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Crypto Fiasco: Series Of Shameful Scams Hurt The Case For Bitcoin

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President of Argentina Javier Milei of La Libertad Avanza on November 19, 2023 in Buenos Aires, ... [+] Argentina. (Photo by Tomas Cuesta/Getty Images)

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A series of high-profile "meme coin rug pulls" is fueling concern that the "crypto" frenzy is tarnishing bitcoin's reputation as a sound monetary asset. From Argentina's $LIBRA scandal to the Trump administration's embrace of a $TRUMP token and even a First Lady-endorsed meme coin, these speculative mania have captured headlines and blurred the distinction between bitcoin – digital money that looks increasingly likely to power the 21st century economy – and speculative pump-and-dump schemes.

Bitcoin will be fine either way. What may not endure is Trump's plan to overhaul the regulatory regime for digital assets and provide the structure and clarity desperately needed by financial innovators. Instead, the administration's naive, indiscriminate promotion of crypto harms retail investors, an especially bitter pill for the bitcoin community.

More broadly, the worldwide liberty movement, having only recently gained access to the halls of power, risks becoming saddled with financial shenanigans just when it seemed the grown-ups had finally arrived. Javier Milei, a well-read economist and champion of sound money, had pledged radical measures like shutting down Argentina's central bank and promoting gold and bitcoin.

Now, with one crypto scam hot on the heels of another, bitcoiners' long-standing warnings about "crypto casinos" are being vindicated. The damage extends beyond burned investors. Most newcomers remain unaware of how bitcoin is different from speculative altcoins, and may thus overlook bitcoin's potential as a neutral, incorruptible money. It's time for influential figures and policymakers to clearly signal that bitcoin is the sole digital asset capable of serving large institutions and the global economy in any meaningful, sustainable way.

The Rise and Crash of Meme Coins

High-flying meme coins have generated enormous hype – and heartbreak – in recent weeks. These episodes demonstrate the consequences of conflating bitcoin with crypto as a whole.

Argentina's $LIBRA Fiasco

In Argentina, a crypto project named $LIBRA turned into a national scandal virtually overnight. In mid-February, newly elected President Javier Milei, a self-proclaimed libertarian and bitcoin supporter, tweeted endorsement of the $LIBRA token. He promoted it on his social media accounts as a private initiative to boost Argentina's economy. $LIBRA's price instantly shot up from $0 to nearly $5 apiece as Milei's followers and retail investors rushed in.

Within hours, the token's price plummeted by over 80%, falling under $1. Blockchain analysts soon revealed why. Insider wallets dumped over $107 million in tokens almost immediately after launch, cashing out profits while ordinary holders watched their money evaporate. Argentina's fintech chamber acknowledged this functioned like a classic "rug pull" scam.

The political fallout was swift. Opposition lawmaker Leandro Santoro declared, "This scandal, which embarrasses us on an international scale, requires us to launch an impeachment request against the president." Milei hurriedly deleted his promotional post and disavowed any ties to $LIBRA, claiming, "I was not aware of the details of the project and once I found out, I decided to not continue giving it publicity."

But for the thousands of investors left holding the bag, the damage was done. A token touted by the nation's highest office turned out to be a pump-and-dump, casting a shadow on Argentina's first economically literate president in at least a century. The debacle exemplifies how irresponsible crypto policy can undermine a political movement.

Trump's $TRUMP Token

Across the equator in the United States, an even larger meme coin spectacle unfolded with the direct involvement of the highest office. In January, President Donald Trump launched an official meme coin called $TRUMP on the Solana blockchain. The token was hyped as the "only official Trump meme coin" ahead of his inauguration, leveraging his brand and the trust that the MAGA movement places in him.

The frenzy that ensued was remarkable even by crypto standards. Within days of its debut, $TRUMP rocketed to a peak overall market capitalization of over $14.5 billion, briefly trading around $73 per token. This unprecedented surge coincided with a glitzy "Crypto Ball" event in Washington D.C. hosted by tech investor and Trump administration "Crypto Tsar" David Sacks.

In the next few days, as the Crypto Ball partygoers nursed their hangovers, $TRUMP's price tanked. By early February, barely two weeks later, the price was roughly two-thirds of its peak.

Chainalysis data revealed that 50 of the largest holders had pocketed over $10 million each, while some 200,000 small-scale traders ended up in the red as the token's value tumbled. Insiders won big, and a huge number of people – likely retail MAGA supporters enticed by the meme coin's branding – lost money.

According to Reuters, each trade on the exchange where $TRUMP launched (Meteora) kicked back fees to the token's creators. In less than two weeks, entities behind $TRUMP raked in an estimated $86–$100 million in trading fees.

Melania Trump's Memecoin Frenzy

A few days after $TRUMP launched, the strong brand of First Lady Melania Trump was likewise cashed in to launch a meme coin. Less than 12 hours before the inauguration, Melania unveiled her own Solana-based token, simply dubbed $MELANIA.

The launch sparked its own instant speculative fever. Many people who saw the earliest $TRUMP buyers cash out with enormous returns thought that this was their second chance. Within hours of release, the token's price exploded by 24,000%, rising to about $13 at its peak. This surge propelled $MELANIA's market cap to nearly $1.8 billion in a day.

However, reality soon set in here as well. Within the same weekend of its launch, $MELANIA plunged by 80% from its high, sinking below $3. As with $TRUMP, questions arose about $MELANIA's token distribution and intent. Analysts noted a single whale address held 80% of the $TRUMP supply, and similar concerns were raised about $MELANIA's ownership concentration.

The first couple's dual crypto antics drew fire from both sides of the the political aisle. It is unlikely that accusations about self-dealing will bear out; after all, the Trump family is wealthy enough that it does not need to engage in get-rich-quick schemes. What is more likely, and perhaps more disappointing, is that crypto enthusiasts Donald Trump Jr. and Eric Trump, along with Crypto Tsar David Sacks, have demonstrated less discretion than befits their roles in the administration.

Trump's Crypto Policy: A Double-Edged Sword for Bitcoin

Each of the scandals above shares a common thread: they involve highly speculative altcoins that thrive on hype, insider advantage, and lack of transparency. This is the polar opposite of what bitcoin brings to the table. For years, veteran bitcoiners have worked hard to articulate the stark difference between bitcoin and crypto for this very reason.

Within the bitcoin community, there was an immediate effort to distance bitcoin from these shenanigans. Unlike bitcoin, which is a neutral, consensual payment network used by hundreds of millions of people and has a predictable monetary policy, these copycat tokens derive their price entirely from greater-fool speculation. Schemes like these risk tainting the public's perception of all digital assets – bitcoin included.

The bitcoin community still hopes that this administration will bring sensible regulation and openness to the fintech industry, fostering innovation and accelerating bitcoin adoption. Tax and regulatory reform would be warmly welcomed by the millions of Americans who are estimated to own bitcoin.

However, indiscriminate crypto boosterism risks doing more harm than good. Rather than learn how bitcoin can be used as a hedge against inflation and instability, many people will instead learn to equate crypto with chaos. If Trump's idea of growing the crypto industry is tolerating (or partaking in) pump-and-dump schemes, it could invite a harsher crackdown down the line once the consequences materialize – a backlash that might hit bitcoin businesses and users alongside the scam tokens. Bad regulation often follows bad press. Using the $LIBRA or $TRUMP collapses as pretext, hostile policymakers could target bitcoin – which had no role in these scams – under punitive new rules.

A Time For Re-Committing To Bitcoin

What is needed instead is a clear policy that encourages adoption of bitcoin as a treasury asset, payment network, and innovation vector. Policymakers and influential figures in the tech and finance communities have a responsibility to clarify the bitcoin vs. crypto distinction. In the current saga, figures like David Sacks and Chamath Palihapitiya have important roles to play.

Sacks, a prominent venture capitalist and political donor, hosted the Crypto Ball celebration. Instead of glamorizing meme coin parties, thought leaders like Sacks could use their platforms to educate newcomers about bitcoin's unique value proposition and the perils of chasing altcoin scams.

Similarly, Chamath Palihapitiya, who was an early bitcoin investor, has a vast audience through media and his own networks. He has spoken publicly several times about his role as an investor in the Solana network, which is the technology behind these recent pump-and-dump schemes. At the same time, he has lauded bitcoin as potentially "the ultimate insurance policy" and a key part of the future financial landscape. These messages are conflicting and confusing. Given Chamath's credibility in both Silicon Valley and Wall Street circles, he is well-positioned to explain why bitcoin's fundamentals (scarcity, decentralization, security) set it apart from the thousands of get-rich-quick Solana tokens that his own money helped materialize.

The call to action for Sacks, Chamath, and indeed all prominent voices in technology and finance is to use their influence responsibly. Educating the public isn't as flashy as throwing a Crypto Ball or making bold price predictions, but it is crucial right now. These leaders should highlight stories of how bitcoin is being used for financial empowerment – such as in inflation-plagued economies or for unbanked populations – and contrast that with the empty promises of meme coins. They can push for industry norms that treat bitcoin as an emerging digital commodity and reserve asset, while unaudited tokens are classified more like penny stocks or sports betting apps. By doing so, they help prevent more people from falling victim to scams and promote understanding of bitcoin's value.

Now is the time for action. Influencers, investors, and policymakers must stand up and be counted. They should demand transparency, call out bad behavior, and champion bitcoin's merits as sound money. By taking a clear pro-bitcoin, anti-scam stance, they can help steer the narrative back to where it belongs: on how bitcoin can improve society. The stakes – for investors' livelihoods and for the future of bitcoin's adoption – are simply too high to remain silent or complacent. It's time to Make Bitcoin Great Again.