

# Crypto Kleptocracy

*Beyond scams and volatility,  
crypto is planting the seeds  
of political self-enrichment  
amongst the cracks of  
public corruption law.*

BY WILL THOMAS AND JEFFERY ZHANG

**T**he accelerating integration of crypto into global financial markets has generated extensive debate about consumer protection, financial stability, and national security. Yet one of crypto's most consequential implications has received far less sustained attention: its capacity to serve as a vehicle for political self-enrichment. Through a combination of technical design, regulatory ambiguity, and doctrinal gaps in public-corruption law, crypto now enables mechanisms of influence-based enrichment that can operate with little cost, minimal transparency, and virtually no legal constraint.

This phenomenon is not limited to any one political figure or administration. Rather, crypto introduces a set of structural vulnerabilities that future officeholders could easily exploit. Certain categories of digital assets, particularly meme coins and stablecoins, allow political actors to translate name recognition, public allegiance, or regulatory authority into substantial personal wealth without any contractual exchange, explicit promise, or identifiable *quid pro quo*. These architectures pose challenges precisely because they function almost automatically: value accumulates not through the traditional indicia of corruption but through market dynamics that current law does not meaningfully regulate.

The convergence of doctrinal narrowing in corruption law, declining white-collar enforcement, and the rapid expansion of crypto markets thus

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creates a landscape in which political enrichment can proceed in ways that feel intuitively corrupt yet remain effectively beyond the reach of the legal system. If unaddressed, the United States risks entrenching a form of crypto kleptocracy, one in which the boundary between public power and private wealth becomes increasingly difficult to discern.

### **MEME COINS AND THE MONETIZATION OF ALLEGIANCE**

Meme coins illustrate how crypto enables political enrichment through the commodification of identity rather than through the exchange of value for services. These tokens typically lack intrinsic utility and instead derive their worth from association: membership in an online community, affiliation with a public figure, or participation in a cultural moment. When connected to political actors, they function less as collectibles and more as mechanisms through which supporters—and, crucially, foreign and domestic interest groups—can transfer value in a manner that resembles political contribution without being governed by campaign-finance rules.

The key features of meme coins render them particularly conducive to influence-based wealth accumulation. They can be issued with negligible capital or expertise; they can be marketed through social media infrastructures; and, most importantly, they appreciate in value simply because individuals choose to purchase them. Appreciation does not require the political actor to perform any official act, make any representational claim, or even maintain engagement with the token's community. The political figure's name or likeness serves as the value proposition. The blockchain then becomes the mechanism that converts allegiance into private gain.

Because crypto markets are global, these tokens also facilitate forms of foreign influence that evade the traditional safeguards of campaign finance law. A foreign company or sovereign entity can purchase political tokens openly, in unlimited amounts, and without the disclosures or legal constraints that would accompany political contributions. In this respect, meme coins represent a substantive departure from earlier forms of political merchandising: they do not merely sell a T-shirt or a hat—they sell affiliation itself, in a way that translates directly into the issuer's wealth.

### **STABLECOINS AND PASSIVE, LARGE-SCALE REVENUE STREAMS**

Stablecoins present a parallel, and in some respects even more significant, risk to public corruption. Unlike meme coins, stablecoins are pegged to a reference asset—most commonly the U.S. dollar—and backed by reserves

composed largely of short-term debt. Because these reserves generate interest income, stablecoin issuers can earn substantial revenue independent of transactional fees. The world's largest stablecoins already produce annual earnings measured in billions of dollars, primarily through these passive returns.

When public officials or their associates participate in the creation or ownership of stablecoins, the path to enrichment becomes almost entirely decoupled from

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political conduct. The stablecoin generates revenue whenever it is held or used by third parties, including foreign institutions and private actors with strategic interests. To the extent that the political figure has a stake in the issuing entity, personal enrichment proceeds automatically. Neither solicitation nor official action is required; the architecture of the stablecoin itself produces the financial benefit.

This dynamic marks a substantial departure from earlier political business enterprises. Real-estate holdings, media platforms, and consulting ventures involve significant capital investment and continued operational risk. Stablecoins, by contrast, scale effortlessly through global markets. Once launched, they can become multi-billion-dollar enterprises within months, operating with a thin corporate structure and minimal public oversight.

### **THE LIMITS OF BRIBERY AND HONEST-SERVICES FRAUD**

U.S. anti-corruption law has long depended on statutory frameworks designed to capture transactional forms of misconduct. Federal bribery requires a thing of value exchanged for an "official act," a term the Supreme Court has construed narrowly to encompass only formal

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exercises of governmental authority. Honest-services fraud—once a flexible mechanism for targeting self-dealing—now reaches only explicit bribes and kickbacks. These doctrines hinge on the presence of identifiable exchanges, promises, or misrepresentations.

Crypto-based enrichment often lacks all of these. A meme coin does not require a commitment or exchange; buyers may acquire it for expressive reasons unrelated to

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governmental action. A stablecoin’s revenue stream arises from underlying debt securities rather than from any action taken by the official. Because the financial gains occur without a transaction between the politician and the investor, the statutory elements of bribery and honest-services fraud rarely align with the crypto model.

Recent Supreme Court jurisprudence further reinforces these constraints. Decisions narrowing the definitions of “official act,” “scheme to defraud,” and “public official” have created an increasingly stringent set of requirements for prosecuting influence-based conduct. Even assuming broad agreement that crypto-facilitated enrichment is normatively troubling, the doctrinal tools available to prosecutors are ill-suited to address corruption without an explicit *quid pro quo*.

### **THE WEAKENING OF SECURITIES AND FRAUD ENFORCEMENT**

Historically, the securities laws offered a potential check on political crypto ventures. Under the *Howey* framework, many crypto tokens would qualify as “investment contracts,” bringing them within the ambit of registration, disclosure, and anti-fraud obligations. Yet both regulatory retrenchment and political pressure have narrowed the circumstances in which crypto assets are treated as securities. Where agencies decline to assert jurisdiction—or courts decline to recognize tokens as securities—the statutory basis for enforcement evaporates.

Other fraud statutes, including wire fraud and commodities fraud, offer limited recourse. They require proof of deception, a feature that many political crypto schemes lack. The promoter of a meme coin may accurately describe it as speculative or without intrinsic value. A stablecoin issuer may truthfully disclose its backing assets. In such cases, the absence of a misrepresentation undermines the evidentiary foundation for fraud liability.

Taken together, these doctrinal limitations create an enforcement environment in which crypto-based political enrichment is largely unregulated, even when it appears to subvert core democratic norms.

### **REPLICABILITY AND SCALABILITY OF THE CRYPTO-CORRUPTION MODEL**

The most significant danger posed by crypto-enabled enrichment is its ease of replication. The barriers to entry are extraordinarily low. A political actor requires only modest technical assistance to create a token; thereafter, market dynamics can propel its value independent of any further involvement. Unlike traditional corruption, which often requires clandestine meetings, intermediaries, or contractual arrangements, crypto corruption scales almost effortlessly.

Moreover, the global nature of crypto markets facilitates forms of influence that evade existing legal frameworks. The longstanding prohibition on foreign contributions is premised on the ability to identify donors, characterize contributions, and trace money flows. Crypto markets undermine each of these assumptions. If adopted widely, this model risks shifting the economic incentives associated with political office. The capacity to transform digital attention into passive financial returns may distort public decision-making in ways that existing law is unequipped to address.

### **TOWARD A NEW FRAMEWORK FOR CRYPTO-ERA CORRUPTION**

Addressing these vulnerabilities requires legal reforms that match the scale and character of crypto’s risks. One approach is to restore the applicability of securities law to crypto assets. Congress could clarify that tokens issued or promoted by public officials constitute securities, thereby triggering registration, disclosure, and anti-fraud requirements. Courts, too, could resist narrow interpretations of *Howey* that artificially exclude politically linked tokens from regulatory oversight.

A second—and more targeted—approach involves creating explicit statutory prohibitions on crypto-based enrichment by public officials. Such provisions could ban sitting officeholders or candidates from issuing, promoting, or holding financial interests in digital assets

that could appreciate based on political affiliation. By focusing on bright-line rules, these statutes would circumvent the doctrinal limitations that have weakened honest-services fraud and bribery enforcement. Enhanced transparency also has a role to play. Financial disclosure regimes should be updated to include digital-asset holdings, wallet addresses, and income streams derived from token issuances. Real-time visibility into political actors' crypto activities would facilitate oversight by the public, the media, and watchdog organizations.

Finally, campaign-finance law must be modernized to recognize that certain digital assets function as political contributions in substance if not in form. Tokens that monetize allegiance or confer financial benefit on candidates should be treated as contributions subject to existing limits and prohibitions, including the ban on foreign donations.

### **CRYPTO CORRUPTION RISK**

Crypto's capacity to facilitate political self-enrichment does not stem merely from technological novelty. It arises from the combination of legal gaps, doctrinal narrowing, and market designs that convert reputation and public power into private wealth without the direct transactional features that have historically defined corruption. Meme coins and stablecoins represent a qualitatively different form of political economy—one in which financial gain can accrue invisibly through infrastructures that the law has not yet adapted to regulate.

If left unchecked, these architectures risk hardwiring a new form of influence-based corruption into the American political system. Preventing that outcome will require treating crypto not only as a financial-regulatory challenge but as an urgent problem in public-law design. ◆