#1482 The New Hotness in Scam Culture (Crypto Currency and NFTs)

Intro 4-13-22

[00:00:00] **JAY TOMLINSON - HOST, BEST OF THE LEFT:** Welcome to this episode of the award-winning *Best of the Left* podcast, in which we shall take a look at the mainstreaming of cryptocurrency and NFTs by celebrity endorsements, why they're terrible by nearly any metric, and why they're emblematic of our broken culture.

Clips today are from *Folding Ideas*, *Wisecrack*, *Crypto Critics' Corner*, *The Majority Report*, *Reveal*, and *The Damage Report* with an additional members-only clip from *Scam Economy*.

Line Goes Up – The Problem With NFTs - Folding Ideas - Air Date 1-21-22

[00:00:32] **DAN OLSEN - HOST, FOLDING IDEAS:** In 2008, the economy functionally collapsed.

The basic chain reaction was this: bankers took mortgages and turned them into something they could gamble on. This created a bubble, and then the bubble popped.

When you drill down into it, you realize that the core of the crypto ecosystem, the core of Web Three, the core of the NFT marketplace, is a turf war between the wealthy and ultra wealthy; techno-fetishists who look at people like Bill Gates and Jeff Bezos-- billionaires minted via tech industry doors that have now been shut by market calcification-- and are looking for a do-over, looking to synthesize a new market where they can be the one to ascend from a merely-wealthy programmer to a hyper-wealthy industrialist. It's a cat-fight between the 5% and the 1%.

Ultimately, the driving forces underlying this entire movement are economic disparity. The wealthy and tenuously-wealthy are looking for a space that they

can dominate, where they can be trend-setters and tastemakers, and can seemingly invent value through sheer force of will.

This is, in my opinion, the blind spot of many casual critics. The fact that tokens representing Ape PFPs are useless, yet somehow still expensive, isn't an overlooked glitch in the system; it's half the point. It's a digital extension of inconvenient fashion. It's a flex, and a form of mythmaking.

And that's how it draws in the bottom: people who feel their opportunities shrinking; who see the system closing around them; who have become isolated by social media and a global pandemic; who feel the future getting smaller. People pressured by the casualization of work as jobs are dissolved into the gig economy, and want to believe that escape is just that easy.

All you gotta do is bet on the right Discord and you might be airdropped the next new hotness. It could be you plucked out of the crowd on Rarible and bestowed a six figure price by an elusive Emirati music producer; get a bacon[?] your wallet, hodel[?] like a good diamond hands, and enjoy that yield. All you need is $5,000 in seed money, and you can buy a farmer's world milk cow. And if you milk that cow every four hours, day and night for two weeks, why, there's all your money back, right there. And now it's pure profit minus, naturally, the overhead of all the wax you needed to stake, the barn you needed to buy and build, the barley you needed to purchase and grow, the food you needed to buy to refill the energy you needed to milk the cow build the barn and grow the barley plus you actually need to cash out which isn't getting paid it's quitting...

This is your chance to stick it to Wall Street, and the venture capitalists, as long as you pay no attention to the VCs behind the curtain. The line can only go up!

It's a movement driven in no small part by rage, by people who looked at 2008, who looked at the system as it exists, but concluded that the problems with capitalism were that it didn't provide enough opportunities to be the boot.

And that's the pitch. Buy in now, buy in early, and you could be the high tech future boot.

Our systems are breaking or broken, straining under neglect and sabotage. And our leaders seem, at best, complacent, willing to coast out the collapse. We need something better, but a system that turns everyone into petty digital landlords, that distills all interaction into transaction, that determines the value of something by how sellable it is, and whether or not it can be gambled on as a fractional token sold via micro-auction...

That's not it.

A different system does not inherently mean a better system. We replace bad systems with worse ones all the time. We replaced a bad system of working bosses with a terrible system of apps, gigs and on-demand labor. So it's not just that I oppose NFTs because the foremost of them are aesthetically vacuous representations of the dead inner lives of the tech and finance bros behind them. It's that they represent the Vanguard of a worse system.

The whole thing, from open sea fantasies for starving artists, to the buy-in-for-pay-to-earn games. It's the same hollow, exploitative pitch as MLMs. It's Amway, but everywhere you look, people are wearing ugly-ass ape cartoons.

NFTS and Celebrities: A Match Made in Hell? - Wisecrack - Air Date 4-4-22

[00:04:36] **MICHAEL BURNS - HOST, WISECRACK:** So why does celebrity endorsements sell everything from cars to Coors Light so well? Nayer argues that it's because of the phenomenon of transferred celebrity, i.e. the product becomes associated with the qualities of the human celebrity.

So let's say it's 2004. You love Brittany Spears, and you want everyone to know it and to also associate you with how cool she is. By buying a pair of the Skechers she recently endorsed in the pages of Teen People, you're trying to imbue yourself with as much of Brittany's bubblegum charm as you can, even if you don't explicitly realize that's what you're doing. Now, Brittany is a celebrity in her own right because she's a hard working triple threat. But if she's out here selling Skeckers, she's imbuing it with clout. And those sweet, sweet kicks are reinforcing that clout right back at her. To paraphrase scholar Richard Dyer, celebrities are both labor, i.e. varying combinations of talent, hotness, work ethic and luck, and the thing that labor produces: i.e., fame and fortune. So it follows that when people with major fan bases endorse a product, not only does the celebrity get more attention in the public eye, but the product itself will see a boost in profits and prestige. What Babe Ruth did for cola or Oprah did for WeightWatchers or Michael Jordan did for Nike is something the makers of NFTs are ready to harness for a new century.

Now you've seen Justin Bieber somehow make Crocs seem cool. And a water bottle became spiritually rejuvenating because of Jennifer Anniston. But something different happens with crypto and NFTs, which after all, don't tangibly exist in the real world. Because they're so intangible, these non-

fungible tokens are ironically very fungible in terms of what they can potentially signify. When Paris endorses them, they're glamorous. When Spike Lee endorses crypto, it's righteous and bold. When Gwyneth Paltrow does it, you're living that crunchy yet chic holistic lifestyle. Crypto, and by extension NFTs, are the perfect empty vessel upon which to project a celebrity's entire affect. And nowadays there's an NFT-happy celebrity for seemingly every demographic. Even Eric Andre's into it. Who would have thought absurdist comedians even knew about NFTs?

But when you're buying an NFT to emulate your favorite celebrity, it's like an even bigger dopamine hit than buying those adorable Spears Skechers. You feel closer to them. And more importantly, more similar to them than ever before. Before you only had the pleasure of consuming like a celebrity. Now you have the pleasure of investing like a celebrity.

[00:07:20] **CLIP FROM PARKS AND RECREATION:** What? Here? High end! VIP exclusive!

[00:07:23] **MICHAEL BURNS - HOST, WISECRACK:** That's liable to make you feel richer and more glamorous than, say, drinking a Pepsi at a protest. After all, as Nayer says, celebrities embody an abstract desire to achieve, to be recognized, to be wealthy. And poverty-stricken celebrities would be hard to find. Celebrities represent what people aspire to be or to possess. And in a world where financial security is anything but easy to come by, emulating the investment choices of an already wealthy celebrity might not seem like the worst option.

Now we're not grumps. If you want to smell like Mariah Carey or buy car insurance like Shaq, have a ball. But there are issues of accountability at stake when celebrities use their power to change our consumption habits. What was supposed to be a historically significant Tiffany and Coke campaign, starring Beyonce and Jay Z, got a bit thorny when the 128 carat yellow diamond Beyonce wore, turned out to be, for all intents and purposes, a $30 million vintage blood diamond. FYI Bey and Jay released a statement denouncing the jewelry.

Or consider this adorable retro ad of Lucille Ball schilling Chesterfields. So cute and so cigarettes. And we'll keep our adjective to ourselves about the results of diet pills and flat tummy teas.

And maybe that's why the celebs sensation surrounding NFTs feels so uncomfortable. Diet pills might give you the runs, but NFTs are a different

beast altogether. At best they're too new to fully judge as a major investment, and at worst, by many accounts, they're a pyramid scheme.

It's worth noting that celebrity Ben McKenzie, AKA Ryan from the OC, is getting attention lately for actually dunking on NFTs. Welcome to the off chain, bitch! But think about it: when you buy one of Paris Hilton's bedazzled boss babe hoodies, you have like a hundred bucks at stake, which isn't nothing, but it probably isn't all of your rent money. But when she essentially recruits you by way of a talk show to buy an NFT, she's doing something else entirely. See, NFT owners have essentially banked on a speculative asset. If Paris wants to see the value of that asset grow, she needs the general public to flood the NFT market with capital, essentially to bolster her major investment. And that's where things get tricky. The allure of feeling like your lifestyle is closer to hers or to any rich and famous person's has the capacity to wreck your finances.

And that's what we're seeing unfold with Kim Kardashian's endorsement of EthereumMax. It's a developing story at the time of this video, but the TLDR is this: Kim uploaded a sponsored Instagram story promoting EthereumMax right after the company had burned half of their available Bitcoin. That means they put them in an essentially locked crypto wallet where they can't be distributed. That created market scarcity, which drove up the price for people who were eager to buy EthereumMax after being influenced by Kim's story. She and other famous influencers are currently being sued because EthereumMax's prices shot up 1300% before totally crashing a month later. The lawsuit alleges that it was a pump and dump scheme. As far as we can tell, the people who bought high watched their big investments basically light on fire in front of their eyes.

But in addition to being morally dubious, this whole situation is also just really, really surreal. Think about who Paris Hilton and Kim Kardashian are: famous people who literally invented their celebrity out of nothing, or that is, became famous purely by being seen. And here they are endorsing a product that by many estimations is essentially also made up. Is this the most meta thing ever? Maybe.

And we think that's best understood through a concept from classical political economy: use value. See, use value, as the name suggests, is a measurement of how an object derives value from its usefulness. This pair of galoshes? Great for keeping my feet dry in the rain. This spoon? Excellent for shoveling Cheez Whiz into my mouth. Yeah, I eat Cheez Whiz with a spoon. Not a barbarian. I don't put cans in my mouth.

Everything that humans consider valuable has a use value. Going all the way up to actual people. The use value of Zendaya for breaking your heart on screen. The use value of Doja Cat writing total bangers. And the use value of Serena Williams for changing the game of tennis.

When these celebrities endorse things, there are two use values at play: that of the celebrity, i.e. their fame and respect talents, and that of the product -- say the beautifying effects of mascara or the refreshment of some Frost Arctic Blitz.

But for celebs like Paris and Kim, their fame is a purely ephemeral commodity with no obvious use value. Their celebrity isn't linked to tangible talents beyond, you know, sharing really innovative thoughts on work ethic.

[00:12:28] **KIM KARDASHIAN:** Get your * ass up and work.

[00:12:30] **MICHAEL BURNS - HOST, WISECRACK:** And this is where things get even more meta. Marxist economics talks about what happens when a commodity's value becomes detached from the actual thing that can be bought, sold, or traded. Like one, a pair of Nike's becomes less about helping you avoid ankle sprains and more about what it represents: the fearlessness of Serena Williams. And this way, the commodity essentially becomes a theological entity, something that transcends use value. It's now a spiritual thing with what one German economist called metaphysical subtleties and theological niceties. So we have two things: one, celebrities without use value or celebrities that have been constructed out of thin air using their clout to push; two, NFTs, which have a use value that's arguably also constructed out of thin air.

The whole thing starts to feel like a digital house of cards. If celebrities who have value simply for having value are now pushing digital commodities that also have value simply for having value, it seems like maybe we're all just emperors without any clothes.

Celebrities Love Cryptocurrencies - and it's lame (Feat. Ben McKenzie and Jacob Silverman) - Crypto Critics' Corner - Air Date 2-16-22

[00:13:37] **BEN MCKENZIE:** I think it's really interesting that it's coming to this point where we're on national television, on the Superbowl doing

giveaways, because in my less "the world is ending" moments, in my more positive, or less negative perhaps is a better way of putting it, moments I think of well, I don't think that's going to last forever. You do the giveaways and people sign up, but they're only there to see if the chance, the small chance, that they could... and Jacob's point is right, that is casino capitalism personified on some way, or it's exhibit A for that on some level, except color me skeptical that those people are gonna put a bunch of money into it. But let's see. Certainly the company thinks it's going to work or they wouldn't do it.

I am not someone who understands the technology very well. I am not somebody who is particularly sophisticated about much if any of it, all I come from is 20 years in Hollywood and kind of knowing the tactics and the marketing techniques, which are often to take something that should be boring, it's like you're trading pieces of tokens, these things called cryptocurrencies, through apps on your phone, it doesn't give you the most... it's.not necessarily, particularly inspiring one way or the other, but if you sell it as bravery, you are one of the greats, your Marco Polo discovering... if you can just create an emotional response to something that would otherwise be just a speculation, you'd just be gambling, then you're doing half of the work. That's how you get them in the door, and once they're in the door then there's money to be made.

[00:15:06] **CAS PIANCEY - HOST, CRYPTO CRITICS' CORNER:** It's not even the first time that this has happened either. The dot-com bubble was so rife with day trading, and day trading for the first time becoming a thing, and I think that it's the same thing, where you're idolizing someone who's finding... it's price discovery. It's literally price discovery. If we're going to boil it down to what it actually is, it's somebody who's, "huh? I think that this price is somewhere between here and here, and I'm going to find out where that is," and there's nothing heroic about. It just is a thing that people do.

It's the same as a ditch digger or a baker. There's usefulness to it. There's certainly usefulness to trying to find the price of something, but it isn't heroic, and a lot of people get hurt trying to do it and being like, "I'm going to be the richest person ever."

[00:15:57] **BEN MCKENZIE:** The thing that separates this from the dot-com bubble is that the internet was a revolutionary technology. That really has changed everything, as witnessed by the fact that we're using it right now to record this podcast. But color me skeptical that blockchain is that technology. I'm not saying it couldn't be, and in the book that we're writing, it's important to me to leave that door open, because I can't predict the future any more than anyone else.

It's odd to me the blockchain has been around for so long, that it's this "new, innovative" thing that's been around since at least 1991, and it's use is to sell these tokens to each other, which, what do they do? What are they being used for? The only thing that I can see in crypto that seems to provide some—there's some use that can't be accomplished by other means, is remittances in some limited, very limited targeted way, like Afghanistan or something like that, where the state has completely fallen apart, and obviously the United States shares a lot of the blame for that, and people are desperate and so they're using it even if they're getting gouged in the process. It's better than nothing.

I'm nervous that when it falls apart even worse than the dot-com bubble. it was funny, I was talking to a guy, a friend of mine who's in finance, and he was making the dot-com comparison. I thought he was going positive, he was actually going negative. He was like, "the dot-com [bubble] what, like 80, 90% of those companies failed, right?" For every Amazon, there were 20 pets.com.

[00:17:18] **CAS PIANCEY - HOST, CRYPTO CRITICS' CORNER:** There's no publicly listed stock besides Amazon that was started, dot-com wise, I think Amazon was the only one that made it out. Even Yahoo, gone. It's really hard to make it in a bubble. Also, we got Amazon out of that though, which is like, okay, yeah, we can hate Amazon, we can all hate Jeff Bezos, cool, I get it. Also, what an incredible company.

[00:17:40] **BEN MCKENZIE:** Yeah. And so that's why it's hard right now for me. And again, I try to approach this with humility. I'm not saying there couldn't be, I'm just saying I don't know what company comes out of this crypto phase that we're in when... and I've started reading a lot of, there's a great book, *The Future of Money*, Eswar Prasad's book on cryptocurrencies and CBDCs [central bank digital currency] and the future of where money is heading, and in the book, which came out last year, he talks a lot about specific use cases, how it's being used certain positive things you could say about cryptos, but also addresses full-on a lot of the negative stuff, including the fraud.

Recently he was doing a publicity tour to warn people that even if you believe in blockchain's uses in the future or in some sort of digital currency situation, that doesn't mean this market couldn't crash, because what use does it have if it's replaced by something that is issued by the state, which money has always been issued by the state, any effective use of money.

That's where I get worried. Cause I don't even know what company would be the Amazon? They all want to be. It'd be FTX. It would be Binance. It would be Coinbase. I'm not sure.

[00:18:44] **CAS PIANCEY - HOST, CRYPTO CRITICS' CORNER:** And that even in and of itself undermines the whole decentralized idea of...

[00:18:49] **BEN MCKENZIE:** Of course, to point out yet another contradiction in them. I love *The Future of Money* too, because, to me it's also the past of money— it's private money. That's from the 19th century. That's not the future, bro, that's the past, and we moved on from it because it didn't work.

[00:19:04] **BENNETT TOMLIN - HOST, CRYPTO CRITICS' CORNER:** It's been a joke in the crypto skeptic community for the last several years, which is that cryptocurrency is speed running the last 2000 years of financial failures, and so right now we've got major wildcat banks running around. You've got private monies, you've got outright Ponzi scheme that don't even lie about being Ponzi schemes anymore.

It's just striking, because I agree that there is utility in censorship resistance and there's value in search and uses of cryptocurrencies, but so much of the market, as it exists now, is circular and self-referential, and built around speculation and trying to fuel that speculation.

Why Scams Are Inherent To Cryptocurrency - The Majority Report w/ Sam Seder - Air Date 3-27-22

[00:19:42] **SAM SEDER - HOST , THE MAJORITY REPORT:** A lot of this just feels like this is a direct function of wealth inequality in the world. And just people with just like, I've got my, whatever it is, my 10 million, my 50 million, my I've got the extra billion, and I'm going to see if I can turn that into 30 billion by just like investing in this and seeing if enough people bite.

I mean, that's why, like, I wonder if there is this crash, if it doesn't just reinflate almost immediately, because there's so much money concentrated in so few hands now it feels like in the context of this country, but also I think worldwide, that there's always going to be somebody in there who's going to be like, I can reinflate this market tomorrow and everybody will come back in and then I'll just get out in -- I don't know, six weeks, six months, six years or whatever it is.

[00:20:40] **JACOB SILVERMAN:** Yeah. I think even if this all crashes and people lose a lot of money, including, I think a lot of everyday retail traders who maybe can't afford to lose a few thousand dollars or something like that,

we'll see another version of again, probably really soon. For example, I think some people are going to simply blame the government or some other outside force, especially if the government has a role in kind of popping this bubble, which I don't know how much enforcement they're going to actually do. But I think you're just going to see other people say, we need to do it better this time. And that does stem from the economic conditions in this country, which is sort of a lot of inequality and really a form of casino capitalism or gambling feels like one of the main ways to get ahead. I mean, of course I talk about this stuff all the time, so that influences what ads I see, but on Twitter, I pretty much only see ads for crypto and for sports gambling, which is now legal in everywhere in New York. And I think those are sort of products of the same economic conditions, which is just that, I mean, I don't know how else I'm going to transcend my economic conditions. I'm going to throw some money down the latest speculative fervor, and maybe I'll be one of lucky ones.

[00:21:43] **EMMA VIGELAND - HOST, THE MAJORITY REPORT:** Yeah. I mean, there really is, Sam -- I like sports gambling, so that's why he's looking at me -- but I really don't get that much. It's more for fun. Not to defend myself all the time.

[00:21:52] **JACOB SILVERMAN:** I'm not anti-gambling if you can, if you know the risks that I think that's fine. Yeah.

[00:21:56] **EMMA VIGELAND - HOST, THE MAJORITY REPORT:** At the same time, I mean, I am interested in it as a manifest-- you call it casino capitalism in your piece, and you just said it there -- but it really is just a late stage capitalism, is it not? I mean, there is a mass desire from people to, understandably so, knock down the door of this like a palace of capital that is accessible to only certain people.

And it's this false promise of democratization where it's like a Gatsby green light or whatever that you can never reach it. And, it's become an established way, or I guess a socially acceptable way, to scam people. And that seems like that's a business model that goes hand in hand with gambling and like the other scams like Theranos or Fyre Fest that have dominated the news cycle over the past few years.

[00:22:50] **JACOB SILVERMAN:** Yeah, we argue that we live in sort of a golden age of fraud. We're not the first to the term, but that economic conditions combined with sort of a general tolerance for more risk perhaps, and lack of enforcement from authorities and a number of other things that have contributed to this kind of a rampant forms of fraud. White collar criminals seem to be

getting away with it. They get Netflix series. They don't go to jail. Or maybe they'll go to jail and get the Netflix series.

But I think crypto isn't necessarily inherently fraudulent, but it's very well suited for it. And it attracts both technologically and it attracts a lot of people with experience in fraud.

So I can't tell you the number of people who I've talked to have said they've been scammed, many of whom remain true believers in this stuff. But it really is endemic, despite what some people might want to think.

[00:23:34] **SAM SEDER - HOST , THE MAJORITY REPORT:** What do the scams look like? I mean, I've heard stories, heard stories almost firsthand of like a friend of mine's brother was walking their dog in a LA dog park and somebody came up and said, I'm giving you a hundred grand in some type of crypto as a way of jump-starting it in some fashion. I mean, it wasn't actually, it didn't turn into a hundred grand until other people were convinced it was worth a hundred grand. And then I think it just all dissipated. I mean, that's the BC money, right? Somebody who's coming in and say, can you turn this million into 10 million? And well, the way we do it is by getting some people seem to be like mavens to go out.

And so what do the scams look like?

[00:24:16] **JACOB SILVERMAN:** Well, the general model is similar to what you were just describing, which is basically MLM and there are different ways in which that's achieved. But, in terms of specific scams, there are things called rug poles, which are basically that the leader of a project will just abscond with all the money, which is a lot easier to do when a lot of these people are anonymous, especially in the world of de fire, decentralized finance. This happens with NFT collections too. Maybe people prepay, or they buy in the beginning and their promise, again, a lot of features or future access. And then the leader just disappears. That's a very common one. Pumping or coordinated pump and dumps, in which insiders are cashing in.

I'm working on a story -- it's a bit of a difficult one, but of a pretty major crypto company scamming its own employees, basically lying about compensation and involves tokens and other things, 'cause some people are getting paid in tokens.

So there are many varieties, a lot of them are sort of twists on traditional financial scams. And there are a lot of hacks -- people clicking on the wrong link. Security is a major issue. But I think the constant here is that risk always

devolves onto the individual in the crypto economy. And when something goes wrong, you're mostly out of luck, even if it happens on Coinbase or one of these big exchanges. One of the mottoes of crypto is DYOR: do your own research. And some of the people I talked to say, oh, I was scammed, but you know, I didn't really research the person enough. It's kinda on me. I hear that all the time.

[00:25:38] **SAM SEDER - HOST , THE MAJORITY REPORT:** And to be clear, the reason why this is so susceptible to scamming is the anonymity is built into the system, as opposed to a situation where it's like, Hey, send me $4,000, write the check just to Cash. I would be like, Hey, wait a second. Why am I writing it to Cash? Why don't I write it to your name? In this instance, it's like to Cash, because that's the whole system, that's the way the whole system works. So there's no way to differentiate. There's no way to do that research, really, on a person at the end of the day, because the anonymity, and the idea that that's a feature, not a bug of all this is that like, we can take this cash and just run away and no one will know. And that's the whole point of it.

[00:26:20] **JACOB SILVERMAN:** Yeah. I mean, recently there was a story about a guy working on a very prominent -- who was the treasurer, actually, a very prominent defy protocol, meaning he basically controlled hundreds of millions of dollars worth of crypto on behalf of people who had staked money and things like that.

And he went under the name "Seefu". Well, of course not his real name, of course. And then he was recently unmasked as one of the co-founders of Quadriga, which was a crypto exchange, which in sort of typical fashion collapsed when the founders, including him, absconded with all this money. So he just came back under another pseudonym and got very involved in a very lucrative crypto project.

So you see that kind of thing a lot. An essential part of doing business and even securities laws is disclosure, both disclosure of who you're dealing with, where's money going, and also sometimes what kind of risks are involved. And you just don't see that anywhere here. Besides the lack of enforcement, lack of political governance. So it's really easy to get around the most basic checks.

[00:27:18] **EMMA VIGELAND - HOST, THE MAJORITY REPORT:** Well "do your own research" too is difficult when a lot of the material out there is written by people who have a ton of crypto at stake. I have a friend that was -- I was listening to this podcast, I think I should buy some crypto; look it up. Oh, that person, you know, is very intimately involved in this current kind of

cryptocurrency and has a huge investment in other people buying crypto. So this is their stakes, price is inflated.

I mean, we're talking about crypto scams and what constitutes a crypto scam. I mean, I'll just say it, it isn't the hierarchy of it all just a big scam in and of itself? Isn't it just a mass multi-level marketing scheme?

[00:28:03] **JACOB SILVERMAN:** Exactly. I'm glad you got back to the multi-level marketing thing, because I think that's what we're talking about, which is your friend just out of self-interest needs you to buy in, to pump their own bag, as they say in the industry. It's "a rising tide lifts all boats" situation. They may want you to buy their currency or the one they're invested in and that's best.

But really there aren't a lot of incentives to ask tough questions in this industry. I think there are some good journalists, but also there's a lot of cheerleading. There's a lot of false information, outright disinformation. So people don't really want to hear the bad news or start asking, well, how much underlying value is there here? It's just hype and celebrity endorsements, more ads, keep pushing, keep shilling, because eventually "line go up" or "number go up" as a meme in the industry. This is all just about ensuring that number go up.

Can Our Climate Survive Bitcoin? - Reveal - Air Date 3-25-22

[00:28:48] **DUSTIN MACATEE:** Well, I'll show you what a miner is.

[00:28:54] **ELIZABETH SHOGREN:** And this is what a cryptocurrency mine sounds like? What makes all the noise?

[00:29:02] **DUSTIN MACATEE:** The fans on the miners. There's two fans on each miner. Some have four fans on each miner.

[00:29:08] **ELIZABETH SHOGREN:** Inside the storage container, we're looking at floor to ceiling metal shelves, crammed with computers the size of toaster ovens, hundreds of them.

[00:29:16] **DUSTIN MACATEE:** They only do Bitcoin mining. That's what they specialize in. They're not used for anything other than Bitcoin.

[00:29:24] **ELIZABETH SHOGREN:** Before a new group-- or block-- of transactions is added to Bitcoin's blockchain, those specialized computers around the globe compete to solve a complex math problem.

[00:29:35] **FRED TEAL:** Every 10 minutes, there is a race amongst Bitcoin miners to solve a mathematical proof.

[00:29:41] **ELIZABETH SHOGREN:** The computers that solve the problem first get to add the latest transaction to the blockchain, and they get a reward.

[00:29:49] **FRED TEAL:** And if we do it before anybody else does it, we are paid in Bitcoin for processing that transaction. If we lose that race, we're not paid.

[00:29:58] **ELIZABETH SHOGREN:** But even those losers use up a lot of power, and critics say that's incredibly wasteful. Fred disagrees.

[00:30:06] **FRED TEAL:** It's the expenditure of energy and effort that causes this to be such a secure network.

[00:30:13] **ELIZABETH SHOGREN:** The more successful Bitcoin becomes, the more energy it will use. Even early pioneers of Bitcoin realized this could eventually become a climate change problem. Back in January, 2009, Hal Finney received the first ever Bitcoin transaction, and briefly ran the cryptocurrency. Days after its launch, he tweeted, "Thinking about how to reduce CO2 emissions from a widespread Bitcoin implementation."

Back at the Kearney mining operation, both the computers and the fans that cool them use a lot of electricity. Compute North's Dave Perrill says other mining facilities use air conditioning to keep the machines from overheating.

[00:30:58] **DAVE PERRILL:** If we did use air conditioning, we would use up twice as much power, or have half as much computing power going on here, as we'd you today.

[00:31:07] **ELIZABETH SHOGREN:** The scale of these Bitcoin hotels is getting bigger as the industry booms. Dave said the secret sauce is tracking down lots of cheap power.

[00:31:17] **DAVE PERRILL:** We're always trying to match what is probably one of the fastest moving sectors in the world-- which is cryptocurrencies,

blockchain, digital assets-- with one of the most conservative, slowest moving-- which is the energy construct. And we play in the middle of that.

[00:31:30] **ELIZABETH SHOGREN:** In Kearney, Dave found eager partners. Stan Klaus is the mayor. He's also the local representative of the electric company, Nebraska Public Power District. He jumped at the chance to bring Compute North to Carney.

Did you know what cryptocurrency was at the time?

[00:31:46] **STAN KLAUS:** I didn't. I'm still not all that overly familiar with it.

[00:31:50] **ELIZABETH SHOGREN:** Why did you think cryptocurrency might be good for Nebraska?

[00:31:53] **STAN KLAUS:** Because I looking at it from the power perspective, and the revenue that could be generated off the power, and what you could do with that revenue. That's where my focus was. Because I knew it wasn't going to be a lot of jobs.

[00:32:04] **ELIZABETH SHOGREN:** I ask him how many jobs, and he says just 10. But the city expected to get money another way. Kearney gets a share of all electric bills, and Stan knew Compute North would be a whopper of a bill. Besides, Kearney had lost out on a bid to host a Facebook data center, and was looking to bring businesses to its tech park.

Stan takes me to the new substation his power company is building for Compute North.

So, we're walking on a gravel road. There's a lot of big, tall, metal towers that look like, imagine, the trunks of big mature trees that will be holding the equipment for the substation. And it's muddy.

We watch workers in a cherry picker four stories above us.

[00:32:55] **STAN KLAUS:** They're just putting up steel and electrical components for the substation.

[00:32:59] **ELIZABETH SHOGREN:** This substation cost Nebraska Public Power District $23 million, a quarter of its annual budget for capital expenses.

[00:33:07] **STAN KLAUS:** This is a huge project.

[00:33:09] **ELIZABETH SHOGREN:** So, if it weren't for Compute North, is there any chance your company would be building this huge new substation here?

[00:33:17] **STAN KLAUS:** No chance.

[00:33:18] **ELIZABETH SHOGREN:** They left nothing to chance. Here's how it worked: the power company, city, and local economic development council all pitched to sweeten the deal, and get Compute North to come to Kearney; the council paid for the land and gifted it to Compute North; the power company not only brought in temporary substations while building this new one…

[00:33:39] **STAN KLAUS:** We also have given Compute North a discounted rate.

[00:33:45] **ELIZABETH SHOGREN:** So, you're giving them a discount because they use a lot of power. Do you know what it would be without the discount?

[00:33:55] **STAN KLAUS:** Oh, it would probably double. But the reality is, they may not be here if that drove their cost structure up too high. If we got greedy, none of this would be here.

[00:34:05] **ELIZABETH SHOGREN:** The city makes Compute North's deal even sweeter. Normally, Kearney gets 12% of everyone's electric bill. But the city offered Compute North a deal: it would keep only 6%. That meant, in 2021, for example, the city kept $1 million from Compute North instead of more than $2 million.

So, they're getting discounts all around.

[00:34:28] **STAN KLAUS:** They are, and it's not a permanent situation.

[00:34:33] **ELIZABETH SHOGREN:** That low electricity rate lasts for five years. By then, Compute North would've gotten tens of millions of dollars as an incentive to use enormous amounts of power.

Now, we're struggling with climate change. Are you at all worried that you've, basically, just doubled the amount of electricity you use, and that could have an impact on climate change?

[00:34:52] **STAN KLAUS:** Yeah. I believe that we were looking more at what our capacity was, our unused capacity. We are generating revenue for our city that wouldn't be here but for this project, and that revenue helps our community to grow, and keep our property taxes down, and allows us to do the things in our community that's a benefit to all.

[00:35:11] **ELIZABETH SHOGREN:** But experts I talked to said encouraging companies to gobble up lots more power is not a benefit to all. One of them published a study that shows Bitcoin already has used enough power to erase all the energy savings from electric cars.

I got in touch with a bunch of economists, scientists, and environmentalists, and they all agreed with professor Camilo Mora from the University of Hawaii. Using scads of power for cryptocurrency could sabotage our fight against climate change.

I asked Compute North's CEO Dave Perrill about what they said.

So, they don't think it's moral to use energy the way you are right out there. What do you think about that?

[00:35:52] **DAVE PERRILL:** I think most folks that make that argument don't fully understand one of two things: it's either the value that Bitcoin, and blockchain, and crypto bring; or the way that power networks, distribution networks, and the grids work.

[00:36:05] **ELIZABETH SHOGREN:** How big a concern is climate change for you personally?

[00:36:08] **DAVE PERRILL:** I mean, I think it's front and center. I got three little kids. They're six, three and nine months, and if I felt that I was sitting here just burning up the environment, and being a bad citizen, and leaving my kids to a worse world, I wouldn't do it.

But I fundamentally believe computing can be done much more cost effectively and much more environmentally friendly.

[00:36:29] **ELIZABETH SHOGREN:** I was talking to your electric company and they said that you asked them a lot for the lowest rate possible, but that you didn't ask them for renewables.

[00:36:39] **DAVE PERRILL:** Well, we're on grid here. So, we don't necessarily have an option of what's getting put onto the generation side. We looked at their grid, we looked at their mix, and we love carbon-free element of 65%.

[00:36:52] **ELIZABETH SHOGREN:** Most of that 65% is from nuclear power, which has a different pollution problem: nuclear waste. Other big industrial plants are demanding renewable power.

And the Nebraska Power Company is trying to get them what they want. In Kearney, there's a solar farm right next door to Compute North. That power was used by the city, but now those clean electrons flow to Dave's operation.

About 12% of the electricity in the US comes from solar and wind. So, scientists and environmentalists warn, if cryptocurrency miners siphon off what little clean energy we have, the rest of us will end up using dirtier sources of energy.

And as Bitcoin gets more popular, its energy use will surge. Dave tells me his company needs more electricity, fast. Compute North just got $385 million from its backers, and expects to expand a lot this year.

[00:37:56] **DAVE PERRILL:** Well, 15 to 20 X in our company, once again. It's significant, significant growth.

[00:38:01] **ELIZABETH SHOGREN:** So, you're saying you'll be 15-20 times larger than you are now?

[00:38:05] **DAVE PERRILL:** That's accurate. The pace is part of the fun.

[00:38:08] **ELIZABETH SHOGREN:** And that pace is picking up. Dave can't wait for new wind farms or solar arrays to be built, so he is taking advantage of existing plants, including one that runs on natural gas. Natural gas emits a lot of carbon dioxide, and also methane, a much more potent greenhouse gas.

All across the country, Bitcoin miners are plugging in. No place more than Texas. A Bitcoin mine there will use about as much power as 150,000 Texas homes. In Pennsylvania, a company called Talon Energy is building a

cryptocurrency mine at a nuclear plant. An electric utility in Missouri started mining its own Bitcoin last year.

And here's the really terrifying part, in terms of climate change. Fossil fuel plants that had either closed down, or were about to, are firing up to power new Bitcoin operations.

The Bitcoin mine has grown, and so has the plant's greenhouse gas footprint. I got the state to release the power plant's reports to me. They show the plant's annual carbon dioxide emissions ballooned from 80,000 tons in 2020, to more than 750,000 tons in 2021. That's as much carbon dioxide as about 150,000 cars. Anne Hedges, the Montana environmental leader, is furious.

[00:39:40] **ANNE HEDGES:** It's just a few rich people who are going to get rich at the expense of everybody else.

I feel like it's people saying, "Well, a few can have champagne while the rest of you go hungry." We're not in a place where we have that kind of excess power available for something that is just a get-rich-quick scheme. Sorry. I really hate it. I hate cryptocurrency. I hate it.

[00:40:11] **ELIZABETH SHOGREN:** Anne worries that other coal plants headed for retirement will be resurrected to mint Bitcoin. And it's already happening in Pennsylvania.

[00:40:20] **ARCHIVE NEWS CLIP:** One company is using the waste from decades of coal mining to power thousands of super computers running nonstop to create Bitcoin.

[00:40:30] **ELIZABETH SHOGREN:** Burning waste coal is even dirtier than burning regular coal, and Pennsylvania subsidizes it. That plant and the Hardin operation in Montana are some of the most glaring examples of old, dirty fuel being used to make, what supporters hope, will become the currency of the future.

Line Goes Up Creator Breaks Down The Problem with NFTs and Cryptocurrency - The Damage Report - Air Date 3-6-22

[00:40:54] **JOHN IADAROLA - HOST, THE DAMAGE REPORT:** You talk about this little bit in the video, there is the perception that they-in-the-crypto-world, I think, very much try to create through advertising and that sort of thing that: this is a world that is subjectively good, that will objectively make you money, and if you are not an enthusiastic part of it, it's because you just don't get it. There's something you're missing.

Because there's so much terminology, I thought, "What if I am just missing something?" What do you... what do you think about that?

[00:41:22] **DAN OLSEN - HOST, FOLDING IDEAS:** Um, I mean... there... that's absolutely... like you're... you're absolutely correct about that being a deliberate construct.

So, two things that I would point at would be the Matt Damon ad for crypto.com, which is very much, like, "You're a coward if you don't engage with crypto." And then you've got the, uh, TYX, uh, Larry David ad from the Super Bowl, which is, "Are you a big enough coward to buy crypto?" And it's hingeing... like, that ad, and... that second ad in particular, is directly hingeing on that, like, you know, "Oh, well, you probably just don't get it." Like, you know, the entire ad, for people who aren't familiar with it is, like, larry David brushing off the wheel, brushing off all of these, like, you know, world altering, uh, uh, inventions. And then the last one is, of course, like, a crypto exchange. It's like, "Ah, it's probably no big deal."

And so, yeah, they're very much playing off of that, like, "Well, if you don't get it, it's just because..." like, you know, or like, "If you think it's dumb, it's because you just don't... you just don't get it. And you're better off suppressing that instinct, you know, because, like, what if you're suppress... like what if... what if you're poo-pooing the wheel? What if your poo-pooing computers as a... as a broad concept?" Um, and so, it's very much using those psychological trigger points.

[00:42:47] **JOHN IADAROLA - HOST, THE DAMAGE REPORT:** Yes. You know what, let's... let's dive into that, because you, at various points throughout the video, you acknowledge some positive things, or about cryptocurrency you will give credit where credit is due on some of the claims that they make about some specific resistances to, um, like, hacks and things like that.

So, when they imply that it is the next big thing, um, is there a case to be made? And if not, is it something that could be, like, with a little bit of work, with a

little bit of rethinking, "No, there's really something there. It might be filled with scams and all that now, and it might be exploitative now, and speculative now, but we could get there."

Is that future possible? How do you see that working out?

[00:43:33] **DAN OLSEN - HOST, FOLDING IDEAS:** So, that's a complicated topic because, uh, as with a lot of things as with a lot of scams, as with a lot of destructive social forces, they do tend to at least hinge on some real problem. They do tend to acknowledge some real problem or... or leverage, like, a social anxiety, leverage a financial anxiety that people have. And so there is that... there is some level of intersection with real problems.

And just through, like, the... the laws of big numbers, um, statistical average, some aspect of all of this will do something meaningful to address something that's a real problem. So it's, like... so, if you compartmentalize very aggressively, you can find things within crypto that are addressing, like, okay, this one specific person benefited, uh, and... and was able to, like, change their life because they got this big payout because they gambled on a crypto project and it paid off.

Um, but the trap there is that you could say the same thing about, like, "Oh, well, gambling on, uh, lottery tickets... It's... think of all of the good that comes out of gambling on lottery tickets, because, like, look at this one specific person who it paid off for." And I think you would be hard... like, you can talk about, like, well, "Okay, the money from... from like state lotteries goes into all of these other programs." And so, if you wanted to put a lot of effort into it, you could paint a picture of, like, state lotteries as this boon for society.

But if we take a nice big step back, we can just ask ourselves, like, is a state lottery the best way of actually addressing those problems and fixing those problems?

And that's where I sit with crypto. Is that, is it the next big thing? I don't think so. Like I... I am skeptical of it on a couple different levels. One, I think, technologically, it's just too garbage, um, to really, like, work or even necessarily be fixed. Two, I think it's culturally has some, like, very, very deeply toxic elements that tie into, um, really socially destructive political ideas.

Um, and so, I don't think it's just this, like, uh, I don't think it's just a matter of, like, "Well, it really needs some elbow grease and polish, and somebody just

needs to get in there and clean it up, and maybe we just need to tweak a couple things in, you know, to incentivize better behavior."

Because I think the... like, one of the things that I really realized in working on this was that the... the, like, arch-philosophy of crypto is real bad. And the, like... the crypto utopia is, to me, a nightmare. Um, if they won on their own terms, that's... the resulting society is a nightmare.

[00:46:48] **JOHN IADAROLA - HOST, THE DAMAGE REPORT:** Yeah. And I... I appreciated that part of the video, too, because I don't think a lot of people-- again, big walls, uh, keeping regular people out of this topic-- get that there is a philosophy or that... that crypto is really trying to do anything other than be a technology, that-- you point out-- that it is effectively envisioning a world where literally everything is a financial transaction, everything is assigned some sort of value, you speculate on literally everything.

That is not just a technological development. That is a radical rethinking of the relationship between individuals and organizations. And I don't think most people get that from Matt Damon insulting them and saying they're not brave enough.

[00:47:28] **DAN OLSEN - HOST, FOLDING IDEAS:** I referenced Marshall McLuhan in the video, and I, kind of, wished that I had gone even harder on that because he's got a great quote, that "It is so often that the... that the content of a medium blinds us to the character of the medium itself."

And I think that's the case here. Crypto is so big and so complex that it's just, like... it's psychologically easy and tempting to just compartmentalize. To only focus on, like, "Well, why are you so... like, why are you so against NFTs? They're just a generic content format."

And it's, like, "Well, no, they're not. They're a... they're a medium that has a character. And they're part of a bigger medium, which is cryptocurrency itself, which also has a character. It is a political invention. It exists for political purposes." And, you know, and that needs to be respected and addressed.

[00:48:29] **JOHN IADAROLA - HOST, THE DAMAGE REPORT:** I am not into this. I am very worried about the scams. I'm worried about people being driven by our economic system feeling like there are fewer and fewer avenues for accruing wealth over time. It leads to desperation, get-rich-quick schemes. And this seems legit. It's not, like, you know, like "get-rich-via-real-estate"

scams of a decade or two ago. People seem to not get that that's what's going on right now.

So, tell me a little bit about the community, why it is so.. So primed to be scammed. Like, psychologically, what is going on with these individuals in groups?

[00:49:02] **DAN OLSEN - HOST, FOLDING IDEAS:** So it's a... the complexity, the obtuseness, these all, sort of, feed into mythmaking about, like, "If you get it, you get it. If you've bought in, then you're in a special, clade. You're... You're a unique, special snowflake, you know, smart-boy, big-brain who... who understands the future." Um, and that... that level of, like, intense flattery, um, is... is blinding. And it makes people who buy the flattery very, very vulnerable to, um, not being appropriately skeptical of the things that they're then engaging with.

And a lot of the people, you know, like you... you already referenced it that, like, desperation leads to people taking irrational actions. And an expression of that is, just, this whole, um, willingness to believe.

You know, there's so many things in our society that... that hinge on these same psychological, uh, trigger points, that hinge on these same tactics, the same, you know, rhetoric, the same myth-making, the same flattery, uh, the same anxieties.

Uh, and the best inoculant against it is, just, is sane and just social policy. That if people have secure housing, if they're not terrified of their financial future, if they're not worried that, uh, medical debt is going to, just, destroy their family, uh, if they're not looking at their student loans and going like, "Oh, okay, so this is going to take me three lifetimes to pay off!" then that's the best inoculant against, um, this kind of like financial predation.

The Crypto Grift Descends on Ukraine - Scam Economy - Air Date 3-17-22

[00:51:10] **MATT BINDER - HOST, SCAM ECONOMY:** Now, you may not remember this, but early on in the first days when Russia first invaded Ukraine, the Ukrainian government was not accepting donations via cryptocurrencies. They made this very clear and were quite explicit, but just days later the Ukrainian government seemed to do a complete about face. A lot of people were actually shocked when the @Ukraine Twitter account, the

official Twitter account of the Ukrainian government, tweeted out their official Bitcoin and Ethereum wallet addresses.

In fact, when that tweet first went up, many actually assumed that the Ukrainian government Twitter account was just hacked. I mean, this is a regular occurrence on Twitter. Just two years ago, there was a major Twitter hack that saw bad actors take over verified accounts of major users, celebrities, presidential candidates, in order to push crypto wallet addresses. But no, the tweet was legit. The wallet addresses actually belong to the Ukrainian government.

So what happened here? Ukraine was basically forced to accept crypto. They clearly saw the money on the table, crypto on the screen, crypto that could have easily been transferred into fiat currencies and then sent to Ukraine, but they knew that wasn't going to happen. Because after all, what would crypto entrepreneurs and investors get out of it then? And that right there is sort of the explanation of it all wrapped up in a nutshell, TLDR, right? What's charity and humanitarian relief to most is actually just a big marketing scheme and PR campaign for crypto hustlers.

Now it's important to understand why the crypto grift is descending on Ukraine specifically, and we'll get to that a little bit later on, but first I want to be very explicit here. The issue is not with Ukraine. The country's being invaded by Russia, and they're looking for various different ways to finance this war. In fact, extracting these funds from crypto entrepreneurs is probably the best thing their digital riches have ever been used for, let them do their thing.

But there's something just gross about these wealthy crypto entrepreneurs fully taking advantage of this situation, again—a war, in order to pump their cryptocurrencies of choice and generate good press, but it's fully in line with the scam economy.

Now Ukraine's digital friendly politicians have really been hyping up just how much they've been able to raise via crypto, and of course, they got to keep those donations flowing, you got to play the game. But crypto advocates have been pushing this falsehood that Ukraine has been completely cut off from their banking system and fiat currency. Now that's just not true. You can go ahead and donate via your credit card, your debit card, wire transfer, whatever you'd like to Ukraine right now. On top of that, a number of NGOs that have been focused on relief in Ukraine have been accepting Fiat currency via credit card or wire transfer this entire time. I'll wait a second, you can go ahead and donate good old US dollars right now.

So just how much money has been raised in crypto for Ukraine? Now this is an ever-changing number because the situation is ongoing, and I've noticed that different outlets have reported slightly different numbers and I'm going to assume that maybe this is because crypto is highly volatile, but according to the Vice President Minister of Ukraine and Minister of Digital Transformation Mikaila Fedorov, 50 million in cryptocurrency was raised and around the span of the first week via the Ukrainian government's official crypto wallet addresses.

Now, one of the more recent numbers I've come across includes the crypto that was raised via KUNA, a Ukrainian crypto exchange. Now, according to the Deputy Minister of Digital Transformation of Ukraine, Alex Bornyakov, around a hundred million dollars has been raised so far via crypto, with more than 60 million of that being raised by the main fund on that crypto exchange.

Now yes, you might be thinking that's quite impressive. That's a lot of money, but to put things into perspective, you have to realize, again, not to listen to the cryptocurrency entrepreneur narrative, that this is the best and really the only way to get money to Ukraine. Along with that 100 million combined in crypto, more than $300 million has been donated via fiat currencies, i.e. real money, to Ukraine. On top of that, in one week the Ukrainian government also raised $277 million itself via a war bond, and that funding mostly came from within the country. And then of course, there's the government aid. US Congress recently approved of $13.6 billion in aid for Ukraine. And just Wednesday, as I'm recording this, after Ukrainian president Zelenskyy spoke in front of Congress, they pledged to approve a further $800 million. And then there's another 600 million coming from the EU. And the US Agency for International Development is providing nearly $54 million in additional humanitarian assistance as well. And you can guarantee there's a lot more aid to come. And that's not even counting the military equipment countries have pledged to send Ukraine. But let's get back to the crypto.

With nine figures worth of cryptocurrency sitting in the Ukrainian government's crypto wallets, what exactly is it being spent on? According to the Ukrainian government in week one of the war, the country spent $15 million of the donations it received in cryptocurrencies on military supplies, such as bulletproof vests and night vision goggles. So far, they say they have not used any of the crypto donations on lethal military gear, this has all been non-lethal military supply purchases. Now the question here is, are they actually paying in crypto, and the answer is some. They've found some suppliers willing to take crypto, but not most. According to Ukraine, 60% of their military suppliers are

not accepting crypto, which means that they then have to take those cryptocurrencies and exchange it for US dollars or euros.

Now, what cryptocurrencies have been sent to Ukraine? The vast majority of the crypto donated to Ukraine are Bitcoin and Ether on the Ethereum network, but they have also received donations in the stablecoin Tether, Polkadot, Tron, Doge Coin, and Solana. And the story about how they came to accept a bunch of those different cryptocurrencies, some of which you listeners and viewers may not have ever even heard of, is quite interesting, and I'll get to that in just a moment. But on top of the cryptocurrencies, Ukraine has also received hundreds of NFTs, according to Deputy Minister of Digital Transformation, Bornyakov. In an interview with Bloomberg, Bornyakov said, "yes, someone donated us a CryptoPunk, but it's so hard to sell. We haven't used it at this point. We are going to keep it for now. We are going to work with NFTs a little bit later. We are focused on things we can deal with right now. There's no time to figure out how to convert them. Maybe once things settle down, we'll figure this out."

Now, this is where the depravity of this entire situation comes in. Why are people sending NFTs to Ukraine? Now the whole point you hear from these crypto advocates is that cryptocurrency is the fastest way to get money from point A to point B, especially now, when they're here saying that in a time of war, it would take days for your fiat currency to actually land in someone's bank account, but with crypto, you can get your funds to someone in seconds. Why send someone an NFT!?

For people who don't know, I'm going to explain. I've explained that on every show, but if you're tuning in for the first time, nFTs are non fungible tokens. Basically, strings of characters that sit on a blockchain as a token, that act as a digital receipt to basically prove ownership over a piece of media, a JPEG, a movie file, some sort of artwork online, whatever. That's all it is. It is an ownership over a receipt. The person does not actually own the artwork or whatever it is that the receipt linked to on the blockchain, but it's a speculative asset nonetheless, and people buy and sell these NFTs, and some of them go for quiet a lot of money.

There's a real bubble here, and what better example than the value of this eight bit digital artwork known as a CryptoPunk that was sent to Ukraine. $200,000. But that's if they find a buyer, when they can take the time to sell it on an NFT marketplace. And this is where the discrepancy in the real amount that's been raised via crypto comes in. Are the NFT values being factored into the equation? Are they calculating the value of the crypto when it's donated to

them? When they sell it? Honestly, it's very unclear to me, but what I will say is that it's still a very large sum of money.

One of the things that Ukraine is smartly doing is that they are pretty much spending the crypto as quickly as it comes in. Because again, cryptocurrency ebbs and flows. A hundred dollars in a cryptocurrency could be a hundred dollars today, could be $150 tomorrow. It could be $50 tomorrow. At least if you cash out right away, you're guaranteed to get exactly whatever it's worth at that very moment.

In fact, this has pissed off a number of crypto advocates if you look online, because a lot of them are strong believers in HODL [hold on for dear life] basically holding onto their crypto and never selling so the value continues to appreciate, according to their hopes and dreams. But one thing they view as not good is that if the Ukrainian government is raising all this money in Bitcoin and Ether, and then they're selling it off in massive amounts of quantities in a short period of time, it's going to tank the value of their precious cryptocurrency. Again, they're thinking of a numero uno number one right now, and that's them and their wallets. To the moon, right?

Final comments on how people, myself included, get scammed

[01:01:54] **JAY TOMLINSON - HOST, BEST OF THE LEFT:** We've just heard clips today, starting with:

Folding Ideas, on their video "Line Goes Up," pointing out that bad systems are replaced with worse systems all the time;

Wisecrack broke down celebrity endorsements entering the world of crypto and NFTs;

The Crypto Critics Corner explained the circular speculation market of crypto, which is being stoked by celebrities;

The Majority Report discussed why scams are such an inherent part of crypto;

Reveal looked at the excessive power consumption of crypto miners; and

The Damage Report spoke with the creator of the Folding Ideas video "Line Goes Up" about the psychological triggers that blind people to the scams of

crypto, and push an insular mindset of "those-who-get-it-and-those-who-don't" to ward off any criticism of crypto.

That's what everyone heard, but members also heard a bonus clip from Scam Economy explaining what happens when the crypto grift descended upon Ukraine.

To hear that and have all of our bonus content delivered seamlessly into your new members-only podcast feed that you'll receive, sign up to support the show at bestoftheleft.com/support, or request a financial hardship membership, because we don't make a lack of funds a barrier to hearing more information. Every request is granted, no questions asked.

And now I have a personal story to tell about getting scammed. And I think that there are lessons to be pulled from this.

Obviously there's not a proud story-- no one's proud to tell a story about getting scammed. Luckily for me, this happened a long time ago, but it was one of the dumbest ones. I had to look it up to remember what this scam was, exactly. But it was from the pretty early days of the internet. I'm pretty sure I was still using an AOL email address, for instance, to give you a sense of, you know, the very early 2000s, probably this was...

And it was a email pyramid scheme, scam that... and like, if I... if I tried to describe it to you, I'll probably get a detailed wrong, and it will sound ridiculous, and you'll think, "How does anyone fall for that?" But that's part of the point of the story.

So, the idea was that there was a.. You know, obviously, they don't... they don't describe it as a pyramid, but there's a pyramid of people on a list; and there's an exchange of cash through the mail-- I mean, this is... I think this predates PayPal, maybe-- so you're sending like $5 bills in the mail, it was a very low buy-in, I... you know, I got scammed for 25 bucks or something like that.

So the idea was, you send, like, a $5 bill to five different people; and when they receive your $5 bill, they send you an email with more details about how to more effectively send emails out, and perpetuate this whole cycle. And then your name ends up on the list, where other people end up sending you money.

And so I fell for this because-- and I remember, sort of, what I thought about it really distinctly-- I didn't think, "I understand how this works perfectly. And this makes perfect sense." I didn't think that. I remember what I thought was,

"Well, I'm not sure how this works. The buy-in is really low--" I mean, 25 bucks, even back then, for me, you know, it wasn't nothing, but it was okay. I was like, "Look, if this doesn't work out, no big deal. But if it does work out, hey, it might be interesting."

So the, the low buy-in was key. And then also, um, as I said, it's not that I knew how it worked, and knew it was a good idea. What I remember thinking was, "I can not figure out why this wouldn't work." Sort of a double-negative reasoning for, "I guess this seems like it makes sense because I'm not smart enough to figure out how it doesn't make sense."

And once I figured out why it didn't make sense, which, I don't know how long it took, maybe, you know, a week or two, and, sort of, had an epiphany. But the details, sort of, became more clear with time, as I learned, you know, more instances of the... the difficult math of large numbers, is that:

People have a really hard time conceptualizing extremely large numbers that are actually finite. So, like, the number of people on the planet is extremely large, but it is also extremely finite.

And th... this came into really stark relief back in the Bush era, when they were passing the Patriot Act, and they were saying, "Don't worry, like, we're going to be collecting all your metadata from your phone calls and your texts, but don't worry, it's just metadata. We're not gonna be listening into your calls--" which turned out, you know, depending on circumstances, to not necessarily be true. But, they said, "Look, like, I mean, metadata! Like, don't even worry about it. Why would you even mind if we had your metadata? And then beyond that, if we have a reason to suspect someone, then we're going to dive a little bit deeper. So we're going to dive deep on the person we suspect, but then we're going to dive deep on all of our friends, and their friends' friends, and then, maybe, their friend's friend's friends, but that's it. Like, that's really all, we're going to go."

And the problem is, that when you take... you know, you start with one person, and you get all of their friends, and then their friend's friends, and then their friends, friends, friends, that's, like, 3 billion people.

And the math of how that works out is ridiculous. And I'm talking off the top of my head, so you'd have to go look it up for yourself. But it really is. I mean, you... you... you say, like, "We're going to narrowly focus our search on just these people". And it sounds small in our heads, but the way the math works

out, it's... it's literally, like, millions of people, at least, uh, possibly billions, that could, theoretically, be caught up in the... in the net.

So, anyway, humans don't understand how to conceptualize big numbers.

And so the problem with pyramid schemes, is that you think to yourself, "Well, there's always going to be someone else I could find to be down the line. I have this thing described to me, I, you know, I just need to send out five bucks to five different people, and then I just need to find a handful of other people to do the same. And that shouldn't be that hard."

But the problem with pyramid schemes is that you only need to go, you know, the very top level, when the pyramid starts, to then level 2, 3, 4, 5, 6, 7... like, you only need to get to about level seven before you've exceeded the number of people on the planet. So that is why pyramid schemes fail, because there's not an infinite number of dupes to buy in down the line. If there were an infinite number of people, well then, maybe pyramid schemes would be a perfectly legitimate, you know, economic device, but it's not, that's why it's a scam.

And so, I tell the story, I mean, partly it's embarrassing and unfortunate, but I was young and silly; but... but the lesson, I think, is about not what I was sure of, but what I couldn't figure out.

The crypto thing is following such the same pattern as was described in this show that there's a lot of encouragement that this is probably going to be great for you; and there's a lot of confusion about why might it not. And it's such a complicated thing. I mean, cryptocurrency is only a million times more complicated than, you know, a $5 in an envelope, email, pyramid scheme.

And so, for people to think to themselves, "I may not be a hundred percent sure about all the details," and then understand why it's definitely going to work, but it's sort of the reverse; like, "I can't figure out why this won't work."

And, sort of, the key takeaway that-- I wanted to make it now, because I'm not sure it got hit hard enough in the show today-- is that, the way cryptocurrencies work, because they are not a viable currency for... exchanging for goods and services, that was, sort of, the dream of what they would become, and they clearly have not become that. You can't go to the store and whip out a card or your phone and pay for your groceries with your cryptocurrency. You just can't.

And you wouldn't, because they're so volatile that they keep going up, or, you know, maybe down, but like enough of them go up that people are hoarding and holding on to their currency. And that volatility encourages that behavior.

So anyway, they're not a viable mainstream currency. And what that leaves them as is a speculative asset. And the only way to make money after purchasing a speculative asset is to find someone else later who is going to pay you more than you paid. And the short way of saying that, is that you're looking for someone dumber than you. You might have been dumb to buy it, but you won't have been dumb if you can find someone dumber. And they won't have been dumb if they, in turn, can find someone dumber, also.

And if there were an infinite number of people in this trading economy, then that might be a perfectly legitimate economic system. I don't really understand why it would be, but it doesn't matter, because there aren't an infinite number of people to play that game.

And so someone is always going to get stuck with the cryptocurrency, and they're not going to be able to sell it for more than they bought it. So, someone's going to end up losing. That is why it is like a pyramid scheme.

And that is where the money comes. From when I received that email, and it was like, "Oh, this is... Send 25 bucks to, you know, $5 to five different people," I remember thinking, like, "I don't understand why this doesn't work, because I couldn't understand, sort of, the math of, sort of, the exponential growth of pyramids. But I remember thinking, "I don't understand where the money comes from. I understand that it's, sort of, flowing up the line, but is it being generated? How has..." I remember thinking, I was like, I don't know, 18 or 19 or something, and I remember thinking, like, "I don't understand where this money is coming from, but it seems like it's going to come from somewhere."

And then it turned out, it came from me. "Oh, that's where... oh, the 95% of people on the bottom of the pyramid, sending the money up to the top 5% of the pyramid. Oh, that's where the money comes from. Now I get it."

So, it may have been embarrassing, but I was really glad that I learned the lesson at 19 and not 35, and that I learned it by losing $25, and not $25,000, or some such, buying into some scheme because I didn't the dynamics involved.

So, all in all, for having learned that lesson, maybe I really did get my money's worth.

As always keep the comments coming in at 202 999 3991, or by emailing me to jay@bestoftheleft.com. That is going to be it for today. Thanks to everyone for listening.

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And thanks to those who support the show by becoming a member or purchasing gift memberships at bestoftheleft.com/support, through our Patreon page, or from right inside the Apple podcast app.

Membership is how you get instant access to our incredibly good bonus episodes, in addition to there being extra content and no ads in all of our regular episodes, all through your regular podcast player.

By the way, the most recent episode of our bonus episodes for members has a lot to do with shame. And I definitely think there is a... an enormous element of shame in the scam economy, because when a person gets scammed, the biggest thing they feel is shame and embarrassment, myself included. I mean, I've gotten over it over the last 20 years, but I definitely felt embarrassed and shameful that I fell for that pyramid scheme.

And so, when people fall for the crypto scheme, and they get scammed, and as was talked about in today's episode, when they fall for it, they blame themselves, not the system. And that absolutely, sort of, dovetails with the shame machine that we discuss in the bonus episode, because it is such an important self-defense mechanism for ourselves to reduce our personal shame.

And... and I think that, you know, there's two ways you can go about it when, when you get scammed: is blame anyone other than yourself; and the other is, "Nope. There was nothing wrong with the system, but I didn't follow the good advice of doing your own research." And, you know, whatever the case may be. And so, you end up defending the system that screwed you, sort of like a, "Whatever doesn't kill me, makes me stronger," sort of a mentality.

And either way you go, you end up helping the system. If you don't admit to being scammed, then you allow the scam to continue uncriticized. And if you get scammed and say, "No, you know what? It wasn't the system. It was me. I should've just done better. But I'm taking it like a strong person, and I'm facing up to it," to, sort of, protect one's ego, and feel like you're coming out stronger.

In either scenario, you're letting the scam off the hook, the systemic scam, you're letting off the hook by taking on the blame, and internalizing it yourself in one way or another.

So anyway, members check out that episode about the shame machine. We don't discuss crypto at all, but as I said, I think it dovetails well.

Anyway, coming to you from outside the conventional wisdom of Washington, DC., my name is Jay, and this has been the Best of the Left podcast coming to twice weekly, thanks entirely to the members and donors to the show from bestoftheleft.com.