

# The daring yet controversial launch of Trump's meme coin, 'OFFICIAL TRUMP'

By Mosi Methula 23/01/25

We begin with an apt explanation of Bitcoin. It is a virtual currency that operates on a network enabling peer-to-peer and pseudonymous transactions. Such a network has no central party responsible for minting bitcoins, facilitating or validating transactions. Instead, this responsibility is shared across the network through an ingenious technical and social engineering process, known as the Proof-of-Work (PoW) consensus mechanism. This, combined with Bitcoin's transactions repository, called a blockchain, creates a decentralized monetary protocol.

While Bitcoin is the 'original' cryptocurrency, the crypto landscape is filled with more speculative and rather controversial projects such as meme coins. These tokens are meme-inspired digital Ponzi schemes deployed on blockchains and created with the purpose of being sold at higher prices to newer buyers. The creators and closely affiliated parties, known as insiders, typically hold large portions of the meme coins in circulation before their distribution to speculators. This often leads to a crash in the coin's price as these insiders liquidate their holdings to cash in profits, a phenomenon known as a 'rug pull'.

That said, 2024 was a blockbuster year for Bitcoin and the whole crypto ecosystem. The former saw its price more than double, waves of institutional capital inflows through the spot Bitcoin exchange-traded funds (ETFs), and the unwavering support of then-candidate US president Donald Trump.

He pivoted his presidential campaign in an unprecedented attempt to flatter the roughly 50 million US crypto proponents to expand his voter base. Arguably, his most significant promise to this audience was the creation of a Strategic Bitcoin Reserve, a concept inspired by the El Salvadoran president Nayib Bukele, which would require the approval of US Congress. The strategic reserve is designed to preserve the wealth of the US government by holding strategic assets that generate a return, in this case, Bitcoin. Historically, the choice of reserve assets for national treasuries has been foreign bonds such as US Treasuries and hard assets like gold bullion.

According to the proposed BITCOIN Act of 2024, the plan includes the annual purchase of one million bitcoins by its Department of the Treasury, which would be combined with the US government's existing holdings, accumulated through seizures from supposedly bad actors. All bitcoins are to be held for a minimum duration of 20 years unless liquidated to pay down federal debt. This move marks a significant milestone for Bitcoin enthusiasts, as it legitimizes the asset class in the eyes of state, increasing adoption and making further price rallies likely due to the US government's extensive purchases.

However, not all developments in the crypto space are as clear-cut or ethical, as seen in the daring yet controversial launch of Trump's own meme coin, 'OFFICIAL TRUMP', days before his presidential inauguration. At one point, the coin hit a peak market cap of around \$15 billion, temporarily catapulting it to the top 15 most valuable cryptocurrencies, and on paper, adding several billion dollars to his net worth. It is currently trading around \$35.

With this, a few ethical concerns are raised. Should a nation's highest authority leverage their position to profit from notorious crypto schemes? Trump's affiliated companies will be prohibited from liquidating their stakes for at least three months, but after that, it is anybody's guess as to whether his affiliated companies will rug pull—many of whom could be his political supporters. This coin launch may be seen as one of the highest-level endorsements of the meme token ecosystem. Consequently, bad actors may proliferate, exploiting such schemes and further eroding trust in the broader crypto ecosystem. As Bitcoin works its way to public legitimacy, these schemes will have a countereffect.

Bitcoin as an asset class has made quantum leaps forward, though it still exhibits volatile and unpredictable price action, offering both extraordinary upside and inherent risks. Yet, the rise of meme coins and their endorsement from Trump questions his credibility and commitment to his ethical leadership in the financial sphere. His next four years will be watched very closely by crypto enthusiasts and traditional investors alike. The developments in the space are worth following.