



The Daily Dish

A U.S. Crypto Reserve?

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If you are looking for bad ideas on a range of economic policies, the White House offers one-stop shopping. Yesterday featured Mexico tariffs, Canada tariffs, China tariffs, and a U.S. Crypto Reserve. There will be much ink spilled on the first three, so let's think about the crypto reserve. The notion has its roots in an early [executive order](#) regarding digital financial technology. It got fleshed out (a bit) by the president's post on Truth Social:

A U.S. Crypto Reserve will elevate this critical industry after years of corrupt attacks by the Biden Administration, which is why my Executive Order on Digital Assets directed the Presidential Working Group to move forward on a Crypto Strategic Reserve that includes XRP, SOL, and ADA. I will make sure the U.S. is the Crypto Capital of the World. We are MAKING AMERICA GREAT AGAIN!

It is not hard to imagine filling the reserve; the federal government would have to appropriate and spend some money to buy the cryptocurrencies. Spending money is like breathing to Congress, so no problem setting it up. Alternatively, the U.S. government is already the world's largest holder of bitcoin, with an estimated \$14.8 billion in bitcoin seized from dismantling the Silk Road and other illegal crypto platforms. The president and others have suggested we start there.

It is harder to understand *why* there should be such a reserve. Proponents sometimes argue that the crypto reserve would be just like the Strategic Petroleum Reserve (SPR) and the holdings used to buffer the industry against shocks. But that is not the purpose of the SPR. Its purpose was to provide a source of oil in the event of a physical disruption of supplies, thereby buffering the U.S. economy against the fallout of an oil shock. It is hard to make such a case for cryptocurrencies.

Alternatively, there is a Senate [bill](#) to create a bitcoin reserve, which uses the gains on the

assets to pay down the national debt. This is a classic case of trying to use financial engineering to solve the debt problem instead of actually dealing with the spending and revenues. Buying \$1 of bitcoin will cost the Treasury interest rate every year in the future. Having the bitcoin will generate a risky rate of return. There is absolutely no guarantee that the latter will exceed the former; you are taking something that is already a problem and adding the risk that it gets even worse. No thanks.

Instead, it is probably best to just take the president at his word. The only reason to have the reserve is to “elevate this critical industry.” Really? Why are we elevating these particular cryptos? Why are we elevating any crypto versus all financial market instruments? There is no national imperative to favor these assets over any other.

The U.S. Crypto Reserve will turn out to be just like a U.S. sovereign wealth fund: a solution in search of a problem.