



The Daily Dish

The Era of Fuzzy Boundaries

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There was a time when Senator Bernie Sanders' [American AI Sovereign Wealth Fund Act](#) would have been quickly dismissed as the pointless rantings of the lunatic left. The act would create a "sovereign wealth fund" consisting of a 50-percent equity stake in large (and also perhaps not-so-large) artificial intelligence (AI) and advanced robotics firms. It would have been instantly and widely recognized as an inappropriate intrusion of the government into private-sector commerce and, most likely, an illegal government taking of private property. It would certainly not have merited the effort of a [total takedown](#) by AAF's Fred Ashton.

But economic policy thinking has become so muddled that even some AI companies have floated similar ideas (which Sanders touts in the preamble to his act), the president has issued an [executive order](#) to create a sovereign wealth fund, and the federal government has taken [equity stakes](#) in 20-odd private companies during the Trump Administration. Indeed, things have become so chaotic that the current Senate version of the National Defense Authorization Act contains [SEC. 1051. AUTHORITY FOR EQUITY INVESTMENTS BY OFFICE OF STRATEGIC CAPITAL](#), including:

(h) AUTHORITY FOR EQUITY INVESTMENTS.— (1) ESTABLISHMENT OF ACCOUNT.— (A) IN GENERAL.—There is established in the Treasury of the United States a Department of Defense Equity Investment Account (in this subsection referred to as the "Equity Investment Account"), to be used to make equity investments under this subsection.

(B) AMOUNTS IN ACCOUNT.—The Equity Investment Account shall consist of amounts appropriated pursuant to the authorization of appropriations specifically designated for equity investments under this subsection. (2) AUTHORITY FOR EQUITY INVESTMENTS.— The Director may use amounts in the Equity Investment Account to make equity investments in entities for the purpose of carrying out this subsection. (3)

ELIGIBLE USES.—The Director may exercise the authority under paragraph (2) only with respect to— (A) critical minerals, materials, and chemicals; and (B) batteries.

This madness is [interpreted](#) as an attempt by Congress to “place guardrails on direct equity investments, create an oversight board, and require briefings.” In other words, this is supposed to make things *better* by establishing limits on the number and amounts of bad ideas.

This is as futile as trying to be a little bit pregnant. This is exemplified by the Sanders bill. It “limits” the equity stakes to those in an “applicable AI trade or business,” which he defines as:

any trade or business engaged in activities related to one or more of the following:

(i) AI data centers.

(ii) AI computing infrastructure.

(iii) AI services.

(iv) Researching, producing, or manufacturing advanced robotics.

Eakinomics can drive a truck through the loopholes in that definition, permitting the nationalization of practically anything, which is the senator’s basic reflex.

This era of fuzzy boundaries between government and the private sector will serve nobody well in the end. As Ashton’s piece lays out, it has a corrosive impact on the quality of competition and undermines innovation and productivity growth.