Journalist Fellowship Paper

The pickleball of finance: hard-learnt lessons in covering crypto

By Brett Aresco

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Michaelmas Term
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Updated 22/05 to incorporate a footnote to a blog post on page 13 by Helium founder, Amir Haleem. Their PR said: "In the case of the brands mentioned in your article, approvals were given to talk about the use cases which were covered in the blog linked here." The blog post makes no mention of Lime.

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Preface

There exists a possibility that everything written here will be outdated as soon as it is published.

The crypto landscape is changing by the second, and those shifting sands hold the potential to swallow my research whole. I wrote the bulk of this paper between October and December of 2022. Since then, I've already seen an explosion of revisionist history and shifting narratives about the entire industry. When I think back to drafting my research proposal – submitted almost a year before this paper will be published, in a pre-FTX collapse world – the amount that has changed between then and now is staggering.

However, I have endeavoured to ask questions of crypto journalists and other relevant parties that will stand the test of time, providing evergreen insights that other journalists can use for as long as crypto (and things like it) remain topics people want to read about.

Secondly, most news outlets do not require their crypto reporters to disclose their crypto holdings. In the spirit of full transparency, I will do so.

I once owned some crypto assets, but I sold the majority in 2021, around the time I started diving into this research (and well before I applied for this fellowship). I still own a nominal number of tokens on Coinbase: at last check, in December 2022, less than $10's worth. This is because, when I sold everything else, the system said those assets couldn't be sold. A familiar story.

I have no bias towards crypto adoption, and I do not currently have plans to "invest" in any more crypto assets. Likewise, I harbour no specific, personal grievances against the crypto industry.

Finally, my biggest limitation in drafting this paper was a short amount of time that necessitated conducting interviews in English. This means I haven't gone too far outside of the English-speaking world in my research, and my work skews very Western. For a view on how crypto is affecting emerging markets, I commend to you the excellent work of outlets like Rest of World.[1]

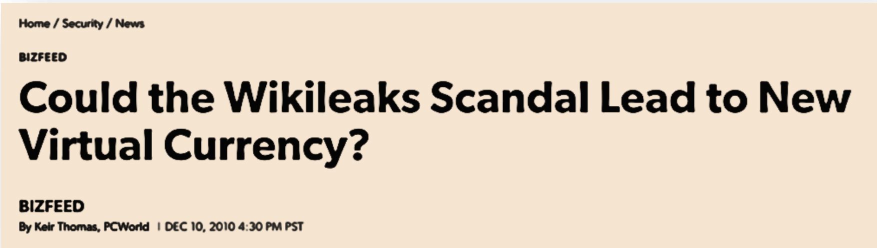
[1] https://restofworld.org/2023/india-crypto-industry-crash/

In the beginning, there was Bitcoin

For the uninitiated, reading about crypto coverage can be like trying to parse Ancient Greek – or, more appropriately, binary code.

Some of that is intentional: as we will see later, the people behind cryptocurrencies have long traded on wilful abstraction, hoping their "investors" – and journalists – will never look behind the curtain. This paper intends to do the opposite.

So let us begin with two headlines, both alike in indignity, in fair tech utopia where we set our scene: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BIZFEED

Could the Wikileaks Scandal Lead to New Virtual Currency?

BIZFEED

By Keir Thomas, PCWorld | DEC 10, 2010 4:30 PM PST

A screenshot from PCWorld.com showing the headline of an article titled "Could the Wikileaks Scandal Lead to New Virtual Currency?," captured November 28th, 2022


TECHNOLOGY

You Can Forget About Crypto Now

The industry's latest meltdown is not like all the rest.

By Will Gottsegen

A screenshot from TheAtlantic.com showing an article with the headline "You Can Forget About Crypto Now," captured November 28th, 2022

The first of these headlines is from an article written by freelance journalist Keir Thomas. Ostensibly about the bombshell Wikileaks disclosures of 2010, it is widely believed to be the first mention of crypto in the mainstream media.

Thomas now refers to himself as an "actual footnote" in the story of Bitcoin, which he describes as "one of the most fantastic stories in computing and perhaps even world finance."

He may not be exaggerating. In a little over a decade, Bitcoin went from being a means of buying illegal drugs on the Dark Web to providing the basis for "investment funds" offered to clients by megabanks Goldman Sachs and JP Morgan.

Athletes have requested their salaries be paid in it and some regions, including northwest Arkansas in the U.S., have offered it as an incentive to relocate.

The rise of Bitcoin led to the proliferation of hundreds of other so-called "cryptocurrencies", from the infamous Dogecoin (created as a joke and based on an Internet meme) to Ethereum, a quasi-competitor to Bitcoin whose network provides the basis for trading in non-fungible tokens (or NFTs).

Enter the second article, published almost 12 years to the month after the first, by freelance journalist Will Gottsegen.

Gottsegen is a former editor at crypto-focused publication *CoinDesk* who interviewed now-notorious crypto wunderkind Sam Bankman-Fried three weeks before his billion-dollar exchange, FTX, was revealed to be a complete fraud.

"Crypto will always persist in some form," Gottsegen wrote in November 2022, "but the future of crypto as an institution – as something that might one day destabilize the big banks, or at least operate in parallel – has never been less certain."

How did we get here? What was the news media's involvement? And, perhaps most importantly, what lessons have journalists learnt covering crypto that we can apply to other topics?

To properly discuss the world of crypto – the strange, metastasized chimera of libertarianism, futurism, optimism, and fraud – we must first define this most ubiquitous term.

What is “crypto,” anyway?

In an entry added in 2019, the *Oxford English Dictionary* defines “cryptocurrency” as “an informal, substitute currency”.

It also describes it as:

> - *“any of various digital payment systems operating independently of a central authority [...]*
> - *“and employing cryptographic techniques to control and verify transactions in a unique unit of account; [...]*
> - *“(also) the units of account of such a system, considered collectively.”*

As this paper aims to deal with the wider crypto ecosystem (of which cryptocurrency is but one part), it will be necessary to get more granular than that.

I will invoke the words of someone who has spent the last several years thinking deeply about crypto as a whole: American University Washington College of Law professor, Hilary Allen. Allen has written extensively about cryptocurrencies and crypto assets through the lens of financial regulation.

In her 2017 research paper *$=€=BITCOIN?*, Professor Allen writes (emphasis added):

> *“Virtual currencies like Bitcoin are a type of privately issued money. Although there are many who argue that virtual currencies – like the internet before them – are an unprecedented game-changer that will succeed where other types of privately issued money have failed, virtual currencies are at least as susceptible to panics as previous iterations of privately issued money.* Virtual currencies are inherently fragile because they are nothing more than a series of numbers recorded on a database and have no worth as an asset class other than their ability to facilitate transactions.*”*

A unit of any one of the digital assets that I will collectively refer to in this paper as "crypto" – be it a Satoshi (the smallest division of a bitcoin), or any other type of digital asset recorded on a blockchain database, like an NFT – is simply that: an entry on a database.[2]

And, for the purposes of this paper, you only need to know that blockchains (the much-ballyhooed foundation of Bitcoin and all other true cryptocurrencies) are the databases in which those entries are recorded. It is important to note that they are one-way or append-only databases, meaning that past entries cannot be changed, and transactions cannot be reversed.

It sounds simple enough, and yet crypto's proponents have long held that it is *so much more*. "It's a new, trust-less financial instrument." "It is the future of finance." "It will liberate innocent people from the tyranny of big banks and unlock the potential of underfunded communities."

As journalists, it is our job to seek truth and report it. In some cases – the sky is blue; the chemical composition of water is H_2O – that is easy to do. In other cases, as with the technobabble thicket of the crypto ecosystem, it is not. Just ask German tech writer Jürgen Geuter, who says he looked at the early Bitcoin code "like a week after it came out" as "a computer scientist poking around at things".

He describes the challenges journalists face thusly: "When you talk to [crypto advocates], you will be flooded with a Gish gallop of 'liquidity pools' and all these different structures that they've built – their stablecoins, their DAOs, the utility token – it's super hard if you're not deeply in that space to figure out what [that is]."

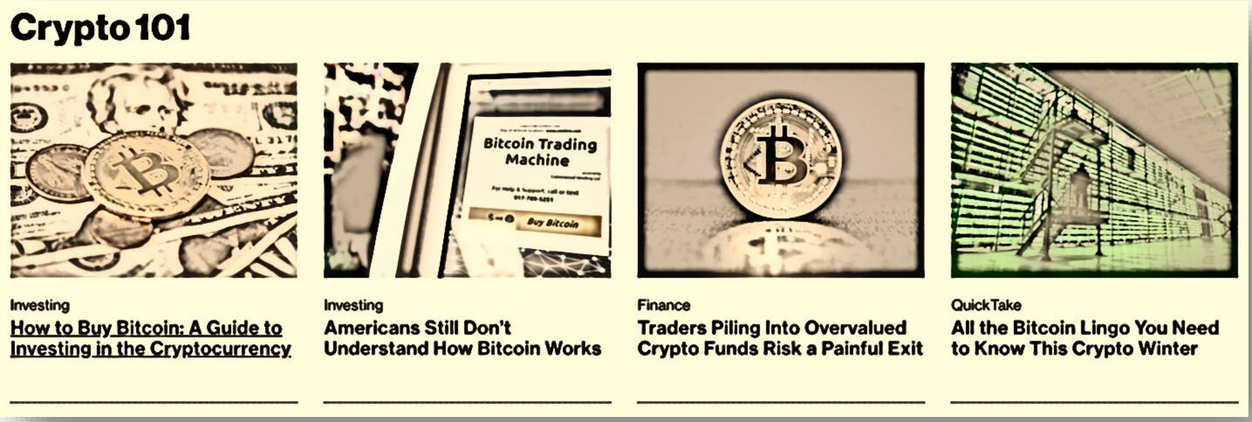
He's right. Which begs the question…

[2] If you want a deeper dive into how those entries are made cryptographic through hashes and private and public keys, I would recommend reading "The Only Crypto Story You'll Ever Need" by Bloomberg's Matt Levine.

Do journalists understand crypto?

From Bitcoin's inception to the "crypto winter" of late 2022, there has been a persistent question: does anyone understand it?

A lot of effort seems to have gone into explaining crypto: media outlets from CNN to *Forbes* offer different versions of "Crypto 101" libraries: collections of resources created to help potential "investors" better understand the industry. Crypto companies and (seemingly solvent) crypto exchanges, from Binance to Kraken, do the same.



A screenshot from Bloomberg.com showing its "Crypto 101" section, captured on October 24th, 2022

Yet according to The Crypto Literacy Survey, a marketing tool created by industry group Cryptoliteracy.org, 91% of people don't understand the basics of crypto.[3]

Even major players in the space are siloed by specialty: a collection of Wizards of Oz, each only able to manipulate what goes on in their own Emerald Cities. Thus, general opacity reigns – despite efforts by some who, as *Bloomberg*'s Matt Levine describes them, are "desperate to make people understand what they're doing".

From my research, it would seem journalists understand about as much (or as little) about crypto as the general population. Because of this, Levine rightly notes that there has been a lot of "hand waving" in crypto coverage. Take, as an example of this hand waving, a November 2022 article on the American sports website ProFootballTalk.com.

[3] Sidenote: when the biggest players in an industry highlight (proudly?) that 91% of people don't understand their product, it should be a red flag.

In the article, the site's founder, Mike Florio, is writing about NFL quarterback Tom Brady's relationship with imploded crypto exchange FTX:

> *"I won't pretend to understand the details of an industry I haven't tried to figure out (and probably couldn't even if I did), but I know this — when the owner of any company candidly admits 'I fucked up' on Twitter, things aren't good."*

Now, Florio runs a sports website, so who cares what he writes about crypto, right? Wrong. His seemingly insignificant commentary adds weight to the idea that crypto is some unknowable "super technology", impenetrable even to highly educated law school graduates like Florio.

As we'll see later, the crypto phenomenon has relatively little to do with technology and quite a lot to do with economics. But the opacity surrounding the technology is what allowed players like FTX to escape the scrutiny they deserved for so long.

Even for journalists who do have a good grasp on crypto technology and economics, covering this beat has been undeniably difficult. But with over a decade of articles, videos, and podcasts in the rear-view mirror, now is a great time to reflect on some of the hard-learnt lessons of covering the industry.

Hard-learnt lessons

Lesson #1: Know your audience

Knowing your audience can greatly help a journalist to determine what details and explanations to include in a story. In the case of a subject like crypto, audience knowledge is crucial to gauging what your audience knows about investment risks.

For instance, if your audience is made up of young people worried about how they'll afford a home in the future, or elderly people who may have been told crypto is the "investment of the future," stories like, "If you invested $1,000 in bitcoin in 2013, here's how much you'd have now" might rightfully be considered harmful. If your audience is made up of speculative traders looking to make a buck, that same story might scratch a particular short-term itch.

"The media is really good at covering sports, right?" Bloomberg's Levine told me. "Because you kind of know what people want in a report about a baseball game. Media is less good at covering crypto because people have a lot of unclarity about what they think readers want and what they want to deliver to readers. And I think that will change as either crypto goes away, or as people figure it out. But I think right now... there's a lot of disappointing coverage."

Almost everyone I spoke to for this piece agreed with Levine that there is a lot of disappointing coverage of crypto. The reasons for that disappointment varied. IT professional-cum-crypto blogger David Gerard, vocal crypto sceptic and author of the book *Attack of the 50-Foot Blockchain*, said: "I think there's one thing which journalism has been extremely irresponsible with, and that is promoting this shit when a whole lot of people are getting fucking scammed."

Asa Hiken, who covers crypto for the advertising trade publication *Ad Age*, thinks the media has generally done a bad job of covering crypto for the opposite reason. "It's not just [that] people are sceptical of crypto, people *hate* [crypto], people just completely think it's all a scam," he said. "I think that's very much to do with how media has covered it."

Who's right? Both? Neither? No matter the truth, there's a massive difference between disappointing people who follow crypto or write about it for a living and disappointing audiences made up of people who don't.

For some publications, such as Levine's employer *Bloomberg* or the *Financial Times*, it's slightly easier: *Bloomberg*'s journalists are generally writing for the business-savvy readers who understand the risks inherent in speculative trading. The same is possible, but not necessarily true for audiences of "crypto-native" publications, like *Decrypt* or *CoinDesk*, whose raison d'être is to cover crypto in all its many forms.

Journalists at more general news-focused publications, like the *Guardian* or *USA Today*, should be the most cautious about assuming their readers understand the risks of "investing" in crypto.

Luckily, newsrooms have more tools than ever to help know (and grow) their audiences. "Journalism used to be very lacking in rigor when it comes to using data. Now, most newspapers actually have a very good data analytics team," Robin Wigglesworth, the editor of the *Financial Times'* Alphaville section, told me. "I have on any given story, a vast amount of data that can pour into where people are from, when they're reading, how long they're reading, how far down the reading, the whole works."

No newsroom, or individual journalist, will write the right thing for every possible reader 100% of the time, but making a conscious effort to consider your audience's exposure may make content more relevant and mistakes less harmful.

Lesson #2: Question everything

In over a decade of covering crypto, journalists have made some serious unforced errors. Multiple sources I spoke to expressed frustration with journalists' inability to get details right in articles, which led to a general distrust of all mainstream media coverage around crypto.

The reason this lesson is titled "Question everything" and not "Fact check" is because, in crypto, it's not all black and white. There are a lot of "alternative facts" around crypto and its use cases. Therefore, almost nothing can be taken at face value. As *CoinDesk* reporter Sam Reynolds puts it, "No one has the Bible of crypto, right? We're all learning." Does this make covering crypto difficult? Absolutely. But, as legendary UCLA basketball coach John Wooden once said, "If you don't have time to do it right, when will you have time to do it over?"

Perhaps the most infamous example of having to do it over in crypto involved the *New York Times* which, in February of 2022, published a piece by Kevin Roose titled, *Maybe There's a Use Case for Crypto After All*.

The story was about a company called Helium, a much-hyped "wireless network powered by cryptocurrency". In it, Roose writes, "Anyone can use the Helium network, although most of its users so far are companies like Lime (which has used Helium to keep tabs on its connected scooters)."

Five months later, *Mashable* published an article about how Helium either lied about or distorted its relationships with Lime.

Following the *Mashable* piece, Helium removed the logos of both Lime and Salesforces from its homepage. Yet, as of this writing, the *Times* piece remains online as written, with the small exception of an embedded update from six months after the piece was published clarifying that, "Months after this column was published, some of Helium's partnerships came under scrutiny from crypto sceptics who claimed that the company was claiming affiliations with companies it had no official deals with. A spokesperson for Lime said in an email that 'beyond an initial test of its product in 2019, Lime has not had, and does not currently have, a relationship with Helium.'"[4]

This was not Roose's first failure to question the claims of the crypto industry, best illustrated by his *Times* piece "The Latecomer's Guide to Crypto," in which he asserted "crypto wealth and ideology is (sic) going to be a transformative force in our society in the coming years." That piece and other reporting made him something of a lightning rod in conversations I had for this piece.

I sent Roose an email asking for an interview and whether he had any response to the feedback that his crypto reporting has received, to which he replied, "Hi Brett, I'll pass, but thanks for reaching out."

On the other side of the coin, thoughtful questions by journalists and non-journalists alike have led to some of the most revealing crypto coverage. One question that's proven reliable in cutting through crypto fog is some variation of "What can crypto do better than existing systems?"

This is what angel investor Zach Weinberg asked Web3 "investor" Packy McCormick on an episode of the *Cartoon Avatars* podcast, which elicited an ill-fated attempt at explaining how blockchain mortgages might work.[5]

It's also what author Stephen Dubner asked Web3 "investor" Arianna Simpson on an episode of the *Freakonomics Radio* podcast. Her answer (essentially, "we could use it to charge a neighbour to use our Wi-Fi") prompted his response: "Really? That's the amazing blockchain future we've all been waiting for?"[6]

Much of the crypto industry narrative has relied on tech utopianism, specifically the idea that crypto and blockchain technology will make many of aspects of our world

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[4] A blog post by Helium founder Amir Haleem explained that Salesforce was approved, but not Lime.
[5] "Web3" is the term used to describe a potential third iteration of the Internet built on privacy and decentralisation.
[6] Crypto evangelists' failure to come up with a good answer to this question led UC-Berkeley computer scientist Nicholas Weaver to create his "Iron Law of Blockchain", which he details in an interview with *Current Affairs*: "When somebody says you can solve X with blockchain, they don't understand X, and you can ignore them."

somehow better, faster, less centralised, and/or more secure. If these promised improvements have not yet happened, it is worth asking: why not? Or, if they have, would they have been able to do so independently of the harm done to many retail investors?

A simple question asked by *CoinDesk* journalist Ian Allison – "What's on your company's balance sheet?" – led to the great unravelling of the onetime powerhouse FTX when Allison's reporting revealed the liquidity of FTX's sister company, Alameda Research, was tied largely to unbacked tokens created by FTX.[7]

Most crypto companies, by virtue of incorporation jurisdiction and/or corporate setup, are not subject to the same reporting standards as companies in other industries.[8] Thus, they can play around with assets in unique ways, as this 2021 Deloitte report found.

Interrogating balance sheets – such as they exist – is most crucial when it comes to companies promoting so-called "stablecoins". These digital tokens peg their value to a reference asset, like the U.S. dollar or gold. Because they are intended to facilitate transactions, they form much of the basis of the crypto economy.

If issuers do not have adequate reserves of real, tangible assets to maintain their stablecoins' pegs – the 1:1 relationships with the assets they are said to represent – it has massive implications for the actual value of the other cryptocurrencies that they help prop up.

In the fall of 2021, *Bloomberg* wisely https://www.bloomberg.com/news/features/2021-10-07/crypto-mystery-where-s-the-69-billion-backing-the-stablecoin-tether of stablecoin company Tether, about which questions still abound.

"Whenever there has been some sort of journalist out there that has screwed up on something, maybe it's sometimes through no fault of their own," the *FT*'s Wigglesworth told me, "I can promise you that I and most other journalists think, 'There but for the grace of god go I,' and I am extra zealously diligent about double-checking stuff for a while afterwards."

In addition to a lack of regulation, another reason it is imperative to doggedly question everything in the crypto space is the heightened culture of trolling that

[7] There is speculation that Allison's acquisition and subsequent publication of FTX's balance sheet was driven by the business considerations of his outlet's parent company, Digital Currency Group, which owns competing exchange Genesis (in which case the move may have backfired spectacularly).
[8] The most notable exception is crypto exchange Coinbase, which is a publicly traded company based in the United States.

exists among "crypto bros". In the course of my reporting, I was introduced to an individual who works in the crypto industry while running an active, anonymous Twitter account. This person bragged about lying to a *Forbes* journalist who was writing a piece about Caroline Ellison, the head of FTX's sister hedge fund Alameda Research who faced up to 110 years in prison for fraud before agreeing to cooperate with authorities.

The source said they made up several lies about Ellison that the journalist included in the final piece. "I trolled the journalist the whole time," the source said, "because *Forbes* is notorious for being horrible."

They said that they even offered to provide "proof" of some of the things they had made up about Ellison – all of which would also have been made up – and were amazed when the journalist did not take the source up on the offer.

Trolling is deeply embedded in the crypto community because crypto is inextricable from the Internet, where irony and trolling have become the *lingua franca*, especially amongst those who have grown up with it. And crypto was spawned, at least partially, from a distrust of authority. Some in cryptoland view journalists as arbiters of authority.

The source to whom I spoke called journalism "a very politically motivated fourth branch of government" and said the tenets of journalism go against crypto's core tenets, which they described as "self-sovereignty," "anti-establishment values," and "going off the grid."

Sometime after my first interview with the source, the *Forbes* story was updated with a correction that reads, in part:

> *"An earlier version of this story included details noting that some alt-right leaning supporters of Ellison refer to her as "Queen Caroline." One source who confirmed those details now claims them to be false. They have been removed from the story, and the headline updated."*

The source was less than pleased with how *Forbes* dealt with the correction. "I think if you change the headline, that's a pretty big deal, right?" the source said. "I feel like a little bit of a *mea culpa* would have been nice, something a little bit more [like], 'Hey, we're examining our reporting practices'."

With crypto, as with other complicated topics, questioning and double-checking everything enough to get the intricate details right can free journalists up to look at the bigger picture, which is crucial. Given the current attention on crypto and its potential to survive long-term, the bigger picture is undoubtedly the most important lens through which to view the industry.

Lesson #3: Don't sweat the small stuff

While working on this paper, there were some seismic developments in crypto and the media ecosystem that covers it.

First, Matt Levine's issue of *Bloomberg Businessweek* was released. Levine was given the unique opportunity to devote an entire edition of the magazine to a highly detailed piece on which many who follow crypto could find broad agreement.

People inside and outside the journalism community praised Levine's body of work to me, with crypto blogger Gerard calling Levine's columns "essential reading". The appearance of a lengthy piece with such a solid, journalistic overview of the crypto world should prove helpful for coverage going forward.

Less than a month after Levine's piece was published, the collapse of FTX rocked the crypto industry, further straining crypto's general credibility. At the time of writing, the aftershocks are still being felt, with crypto broker Genesis (owned by *CoinDesk*'s owner, the Digital Currency Group) telling *Bloomberg* it was working to avoid bankruptcy less than two days after such an ignominious fate befell fellow "digital asset lender" BlockFi.

These and other big-picture developments have created a lot of noise. If you work for a crypto-specialist outlet, you may need to cover it all. But if you work anywhere else? Consider pressing pause on the minute-by-minute market updates and inane Twitter spats. It is not necessary – and can be harmful – to call undue attention to entirely unregulated crypto markets.

Coverage of the crypto market is oversaturated as is. And the resulting glut of stories about the small stuff that can drown out the biggest, most important stories surrounding the industry. As *FT*'s Wigglesworth put it: "Broadly speaking, in absolute terms, crypto has had more coverage than any subject pretty much outside of maybe Donald Trump.

"Do you need to write a news story [about] whatever the five tweeters tweeted today? Or do you just cover the meaningful stuff that actually matters rather than all the noise? Try to find the signal."

Lesson #4: It's the economy, stupid

"It's the economy, stupid" is a saying often invoked when discussing politics, specifically when reflecting on why certain elections went the way they did.

Democratic publics often vote with their wallets and, when they can't feed their families or are worried about their retirements or want lower taxes, they make their feelings known. This modern proverb can be applied in a different sense to crypto coverage, too.

Simply put, the technology behind crypto has acted as a smokescreen to its evolution as a shadow financial system. The tech has mystified some journalists and investors, leading to the ubiquitous handwaving that Levine so astutely recognised. All the while, there is a solid argument to be made that the tech was never important in the first place.

Based on overhyped tech, crypto companies and tokens have attracted a massive number of "investors" to their new databases. But databases are upgraded all the time, with little to no fanfare: by companies, governments, and individuals all around the world… and without ICOs (initial coin offerings, a favourite moneymaking tactic in crypto).

The reason no one cares about those upgrades is that… well, there's no reason anyone should care. When you apply for a mortgage, you don't care about the computer program holding your money in escrow. You care that your money is being held in escrow.

With every centralized exchange that crashes and burns – from QuadrigaCX (whose founder may or may not have faked his own death after stealing millions of dollars from "investors") to FTX – it becomes clearer that the crypto story is not currently, and may not ever be, about the technology.

When tech luminary Ray Kurzweil came to speak at Oxford University during my work on this paper, I asked him a general question about crypto, and his response focused almost entirely on – you guessed it – economics. "I am a little troubled by the fact that if I buy Google stock or Microsoft stock, I'm buying their current earnings and also expectations of their future earnings," he said. "When you buy these crypto things, there is nothing behind it. I mean, you're buying something that just doesn't exist. And its future might be dependent on what people will pay for it or not, but there's like nothing that it's based on."

His only nod to the technology was to say that he was "troubled, actually, by the amount of computation we use to create these currencies… a huge amount of computation that actually could be used for science and so on is being used to create these currencies and accomplishing nothing else."

Some, like *Ad Age*'s Hiken, argue we should actually be more interested in the tech aspects of crypto than the economic ones. "If you open the door to crypto, the first thing you see is the casino," he said, "[but blockchain] creates all these possibilities of decentralizing various systems. [...] I think that, really, the sky's the limit for the number of systems that could be disrupted if enough attention and work is put in."

Even if blockchain technology does become widespread, will it have been worth the massive economic cost? Wigglesworth, for one, doesn't think so. "The tech... I mean, fundamentally, I struggle given the amount of money – ordinary people's money – [crypto] has incinerated over the past decade," he said.

Wigglesworth points out that the (potentially) good news is that, throughout history, some bubbles have led to positive externalities. For instance, when the housing bubble popped in 2008, it left "a massive stock of semi-affordable housing". With the crypto bubble, he wondered, "will there be something of durable technological value that adds to the world's net worth? Or net wellbeing?"

Ultimately, he's not sure. "I'm very sceptical, frankly," he said. "I think now the damage it has done has outweighed any potential thing we could have from it."

It didn't have to be this way: if journalists had covered the economics of FTX (an uninsured bank holding private, unbacked currency) more thoroughly, there is a possibility that fewer people would have put their hard-earned money into it and subsequently gotten screwed. Instead, to invoke Levine's term, there was a lot of handwaving about the tech, which only served as runway for the eventual fraud.

As computer scientist Geuter said: crypto is "a socioeconomic system that uses some tech, and that's how you need to report on it".

Lesson #5: Remember that it's mostly fake

Cryptocurrencies, being unregulated lines of code on databases that can be created however a creator wants to create them, are often valued incorrectly. This is sometimes due to straight fraud, but it's often because of the way cryptocurrency holders value their crypto assets. They often use a common financial accounting technique known as "mark-to-market", which means they value assets based on the price at which they're currently selling.

"All these crypto companies have massive valuations. They say, 'we have billions of dollars of crypto value on our books'," David Gerard explained. "They denominate it all in dollars. It's not dollars, and that is important.

“These are cryptos that are priced mark-to-market. If you have a billion dollars in Bitcoin, you absolutely do not have a billion dollars. If you have $1,000 in Bitcoin, sure, you get a thousand dollars. $10,000? Sure. $100,000? Eh… yes, sure. [A] million? Maybe, it might shift the price a bit. A billion? Absolutely not. There do not exist a billion dollars to buy your bitcoins.”

This doesn’t mean every crypto asset is doomed to fail, but it does mean that valuations will continue to be wildly inflated unless everyone suddenly chooses to adopt one form of cryptocurrency and stick with it. Even then, as Professor Allen said, there will be other negative externalities accompanying such a shift to privately issued currency that will doom such an economic system to failure.

The myriad flaws of cryptocurrencies as media of exchange have been pointed out by many: the most obvious being that their price volatility makes it impossible to determine their true value. If my bitcoins will soon go down in value, why would anyone accept them as payment?

And if my bitcoins will go up in value, why would I use them to buy, say, Papa John’s pizza, as Bitcoin pioneer Laszlo Hanyecz did in the first recorded transaction using the currency? For two pizzas (and, presumably, some garlic sauce), Hanyecz paid 10,000 bitcoins, currently (theoretically) equivalent to over $171,000,000.

So, if crypto assets don’t work as media of exchange and have no other inherent uses, how do their paper values get so inflated? Well, if crypto assets don’t fit the definition of Ponzi schemes to a T, they come darn close. People “invest” in both hoping the assets’ values go up. Unlike in a classic Ponzi scheme, there is no central authority spreading lies or making false promises, but collective hype can serve the same purpose.

Some argue that crypto simply a purely speculative market – in itself not a great thing – but purely speculative markets usually spring up around items that have *some* inherent value, or at the very least tangibility. If Dutch tulips in the 1600s were replaced by pieces of paper saying, “this is a tulip”, would things have gotten so out of control?

Additionally, in crypto, the speculation is driven almost entirely by false promises of escalating value, like BlockFi’s purported 9.5% interest rates or Celsius’ mythical 18.6% yields. As Robert McCauley writes in his December 2021 *FT* Alphaville column (which argues Bitcoin is worse than a traditional Ponzi scheme): “The only way a holder of bitcoin can cash out is by a sale to someone else.”

It's theoretically possible that individual Bitcoin holders are holding out for the day they will use it to buy something tangible. But this is mostly not what has been happening since cryptocurrencies were invented: a 2021 Deutsche Bank study tracking Bitcoin transactions over a three-month period found less than 2% involved actual payments.

Instead, over time, more people put their money in, buying crypto assets from the early adopters at a higher price, then waiting for the next group of people to come along and buy them again. In a Ponzi scheme, the last person in this chain to buy is called the “greater fool.” It holds that every Ponzi scheme collapses when it runs out of greater fools. Many people, including Bill Gates, have said the “greater fool” theory applies to crypto. And, given that crypto remains a solution in search of a problem, those people appear to be right.

What facilitates the success of any rob-Peter-to-pay-Paul scheme is the illusion of fundamentals underlying it. In the case of FTX and other exchanges, this illusion was compounded by an intricate web of lending that mirrored, in some ways, that of the 2008 financial crisis. Fake money upon fake money, loaned and collateralized by more fake money.

Maintaining the illusions – that people will not want to take their money out of crypto and turn it back into fiat currency, or that cryptocurrencies will someday become widespread despite their obvious drawbacks – requires legitimacy in the mainstream. That legitimacy is what journalists have helped to provide, through Crypto 101 courses and glorification of crypto success stories.

Sam Bankman-Fried’s exorbitant net worth and status as one of the world’s richest people were breathlessly reported – he even graced the cover of the 40th edition of the Forbes 400 in 2021, seemingly without anyone looking under the hood.[9]

Given that crypto assets are otherwise worthless lines of code, how much longer can we keep kicking the can down the road? Likely until there is either widespread regulation or one final, widespread bank run.[10]

Lesson #6: Call the “sceptic hotline”

One of the consequences of journalists’ disappointing coverage of crypto has been a proliferation of non-journalists writing about crypto.[11]

[9] A similar air of legitimacy allowed the most famous Ponzi schemer of the last two decades, Bernie Madoff, to operate with impunity for years.
[10] When crypto exchanges are facing a liquidity crunch, they usually turn to the tried-and-true method of pausing withdrawals, which might delay the latter for a bit.
[11] I would argue that many enthusiasts have become journalists even if they haven’t adopted the title.

The most famous example of this phenomenon is a rather unassuming computer scientist and Wikipedia editor named Molly White. Her blog, [Web3 is Going Just Great](), chronicles the myriad frauds in the crypto world.

"I decided to start it [in 2021], during the summertime," White said of her blog. "It was the peak of the hype cycle I would say around crypto, NFTs, Web3… [There was an] enormous amount of pressure [from mainstream media…] to 'invest' in crypto or buy NFTs: 'Don't be left out!', 'Make sure you make all this money like everyone else apparently is doing'." The pressure was at odds with what White knew about the less savoury aspects of crypto. "There was really this discrepancy in the narrative that most people were seeing and the actual reality of the risk […] of crypto."
Her blog now keeps a running tally of how much money has been lost to crypto scams: on November 18th, 2022, the total stood at $11.929 billion.

White is not at all alone in her scepticism. But the voices of crypto proponents tend to be so loud that it has been tempting to dismiss, downgrade or ignore the voices of crypto sceptics. (See, for example, the *New York Times'* dismissive Helium article update.)

Journalism without scepticism, as we know, is just PR. And we've given crypto a lot of great PR. Crypto's recognition of the power of positive coverage can be seen in the investments big players have made in media: SBF invested in several outlets, including *Semafor* and *The Intercept*; Binance recently purchased a $200 million stake in *Forbes*.

When it comes to deciding who we listen to, weighing motivation is important: are they untethered from financial incentives? Take Liron Shapira, an early investor in Coinbase who says he made "a 600X insane return". He calls it his most successful angel investment. And yet, he is a vocal critic of many of the claims made about crypto. As Shapira sees it: "Most people who have left the crypto space and are now anti. It's because they got burned, right? I really can't say I got burned; I can't complain." But complain, he does. When journalists can find and talk to sceptics like Shapira, it can lend important weight to balanced coverage.

When sceptical claims are successfully refuted, that's an ideal scenario for everyone: the journalist has done due diligence and the subject has been vindicated. But the dismissal of sceptical claims as universally negative – an act many crypto proponents engage in when they accuse others of spreading FUD, or fear, uncertainty, and doubt – should be a flashing red warning sign that something doesn't add up.

German computer scientist Geuter was the person who gave me the idea for the term "sceptic hotline": a proverbial place where reporters could go to get a different perspective on things. “There isn’t an organized, ‘Here’s your crypto hotline if you want to have a critical take’,” he said. “In Germany, I’m not *alone* alone, but I’m very much the face of criticism of this, with all the benefits and horrible comments and dimensions that that brings with it. But for [other] countries… I don’t know how the situation is in France, for example. I don’t know if there’s anyone that French journalists can talk to that is from France.”[12]

Geuter’s point is well taken. By contrast, even during the current “crypto winter”, there remain [a lot of powerful, deep-pocketed actors] operating in the proponent space. “The pro-[crypto] side has organised structures that you can call, and big companies that will answer the phone. They have their associations and whatever,” Geuter said. “That makes the critical perspective really hard.”

Of course, scepticism has its limits: there’s a reason we don’t constantly question if the Earth is *really* round or if Elvis is *really* dead. But, as detailed above, reflexively considering a sceptical perspective can save journalists as much time and energy as not constantly questioning objective truths.

Lesson #7: People matter

A consistent theme I encountered when talking to journalists and experts about crypto was a frustration that coverage did not focus enough on people. Former *New York Times* reporter Nathaniel Popper said we should: “Tell these stories through people, because that’s how people will understand them.”

Research shows that many middle- to working-class people have turned to crypto as a potential lifeline: a 2021 study from the nonpartisan and objective research organization NORC at the University of Chicago found that over a third of crypto traders surveyed over a 12-month period had annual household incomes under $60,000.

The all-important and unavoidable people-centric aspect of covering crypto is that a lot of people have lost a lot of money on it. This should be a big deal, and yet a distinct current of nihilism ran underneath many of the conversations I had for this piece: “The stock market is no different.” “Nobody’s forcing people to invest.” “There are bad actors in every industry.”

I believe crypto appeals to the most chaotic human instincts: those that see a world incapable of being tamed or understood, in which it’s every man for himself, and centralization of any kind is to be mistrusted. But the industry has worked hard to distance itself from that ethos: to sell these shiny tech experiments as a vehicle for

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[12] Crypto skeptics do exist in France, and in 2018 the country’s government hired one to lead its regulatory efforts. His name is Jean-Pierre Landau, and he has been dubbed “Monsieur Bitcoin.” *Si vous habitez en France, il faut que vous l’appellez.*

empowering individuals and groups who feel unmoored, buffeted by the constant winds of flippant monetary policy and wages that do not reflect the value of their labour. This reframing can become predatory, and that can affect innocent people.

Multiple interviewees complained about the lack of stories investigating the "why" of crypto: the motives of those who created it, those who believe in it, and those who buy into it.

Among crypto's true believers, there is a sense that blockchain technologies can bypass a "rigged" financial system – one that has left many people feeling powerless. It's no coincidence that Bitcoin was created shortly after the financial crash of 2008, in which big banks gambled with ordinary people's money and were subsequently bailed out by governments around the world. Some have called this phenomenon the privatization of profits and the socialization of losses. Crypto, proponents say, prevents this from happening. If everyone owns their own wealth, such centralised skulduggery is impossible.

And how has crypto delivered on that promise? FTX illustrates that, without regulation and some central authority, crypto will lead to *less* equality, not more. But the societal concerns of those attracted to crypto still remain.

Perhaps, then, it is incumbent upon journalists to focus more on the factors that gave rise to crypto. To do so would involve journalists reporting on other potential solutions: taxation reform, for example, or greater regulation of markets.[13] Many citizens, for example, believe they are inordinately burdened by taxes, and some politicians argue taxes stifle growth, despite the advantages to progressive taxation that might lead to an economy closer to the one that crypto proponents espouse.

Democracy is, to quote Winston Churchill, "the worst form of government – except for all the others that have been tried." It is distinctly possible that fiat currencies fit the same description. A democratic system with its own fiat currency is, theoretically, a check on centralized power much more so than a private currency dependent on a "free market" that can be manipulated by individuals and small groups. What if, instead of a DAO, the ideal is a congress?[14]

[13] Author and historian Rutger Bregman famously took to task a panel at the annual summit of the global financial elite in Davos for not talking about taxes during a discussion of inequality.

[14] From an editor's perspective, it's a tough call: "crypto" drives clicks; "taxation" does not. But it is, to some extent, journalism's job to drive attention to boring but important topics: to make them sexy. As the meme puts it: "Tax, but make it crypto."

When it comes to more repressive regimes, crypto proponents argue that it helps citizens. That is potentially true. It is also true that, at least for now, stablecoins can help people in certain volatile markets maintain the value of their wealth. An underground economy, provided there is no conversion in or out of fiat currency, could bypass authoritarian states and benefit those within their borders. It is also, practically, nearly impossible. And so rather than reporting on how organisations can help dissidents through crypto, should journalists just be focusing on… how organisations can help dissidents?

That leads us to the role and coverage of "affinity fraud". Affinity fraud is essentially the use of shared group identity – be it socioeconomic status, nationality, race, or fandom of a certain sports team – to convince people to buy into a scam.

Fattori McKenna, a PhD student at Oxford's Internet Institute who is currently researching NFTs, said: "I think something that has been minimally reported on is [2021's] targeting – or diversification – of the crypto user base."

She cites Spike Lee as a particularly visible contributor to this phenomenon, most notably through a now-infamous advertisement he did for crypto company Coin Cloud. "Thinking about changing the image, changing the idea of [who] a cryptocurrency owner [is] has been a big project," she said.

There has, of course, been some coverage of these marketing attempts. One great example is an episode of the NPR podcast *The Indicator from Planet Money* titled "The promise and peril of crypto for Black investors", though it does not go so far as to use the term "affinity fraud".

A systematic lack of attention paid to the viscerally human stories in crypto led a source I'll call "Charlie" to start Coinfessions. Through its Instagram and Twitter accounts, it publishes anonymous submissions from people who have created companies, lost money, and/or done any number of other (sometimes heart-breaking) things in the crypto world.

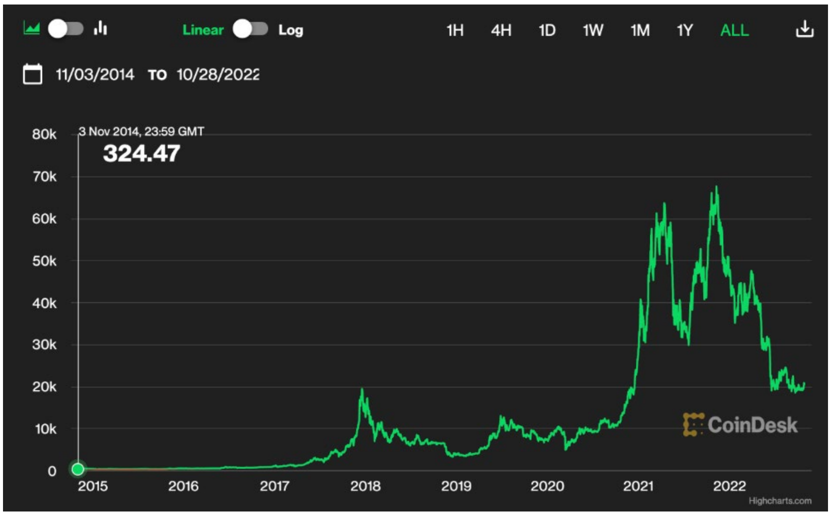
Charlie said he started Coinfessions because, after some time following crypto, he realised "the optics of top-level news coverage don't necessarily do the story justice." Charlie saw humans acting differently to how they were presenting themselves, and to how members of the media were presenting them.

"Maybe it's a separate question […] as to why they feel like they need to gamble more than they can afford to lose," he told me. Since it began, Coinfessions has published hundreds of anonymous confessions from people with complex emotions and perspectives on crypto. These stories are a lot more compelling than some of the mainstream either dispassionate or hyperbolic crypto coverage.

Journalists usually do tell stories by finding human examples, but crypto – with its confusing economic and technological epiphenomena – makes that difficult. It's not necessary to write about *everyone* who lost money on FTX's collapse, for instance, but – as of this writing, at least – we've yet to see the human face of it. Aside from the man who perpetrated the fraud, of course, who's given an interview to just about everyone except me.

Lesson #8: Embrace the contradictions

At 11:59pm GMT on November 3, 2014, a single bitcoin was "worth" $324.47. On November 16, 2022, at 12:08pm GMT, a single bitcoin was "worth" $16,6661.14.



A screenshot from CoinDesk.com showing a Bitcoin price chart from 2015 to October 28th, 2022, when it was taken.

Many have called the existence of a substantial price for Bitcoin a bubble, and continue to do so. Yet Bitcoin has had staying power, and, as Levine puts it, "you don't get a lot of 14-year bubbles".

But even he recognises the contradictory nature of Bitcoin's value. "The economic proposition is like, 'a lot of people will want to buy it, so it will maintain its value'," he said. "And that's an insane proposition if it's at zero, right? [...] But it's not an insane proposition now, right? It just, like, bootstrapped itself into being a somewhat stable store of value." Bitcoin is, at its heart, a case of collective belief fuelling sustainable value.[15]

Another contradiction that crypto journalists must deal with is the fact that a lot of seemingly smart people believe in crypto and its use cases. Some have even jumped from more traditional industries to work on crypto technology and products.

[15] Crypto: the Tinkerbell of assets.

Like so much about crypto, this can cause journalists to question their own assessments and believe there is something more going on than they understand.

“I don’t really believe a lot of the use cases,” Levine said, “but I’m also not fully dismissive of the use cases. And that’s partly because… what do I know, right? Like, it’s still early and a lot of smart people seem to really have enthusiasm. I think it would be somewhat arrogant of me to say they’re all impossible even if I’m sceptical of what’s been claimed so far.”

Wigglesworth said: “As a journalist, it’s OK to sometimes have strong opinions, but they should be weakly held”. We should be wary of relinquishing our roles as seekers and reporters of truth just because some seemingly smart people – like the partners of Sequoia Capital who were hoodwinked by FTX – have gotten involved in crypto.

“Look,” said journalist Cas Piancey of crypto news site Protos and the podcast Crypto Critics Corner said of the crypto world, “the contradictions are rife.” One of the more paradoxical questions involving crypto is whether it serves – through all the bumbling and fumbling in cryptoland – to expose some of the real-world issues.

In the words of American University law professor Allen: “The one thing that I think crypto does really well is diagnose problems in our society. It can point out that payments are crazy slow in the U.S., or it can point out that there are these regimes where people can’t trust the money system. So, you know, its diagnosis of problems is spot on. It just doesn’t fix them.”

But that leads to another logical contradiction: aren’t there rare cases where it might fix *some* of them? Take the already-mentioned idea of aiding dissidents in repressive regimes. That argument has its limits, as Tonantzin Carmona notes in a piece for the Brookings Institution. Yes, crypto can temporarily bypass restrictive financial barriers and unstable fiat currencies, but when Carmona examined the various fees associated not only with using certain cryptocurrency networks but with converting crypto into and out of fiat currencies, crypto essentially functioned the same as Western Union, but with higher fees. Additionally, because of crypto’s shadowy, unregulated, semi-anonymous nature, things are not always as they seem.

In November 2022, Russian independent media outlet Meduza published a report on how Russian hackers stole thousands of dollars from Ukrainian charities, sometimes by simply changing the links to crypto wallets on charity websites. In the future, such stories may make some outlets think twice about running articles like “Crypto Helps Ukraine Defend Itself Against Russia’s Invasion, Here’s How You Can Contribute.”

Perhaps the most significant contradiction undergirding any discussion of crypto is worth. With crypto, the intangible items on which worth is being conferred are lines of code. They cannot be eaten, burnt for fuel, or hung on a wall. Additionally, many sectors of crypto involve the assignation of scarcity to things like database entries that are theoretically limitless.

With NFTs, for instance, the fact that each represents only *one* cryptographically distinct entry on a database is what some people believe gives them value.

To revisit the nihilism I touched on earlier, I often heard this common question: What is anything worth? If something is worth what someone will pay for it, then doesn't someone being willing to pay, say, $69 million for a database entry (in the case of the artist Beeple's NFT "Everydays – The First 5000 days") make that database entry worth $69 million?

To answer this, Dan Roberts, Editor-In-Chief of crypto news site *Decrypt*, invokes the imaginary allegorical character of "Mr. Market", which economist Benjamin Graham invented in the 1940s to stand in for irrational, emotional investors and the market behaviour informed by them. Roberts said he views the price of Bitcoin as simply being a function of, "What does Mr. Market want to give me today?"

Eschewing the idea of underlying value, he focuses only on market dynamics. "It's whatever the market believes it's valued at," he said, "so it could go as low or as high as the news cycle deems it." As crypto proponents note, many other markets (including stock markets) function in much the same way. The only difference, some say, is the intangibility of it all.

As Hiken said, "It's, like, digital. And if it being digital freaks you out, then good luck in the future, when more and more things are digital."

Unfortunately, "it being digital" is not the only issue. People pay for digital objects all the time; be they skins for their video game avatars or subscriptions to newsletters. At the end of the day, most of those things confer a tangible utility apart from speculation.

But when everyone is only speculating...? "[The crypto bubble] reminds me of an Albanian pyramid scheme disaster in the 1990s," Wigglesworth said. In a discussion about how crypto companies are increasing advertising and co-opting regulators, he cited an IMF report about the incident – including a graphic section about how, "Tirana stank of cow's blood because so many farmers were taking the cows in to be slaughtered to put money into the pyramid schemes".

"It's uncanny," he said. "I think the parallels are incredible, really."

The report continues: “When the schemes collapsed, there was uncontained rioting, the government fell, and the country descended into anarchy and a near civil war in which some 2,000 people were killed.”

If there is even a possibility that our coverage of crypto is aiding and abetting interconnected pyramid schemes that could take down entire economies… that’s bad, right? Like, should we all stop covering it? There’s another contradiction: ignoring crypto will not make it go away.

“I’m generally of the view that sunlight is the best disinfectant,” said Bennett Tomlin, Head of Research at Protos Media and Piancey’s co-host on the *Crypto Critics Corner* podcast. “There have been a lot of attempts to criticize Bitcoin, to criticize cryptocurrency,” he said, “that miss the broader picture, which focus on the wrong thing, and because of that certain bad actors have gone unnoticed or even lauded.”

Mainstream news organizations, by overly criticizing or dismissing the crypto industry, can also be left in the dark in the wake of major events. “What I've seen in the last few weeks,” *CoinDesk*’s Reynolds said following the FTX collapse, “is a view of catch-up from the media.”

Tomlin, Reynolds, and others suggested that having dedicated crypto reporters at more outlets could help in the creation of more nuanced coverage. “There’s this strange phenomenon in crypto where it's almost like an oral history,” Tomlin said. “Because there’s such high turnover, like from cycle to cycle, where so many people get washed out when their accounts get blown up and new people get attracted to it when the prices start to go up again, the experience of crypto as a whole is that it has a very short memory.”

If crypto isn’t going anywhere, perhaps it’s incumbent on media outlets to create institutional memory about it. There’s certainly a business case for doing so: following the FTX collapse, Reynolds said that *CoinDesk* broke its all-time traffic records, and Wigglesworth said he told his *FT* Alphaville team that “there was no bar for FTX stories”.

Such traffic can be an incalculable boon to news organisations, but the boon comes at the price of conferring legitimacy to the industry. “I think [crypto] was probably overcovered relative to its importance,” Levine told me. “And I say that as someone who just wrote 40,000 words about crypto.” But, he adds, crypto is overcovered because audiences want to read about it. “When I say overcovered relative is to its importance, I’m not sure it’s overcovered relative to reader interest. Readers want to know about it.”

All these contradictions require that journalists walk a careful line. Holding multiple thoughts at the same time is and will continue to be a prerequisite for creating meaningful crypto coverage.

Lesson #9: The elephant in the room

By now you've seen that the "elephant in the room" could refer to several aspects of crypto. Theft, Ponzinomics, a lack of genuine use cases… take your pick.
But there is one aspect that, apart from a few articles like this one and this one, remains absent from the vast majority of crypto reporting: the climate impact.

Crypto uses a lot of energy. Like… a *lot*. By some estimates, Bitcoin's most recent bull run put its energy usage on par with that of the entire nation of Argentina. The University of Cambridge created the Cambridge Bitcoin Electricity Consumption Index, a tool to track the amount of energy used in operations surrounding Bitcoin.

In a world increasingly seeing the effects of man-made climate change, it has become clear that "every story is a climate story". The story of crypto is no exception.

Despite the name of his podcast, Tomlin is not entirely anti-crypto. But as he sees it: "Taking as a given that cryptocurrency should exist is one of the first flawed assumptions in a lot of the crypto evangelists' argument." Crypto has proven that – at least for now – it is neither the lightbulb nor penicillin. If something with little to no obvious utility (and many negative externalities) uses as much energy as entire countries, isn't that a story in and of itself?

"Climate change and crypto is a narrative that has been dismissed, I think," *CoinDesk*'s Reynolds said. "When people say there is the climate change aspect, I think […] it's really a tell-tale sign that you don't look into crypto seriously."

When I asked him about the Cambridge Bitcoin Electricity Consumption Index, he said, "their work is not wrong, per se, but they aren't looking at the big picture. That's all. I think that's… if you deep dive into this industry's efforts to find cheap power that's also green power? That's not been reflected in those studies."

Contrary to Reynolds' assertions, a September 2022 study titled "A deep dive into Bitcoin's environmental impact" published by the University of Cambridge's Judge Business School found that, according to data from January 2022, "fossil fuels account for almost two-thirds of the total electricity mix (62.4%)" used in Bitcoin operations, with coal alone accounting for 36.6%.

There is a case to be made that, despite a relative dearth of stories about crypto's climate impacts, the industry still receives excessive scrutiny relative to others. "Computer games have very little societal value," the *FT*'s Wigglesworth argued, "but there is also power, and waste involved with creating them."

He has a point: there are plenty of wasteful industries; why should crypto become the pariah? Perhaps the better question, though, is why shouldn't all industries (including crypto) be held to a higher standard?

Hindsight is 20/20 (or 2022)

Hindsight is 20/20, as the saying goes. Although, in the year of the Great Crypto Reckoning, we might say hindsight is 2022. It is easy now to be critical of the fawning coverage that SBF and FTX, for example, received. And it's even easier to write headlines and stories claiming that it was always obvious that the great crypto bubble would pop so spectacularly.

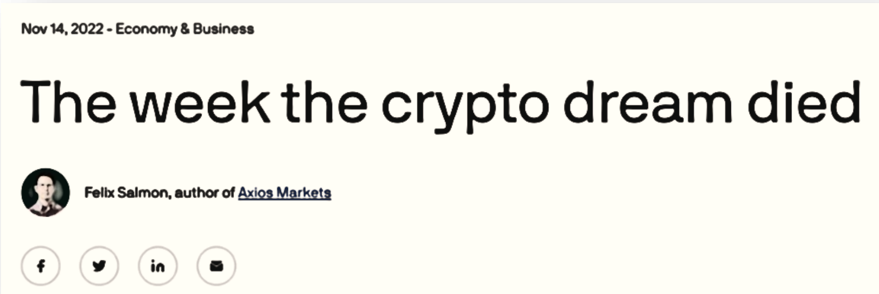

FROM TOI PRINT EDITION

Crypto is now dead: FTX, a cryptocurrency exchange, collapsed last week, proving a lot of cool guys horribly wrong

November 14, 2022, 8:27 PM IST / Chetan Bhagat in The Underage Optimist, Economy, Edit Page, India, World, TOI

FACEBOOK TWITTER LINKEDIN EMAIL

A screenshot from TimesofIndia.com showing the headline of an article titled "Crypto is now dead: FTX, a cryptocurrency exchange, collapsed last week, proving a lot of cool guys horribly wrong" by Chetan Bhagat. Captured December 5th, 2022.


Nov 14, 2022 - Economy & Business

The week the crypto dream died

Felix Salmon, author of Axios Markets

A screenshot from Axios.com showing the headline of an article titled "The week the crypto dream died" by Felix Salmon. Captured December 5th, 2022. (Salmon, 2022)


Home / Crypto & Blockchain

Is This the End of Crypto?

Crypto isn't real money. It never was.

By Dana Blankenhorn, InvestorPlace Contributor Nov 11, 2022, 11:40 am EST

A screenshot from InvestorPlace.com showing the headline of an article titled "Is this the end of crypto?" by Dana Blankenhorn, taken December 5th, 2022.

Because news is always being made in crypto – for better or worse – it's become even more important for journalists to pause and consider what has come before, both in crypto and throughout history.

In addition to the Albanian pyramid schemes of the 1990s, the *FT*'s Wigglesworth sees parallels between crypto and a litany of other bubbles throughout history: "the South Sea bubble, the Mississippi bubble, the railway bubbles, gold bubbles," he rattled off. "I mean even, infamously, a canned sardine bubble at one point." If, as the misattributed Mark Twain quote supposes, "history doesn't repeat itself, but it rhymes", then crypto is practically Dr. Seuss.

Realistically, with the current state of the news media, taking a pause is a luxury few journalists are afforded. Levine had the opportunity when he was given *carte blanche* to produce an issue of *Bloomberg Businessweek* dedicated to crypto in October 2022. It is an honour only bestowed on one other reporter in the magazine's history.[16]

"It felt like we were in a little bit of a pause where there was a time that you could write it and everything wouldn't be out of date in two weeks," Levine told me. "It felt like we were at a nice moment where crypto is sort of big enough that there's a lot to say, but small enough that you could start at the beginning and go to the end, where you can be like, 'This is what the blockchain is, this is what's built on top of that concept, these are the ramifications of that concept'… where you can, in the length of one magazine, build from zero to [a] complicated, interesting edifice."

Should every crypto reporter aspire to write a piece like Levine's? Don't worry, editors: the answer is no. But now that Levine's piece is part of the discourse, every crypto reporter should read it.

And if a group of influential crypto sceptics writes an annotated rebuttal of Levine's piece (as Molly White and others did with Kevin Roose's aforementioned *Latecomer's Guide to Crypto*), everyone should probably read that, too.

And maybe, just maybe, outlets and editors with the means to do so should empower talented writers like Levine to write more pieces that take the time to "build from zero".

When people say that "hindsight is 20/20", the subtext is usually that it is impossible to predict the future. Some might argue that asking journalists to predict the fall of FTX is like asking dinosaurs to predict the arrival of an asteroid. But the past frequently serves as prologue, and it is not unreasonable to think that audiences might have expected us to be sceptical about the true value of a billion-dollar, intangible asset-based company incorporated in the Bahamas and run by a

[16] Paul Ford, who wrote an entire issue about computer code in 2015.

group of polyamorous millennials whose shaggy-haired leader played video games in pitch meetings.

Journalists are not in the business of prognostication, but we should be in the business of providing nuance and context where possible. We can tell audiences that something analogous has happened before, or that something doesn't seem on the level.

Of course, it is not up to us what audiences do with that information. The best we can do is ask as many questions as we can, even if they are unanswerable. And, in that spirit...

Where does crypto coverage go from here?

From the conversations I had while preparing this paper, one thing was abundantly clear: crypto is not going away.

As *Decrypt*'s Roberts put it: "There are thousands of shitcoins that probably will fail and go away. But what I'd say to people is that, at the very least, Bitcoin and Ethereum will still be here 10 years from now. I firmly believe that."

Roberts, like many others in the industry, believes the latest crypto market crash – like the others that have come before it – is an example of growing pains. "These things come in waves," he told me. "The mistake people make is the implication that a crash in crypto means the industry is dead. How many times have people declared crypto dead? It's become a punchline."

If crypto survives, the economics and technology surrounding it will likely change as the industry matures. This will necessitate close study by journalists to keep up with what is overstated or understated, real or fake.

Already, groups of journalists are coming together to form associations and establish best practices for crypto coverage in the future. The Association of Cryptocurrency Journalists and Researchers was founded in 2020 with the goal of fostering better crypto coverage. *CoinDesk*'s Reynolds currently serves as vice president.

Piancey, speaking on a recent ACJR panel, said he would like to see a new crypto organisation akin to the International Consortium of Investigative Journalists, where "you're getting people with journalistic integrity, but also specialties in certain things, to be able to trace something throughout the world, and have people hone in on their specific skill set for these stories".

Such a model would give crypto journalists the ability to work collaboratively on the kinds of longform pieces they don't currently have time or money for.

What else can learn from crypto lessons?

There's a reason Matt Levine views some crypto assets as being akin to (in his words) "stocks in some very speculative tech companies". Journalists can, and should, ask the same questions that they ask of the crypto industry about Tesla, the art world, Pokémon cards, or any inherently volatile investment vehicle.

When I asked my interviewees what other subjects are like crypto, artificial intelligence was a common answer. As Google computer scientist François Chollet recently tweeted:

> *"The current climate in AI has so many parallels to 2021 Web3 it's making me uncomfortable. Narratives based on zero data are accepted as self-evident. Everyone is expecting as a sure thing 'civilization-altering' impact (& 100x returns on investment) in the next 2-3 years."*

There have indeed been some lofty claims about what AI has the potential to revolutionise; some say just about everything. While these claims appear to have more merit than similar claims about crypto technology, they still deserve to be given a good once-over. [17]

Otherwise, as in crypto, frauds may get away with exploiting hype for ill-gotten gains. As *The Verge* reported, a 2019 study from London venture capital firm MMC determined that "40% of European startups that are classified as AI companies don't actually use artificial intelligence in a way that is 'material' to their businesses."

Additionally, like crypto, AI has the potential to change our world in ways that aren't exactly ideal, through its contribution to such phenomena as discriminatory facial recognition, trust-destroying deepfakes, and sexist hiring practices.

I'll let the *FT*'s Wigglesworth sum it up: "In certain industries – in technology, venture capital, but above all, crypto – it isn't just that there are incentives to lie, it has become normalized to be misleading and a hype machine."[18]

[17] AI greatly helped speed the creation of mRNA COVID vaccines, for example.

[18] I'm conscious I've referenced Wigglesworth often in this piece, probably because the *FT*'s Alphaville section that he heads (and that was previously helmed by Izabella Kaminska and Paul Murphy) came in for a lot of praise from a wide cross-section of my interviewees.

Wigglesworth cites Elizabeth Holmes as a particularly egregious case, but the same characterisations could be made of Sam Bankman-Fried, Terra's Do Kwon (whom *CoinDesk*'s David Z. Morris called "the Elizabeth Holmes of crypto"), or any number of other bad actors who have engaged in high-stakes mendacity.

Considering the persistent smokescreens put up by those we cover, reporter Bevan Hurley of *The Independent* believes journalists should be transparent with our readers about what we do not know. "This should really apply to all topics, but I think [...] explaining clearly the limits of our understanding about a topic is really important," he said, "whether that be crypto or anything else."

Apart from AI, journalists should scrutinize any industry seeking to implement crypto or blockchain innovations, especially when it's not clear that their presence is necessary. When disgraced WeWork founder Adam Neumann says he's going to save the environment with a new company that puts carbon credits on the blockchain, journalists should call it out, like *Vox*'s Neel Dhanesha did.

And, finally, speaking of carbon credits: untested, difficult to understand financial products and technologies promising to fundamentally change the world for the better if given enough investment? Huh.

Conclusion

As you've come this far, I now present the sports analogy for crypto coverage that inspired the title of this paper: the increasingly popular paddle sport of pickleball.

This paper is littered with sports analogies because I believe we should cover crypto in the same way we cover sports: it's a diverse world, some people care a lot about it, and a (potentially still growing) number of people gamble on it. And, as with the sports section, the best journalists specialise in their knowledge of the rules and player stats.

Yes, crypto *might* change the world, but only as far as pickleball has changed the world: it's a hobby, it has some famous investors, and it should have no impact on anyone who does not actively seek it out.[19]

Like Levine, I believe crypto has been overcovered. (I feel the same way about pickleball.) But still, I find it fascinating. Crypto is, in some ways, a stand-in for so many of our current societal problems: driven by a single-minded desire to make money, it is far from the only sector that has shown no regard for the negative externalities of its actions.

To underscore an earlier point, because the news and narratives around crypto change by the day (and sometimes by the second), the most important thing journalists can do is focus on the bigger picture. No matter how many stablecoins go bankrupt or teenagers get rich, the fundamental truth is that crypto revolves around unstable, volatile, easily compromised private currencies.

Journalists haven't historically spent any time covering private currencies – with good reason. Crypto was treated differently primarily because of the technology underlying it. But we've seen the argument that crypto will continue to be primarily an economic phenomenon – one that can be heavily influenced by media coverage.[20]

With all this in mind, beware of the impact your story might have on the people reading it. Beware of creating more hype, attention, or confusion around the still-niche world of crypto.

Or the consequences could be positively Albanian.

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[19] Unless, of course, they're playing tennis and are surprised to find pickleball players taking over their courts. Here's looking at you, traditional banks.

[20] A 2018 research paper published in the Journal of Risk Finance found that "interaction between media sentiment and the Bitcoin price exists, and that there is a tendency for investors to overreact on news in a short period of time."

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