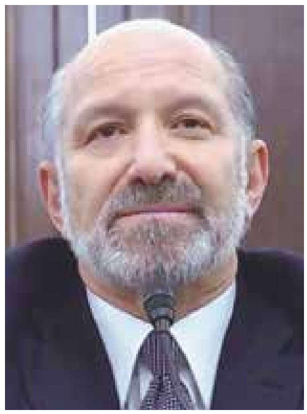
# White House Lighting a Crypto Fuse Under Volatile Treasury Market

by Paul Gallagher

Jan. 27—Planning lower taxes and higher U.S. Department of Defense/Homeland Security spending with the United States Federal debt already a bubble, President Donald Trump's Administration continues to face the potential of a reignition of inflation and a renewed spike in interest rates. Dangerously, the Trump team is trying to bring in a private, unregulated cryptocurrency as a kind of "private dollar" to back the U.S. dollar's exchange value and its global dominance.

Among the Executive Orders issued on Jan. 23 by President Donald Trump, was one which creates a "U.S. strategic reserve of cryptocurrency" and which calls for protection of the U.S. dollar "including through actions to promote the development and growth of lawful and legitimate dollar-backed stablecoins worldwide." The order also barred any further work by the Federal Reserve on creation of a digital currency by the central bank itself.

Senate Finance Committee



Senate Committee on Commerce, Science, and Transportation

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*President's Trump's billionaires for an unstable "crypto dollar" (left to right): Treasury Secretary and hedge fund CEO Scott Bessent; Commerce Secretary Howard Lutnick, whose broker-dealer firm manages the Tether cryptocurrency; Silicon Valley venture capitalist David Sacks, now Trump's "cryptocurrency czar".*

How the United States could "protect the dollar", by using the dollar to back a category of cryptocurrencies worldwide, would be mysterious to anyone. But the intention here is really the reverse: to provide cryptocurrency backing for the dollar!—that is, for short-term U.S. Treasury bills.

This policy, which is a significant danger to the Treasury market at a time of continuing explosive growth in U.S. public debt, is being run by venture capitalist David Sacks, the White House "cryptocurrency czar"; Commerce Secretary Howard Lutnick, whose broker-dealer firm, Cantor Fitzgerald, manages the largest "stablecoin," which is called Tether; Treasury Secretary Scott Bessent, whose hedge fund Key Square Capital Management LLC has very large speculations in Bitcoin; and Elon Musk, who promotes the cryptocurrency Dogecoin.

These billionaires say the Treasury market needs more demand, to absorb a continuation of the shocking $2 trillion-plus per year in new U.S. debt. Major foreign sovereign buyers are gradually lowering their holdings of Treasury debt, since the Treasury has shown that it may freeze or even seize such holdings as in Russia's case. The White House backers of this Jan. 23 "crypto stockpile" Executive Order claim that mysteriously minted and unregulated cryptocurrencies, along with big hedge funds, will supply a large new demand for U.S. debt, and keep the U.S. dollar totally dominant.

*Bloomberg News* Jan. 24 reported Trump's order and quoted the CEO of Tether, Paolo Ardoino, giving the pitch:

> Having new buyers and such a diverse, decentralized user base for purchasing and holding T-bills [Treasury bills] is going to be very, very important to the future of the U.S. economy.

### 2008 and Today: Breaking the Buck

Tether is far and away the largest "stablecoin," a category of cryptocurrencies which are supposed always to be kept equivalent to $1. Its managers say that as they create and sell Tether coins from Tether Limited, Inc., they purchase and hold the equivalent in Treasury bills, backing the $1 "stable" value of each stablecoin.

But Tether stablecoins are no more stable than mon-

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*Elon Musk with then President-elect Donald Trump in November 2024.*

ey-market mutual funds were decades ago, when those funds' shares were, likewise, always supposed to be equal to $1, because the fund managers had all their investors' money in government securities—except they didn't. In September 2008, when Lehman Brothers, a major Wall St. investment bank, was going under and the biggest money-market fund was revealed to have investments in commercial paper instead, that fund was hit with a run, "broke the buck," and collapsed. The global financial crash of 2008 was on.

The United States Financial Stability Oversight Committee (FSOC), in its 2024 Annual Report issued Dec. 7, said:

> Stablecoins continue to represent a potential risk to financial stability, because they are acutely vulnerable to runs absent appropriate risk management standards.

In fact, TerraUSD, then stablecoin number-2 in size, "broke the buck" and crashed to $0.09 in 2022. Another stablecoin, called USD Coin, "broke the buck" in 2023 because it was linked to Silicon Valley Bank and Signature Bank, both of which suffered runs and had to be sold off with FDIC bailouts. Tether itself paid $41 million to settle with the Commodity Futures Trading Commission (CFTC) in 2021, because it had falsified its reserves of hard currency assets backing its "stability."

Tether, as the FSOC pointed out in its report, has still not had any third-party audit of its claimed $118 billion in assets and its liabilities: It and other stablecoins

> publish attestations … that include limited or no information on their custodians, counterparties, or bank account providers. Attestations … differ in what they disclose, making period-to-period and issuer-to-issuer comparisons difficult. There is also no assurance that these types of attestations comply with auditing standards.
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> … If Tether continues its alleged current rate of Treasury purchases, it could become a significant holder of U.S. Treasuries and could present risks to the stability of the Treasury market if it [Tether] experienced a run.

Stablecoins are privately owned and minted forms of crypto money which are unregulated, and suffer periodic crashes, not to mention criminal activity. Their "minters" hold about $100 billion in U.S. Treasury securities now, but that can expand rapidly under this "crypto stockpile" Executive Order. Economist and prominent commentator Nouriel Roubini's partner Brunello Rosa was quoted by *Bloomberg News*:

> The risk is, you allow a market to develop without enough checks and balances, and therefore this will be the place for irrational exuberance and eventually another crypto crash.

But this crash will explode underneath the Treasury market.

## Russian Economic Official's Reaction

Russian economist Sergey Glazyev, the Minister for Integration and Macroeconomics of the Eurasian Economic Union and also Deputy State Secretary of the Russia-Belarus Union State, put some observations, regarding President Trump's Jan. 23 Executive Order on cryptocurrencies, into his Telegram channel "Glazyev for Thinking People" on Jan. 25.

> For the dollar financial system, this innovation can have fatal consequences. If before this decision, the dollar financial pyramid was losing stability mainly due to a decrease in external demand for dollar instruments, now domestic demand will also fall as the cryptocurrency market expands. Along with the growing risk of the collapse of the dollar financial pyramid, this will inevitably undermine the financial foundations of the American state….
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> This already destabilized financial system can collapse under the onslaught of an avalanche of uncontrolled issued cryptocurrencies.