27.9 million, first to defeat Joe Biden and now to defeat Harris.

Will the Republican gains made in the high-tech community last beyond the next election, or are they mainly Trump-specific? There are reasons to believe they will last. First, the Pentagon demand for high-tech products is certain to grow. Second, the volatile and scandal-plagued crypto industry needs government to provide security and protection from competition. Republicans will remain more sympathetic to the industry's needs than Democrats.

Whether the tilt in tech money toward the Republican Party will make a difference is another matter. In the current election, the Republican gains may prove to be relatively inconsequential in comparison to the overall level of support for Harris, who has raised \$685.1 million to Trump's \$306.8 million.

Even so, it is no small achievement for Trump and his allies to have broken the Democrats' Silicon Valley monopoly.

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