

Crypto Fraud Exposes Woke Capitalism as a Scam

Why do people keep falling for it?

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Sam Bankman-Fried, the founder of FTX, **which was, until last week, the world's second-largest cryptocurrency exchange**, is today [facing](#) prison time for allegedly defrauding his customers of billions of dollars.

Bankman-Fried, 30, donated to many progressive causes allied with the "effective altruism movement," including pandemic prevention and response. He spoke at, and presumably donated to, the World Economic Forum's [Davos conference last May](#) and the Clinton Foundation's [Clinton Global Initiative in September](#). Bankman-Fried is similar to [Bernie Madoff](#) in that both men used philanthropic giving, and the veneer of humility, to create a positive reputation while running pyramid schemes that should have set off red flags among investors, regulators, and journalists.

In truth, the Bankman-Fried scandal shows that *all* do-gooder capitalism should set off red flags. Bankman-Fried claimed he was only trying to get rich in order to raise money for charity, and investors and journalists overwhelmingly took him at his word, even while visiting him at his \$40 million home in the Bahamas.

"You were really good at talking about ethics for someone who kind of saw it all as a game with winners and losers," a *Vox* reporter said to Bankman-Fried last night, to which he [responded](#), "ya, hehe... I feel bad for those who get fucked by it. By this dumb game we woke westerners play where we say all the right shiboleths [sic] so everyone likes us."



Defenders of do-gooder capitalism say that socially-responsible investing, which was rebranded as ESG to refer to investing that takes environmental, social, and governance issues into account, has done a lot of good. They point to ESG investments in things like renewable energy, electric vehicles, and carbon offsets as proof that capitalism and philanthropy can co-exist.

But ESG has been rocked by scandal after scandal for greenwashing things that are bad for the environment, people, and democracy. Few carbon offsets [actually reduce carbon emissions](#). Many are scams. Some [pay landowners to not cut down trees](#) they were [never going to log](#). Others pay renewable energy developers who [were already going to build wind and solar projects](#). Most solar panels and electric car batteries are made in Xinjiang, China by incarcerated Uyghur Muslims. Solar projects require [300-600 times more land](#) than nuclear or natural gas plants and are [devastating fragile desert environments](#). And there is [no waste disposal solution](#) for used solar panels, a hazardous waste, which means they will be [sent to landfills](#) or [dumped on poor nations](#). Even Bankman-Fried [acknowledges](#) that “ESG has been perverted beyond recognition.”

“Fraud” may seem like a harsh word for describing ESG, but Black’s Law [defines fraud](#) as an activity that relies on deception in order to achieve a gain, and ESG certifiers, and sellers of solar panels and solar projects, know perfectly well that their projects violate the letter and spirit of ESG. Representatives of the renewable energy industry for years [claimed their products were cheaper than other energy sources](#) even as they were lobbying Congress for [\\$369 billion in subsidies](#). And many ESG funds [exclude nuclear energy](#) even though nuclear has the [smallest environmental footprint](#) of any energy source, pays [higher wages than solar](#), and enjoys the [strictest regulatory governance](#) of any energy source.

In truth, societies are much more vulnerable to ESG, renewable energy, and offset frauds than to con artists like Madoff and Bankman-Fried. The latter are caught as soon as the stock market crashes and their pyramid scheme collapses. ESG, renewables, and offsets, by contrast, continue to find customers despite scandal after scandal — as do the the Clinton Foundation and World Economic Forum. The Clinton Foundation is still holding pay-to-play conferences despite having been caught [accepting \\$10 to \\$25 million](#) from Saudi Arabia and [\\$1 million from Qatar](#) before and while, respectively, Hillary Clinton became Secretary of State. And the World Economic Forum’s founder, Klaus Schwab, was at the G-20 meeting this week despite revelations [that WEF promoted FTX](#).

As such, the question is not why Woke frauds like Bankman-Fried do what they do, nor why they get caught, but rather why people fall for it. Why do such transparent efforts to buy public sympathy through greenwashing and woke-washing continue to work?

Wokeism Is The New “Greed Is Good”



Andrew Ross Sorkin and Kate Rooney referring to Bankman-Fried as “the JP Morgan” and “Michael Jordan,” respectively, of crypto.

Over the spring and summer, as investors pulled their money out of cryptocurrencies, Bankman-Fried started bailing out cryptocurrency firms. He characterized his actions as altruistic. Many reporters uncritically accepted this interpretation. CNBC’s Jim Cramer [called](#) Bankman-Fried the “J.P. Morgan of this generation,” in reference to banker John Pierpont Morgan’s famous 1907 bail-out of failing banks.

“They call him the J.P. Morgan of crypto,” said CNBC’s Andrew Ross Sorkin of the influential show, Squawk Box, [while introducing a September 16, 2022 profile](#) of Bankman-Fried.

“Yeah, the *Michael Jordan* of crypto!” responded financial reporter Kate Rooney.

She went on. “He spent hundreds of millions of dollars to bail out struggling companies facing bankruptcy, liquidity issues — you name it. The CEO, though, lives a relatively understated life for a billionaire. He drives a Toyota Corolla to FTX’s offices in The Bahamas. He lives with 10 roommates. And a golden doodle named Gopher sometimes sleeps under his desk on a beanbag chair.”

Rooney didn’t mention that Bankman-Fried’s home is valued at \$40 million, even though

she interviewed him in it. In fact, Bankman-Fried's FTX [allegedly spent \\$74 million on real estate in the Bahamas](#).

"You said FTX has a responsibility to seriously consider stepping into the time to save companies," swooned Rooney. "Why did you have that sense of responsibility?"

In retrospect, there were red flags everywhere. In several interviews this fall, Bankman-Fried's leg is shaking nervously. In 2020, Bankman-Fried [admitted to](#) using stimulants. "In general, probably half of all people or more should be taking meds of some kind, because they just make your life a lot better," he told a podcaster. And in April, Bankman-Fried [appeared to admit](#) that his company was a Ponzi (pyramid) scheme to a *Bloomberg* reporter named Matt Levine.

"You start with a company that builds a box," Bankman-Fried told Levine. "Maybe for now actually ignore what it does or pretend it does literally nothing. It's just a box.... This box is worth zero obviously ... But on the other hand, if everyone kind of now thinks that this box [cryptocurrency] token is worth about a billion dollar market cap, that's what people are pricing it at and sort of has that market cap."

The interviewer, Matt Levine, a former investor and one of the leading crypto reporters in the U.S., [interjected](#), "You're just like, 'Well, I'm in the Ponzi business and it's pretty good,'" to which Bankman-Fried said, "I think that's a pretty reasonable response... that's one framing of this. And I think there's like a sort of depressing amount of validity." At that very moment, Bankman-Friedman appears to have been using FTX's own cryptocurrency as collateral for lending FTX customer money to his hedge fund, Alameda Capital.

In retrospect he appears to be making something of a confession to Levine back in April. "Everyone's gonna mark to market," [said](#) Bankman-Friedman. "In fact, you can even finance this, right? You put X token in a borrow lending protocol and borrow dollars with it. If you think it's worth like [not] less than two-thirds of that, you could even just like put some in there, take the dollars out [and] never, you know, give the dollars back."

And yet, [Levine writes](#), "I came away from that conversation *bullish* on FTX and Bankman-Fried. My view was, and is, that if you talk to a crypto exchange operator and he is like 'crypto is changing the world, your old-fashioned economics are just FUD, HODL,' then that's bad. A wild-eyed crypto true believer is not the person to operate an exchange. The person you want operating an exchange is a clear-eyed *trader*."

Levine's not alone. In his various interviews, Bankman-Fried came across with humility and an "aw shucks" style while also communicating quiet confidence. Six times, in response to questions from Chuck Todd of "Meet the Press" last September, Bankman-Fried [said](#), silkily, "It's a *good* question." The way Bankman-Fried said it sounded like a compliment, like he was praising the journalist for his intelligence.

As such, Bankman-Fried was making a classic confidence artist move. In many cons, the confidence artist expresses his own confidence in his mark so that the mark will reciprocate by investing his confidence in the con artist. Humans are so wired to reciprocity that it feels rude not to feel confident in someone who has expressed confidence in us.

And con artists like Bankman-Fried and Madoff expressed progressive values broadly shared by elites, including journalists. On "Meet the Press," Bankman-Fried told Todd that he was

making pandemic prevention and response a key part of his “effective altruism” philanthropy. “Covid is one of the clearest examples of this,” he said, “where we did not as a country, or as a world, frankly, have a coherent strategy.”

Why, then, do frauds like Madoff and Bankman-Fried get away with it? And why do we keep trusting people like the Clintons and Klaus Schwab of the World Economic Forum?

Because many people, particularly liberal-minded investors, but also journalists and members of the voting public, *want* to trust them.

Wishful thinking is powerful. We saw a similar dynamic with the fraud carried out by Theranos Founder Elizabeth Holmes. Rich and powerful people wanted to believe in her for the same reason people wanted to believe in Bankman-Fried. And liberals especially wanted to believe Bankman-Fried. That’s because they tend to feel guiltier than conservatives and libertarians about their greed. They thus need Wokeism, an alternative religion, to justify it.

“Greed is good,” said the hostile takeover investor played by Michael Douglas in the 1987 classic, “Wall Street.” Douglas proceeded to give the standard justification of capitalism provided by Adam Smith in 1776. “Greed, in all of its forms — greed for life, for money, for love, knowledge — has marked the upward surge of mankind,” said the Douglas character.

Such a justification doesn’t work for liberals. They need to feel that their greed is good because their greed is *altruistic*. What hucksters like Bankman-Fried, the Clintons, and Klaus Schwab provide is a Woke justification for their greed.

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