

# *Trump's Crypto Reserve Plan Raises Doubts. Here's What We Know.*

The prospect of using taxpayer money to stockpile cryptocurrencies in a national reserve has drawn criticism from lawmakers and investors.



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
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The crypto market gives and takes: After President Trump's plan for a national crypto reserve drew backlash from both Republicans and investors, the prices of digital tokens that would be involved soared higher — and then tumbled. (Bitcoin was trading at about \$83,800 early on Tuesday, down nearly \$10,000 from a day ago.)

The plan has spurred a lot of questions about how it would work and the risks that would be involved.

## **How would a national reserve work?**

Mr. Trump campaigned last summer on creating a federal Bitcoin stockpile and appointed the venture capitalist David Sacks as his crypto czar. Advisers have suggested holding on to any Bitcoin the government has already seized from criminals, recently estimated at about \$17 billion.

A bill proposed by Senator Cynthia Lummis, Republican of Wyoming, would direct the government to buy about 200,000 Bitcoin a year over five years, for a value of about \$90 billion. (To help pay for that, the bill proposes taking \$4.4 billion out of )

the Federal Reserve's surplus, cutting into the Treasury Department's coffers.) Of course, the digital token's prices would probably rise in anticipation of those federal purchases.

One unknown is whether Mr. Trump, in the face of divisions among Republican lawmakers on the idea of a reserve, would seek to test legal limits on his authority and create one unilaterally.

## **Would taxpayer money be involved?**

That prospect drew the most criticism. Joe Lonsdale, a financier and Trump supporter, said it was “wrong to tax me for crypto bro schemes.” Another investor called the proposal an “unforced error” that would “enrich the insiders and creators of these coins at the expense of the U.S. taxpayer.”

Some crypto executives have floated the idea of creating a specific tax to fund a reserve, such as taxing transactions involving the \$27.6 trillion stablecoin market.

## **How would the government hedge against crypto volatility?**

Considering the wild swings in digital currencies, the prospect of taxpayer money being used for what's effectively a speculative investment has drawn real concern. “There's nothing strategic or sensible about this idea,” said Eswar Prasad, an economist at Cornell University. “This would certainly be great for current Bitcoin holders and equally certainly be a bad deal for taxpayers.”

It would also mean the U.S. government would be playing the role of capital allocator, a notion Mr. Sacks himself criticized in a 2021 post that resurfaced after Mr. Trump's proposal.

## **What would be the benefits?**

In theory, the government could use any profit from its crypto investing to pay down the nation's \$36 trillion in debt.

But skeptics say the most obvious winner is Mr. Trump, who has rolled out a crypto venture of his own that carries millions of dollars in tokens set to be included in the reserve. Others are the crypto executives, many of whom donated extensively to Mr. Trump's re-election effort. One example is Ripple, whose XRP token is one of the five that Mr. Trump said would be included — and which donated \$45 million to an industrywide PAC that sought to help elect Mr. Trump and other Republicans.

## What else don't we know?

A lot. The curious lineup of tokens for the fund suggests that Mr. Trump is being advised by a fairly narrow group.

**Edmund Lee** covers the media industry as it grapples with changes from Silicon Valley. Before joining The Times he was the managing editor at Vox Media's Recode. [More about Edmund Lee](#)