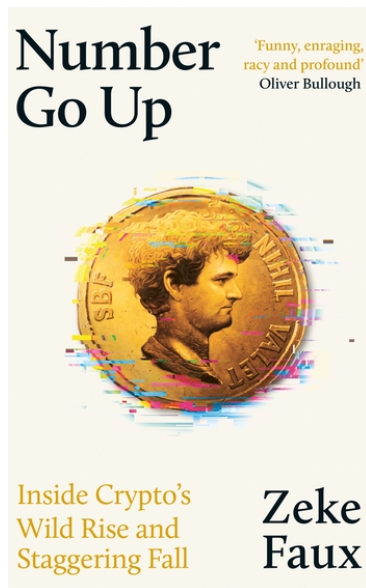


Book notes: Number go up: inside crypto's wild rise and staggering fall, by Zeke Faux

The book would be a great, comic obituary of crypto, if only crypto were dead



By Timothy Massad

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Zeke Faux, **Number go up: inside crypto's wild rise and staggering fall**, W&N, 2023, 304 pages

Number Go Up is an entertaining romp through the craziness of crypto. The author seeks to explain how “the greatest financial mania the world has ever seen” has brought riches to a few and massive losses to many others, while leaving most people wondering what it is all about. The title gives his answer, shorthand for what others might call the greater fool strategy of investing or classic ‘pump and dump’ tactics: launch a coin (which has no intrinsic value or purpose), get other people to invest in it so that the ‘number goes up’, and then get out – or move on to the next coin – before the bubble pops. Faux is dismissive of the underlying technology, calling it nothing more than a spreadsheet, and of those who proclaim loftier goals: they are just trying to hide their ambitions to get rich quick by fooling others, or are themselves being fooled.

Faux claims his purpose in writing the book is to get to the bottom of the story about Tether, the so-called stablecoin that is arguably the circulatory system of crypto. Each Tether token

represents a dollar and purports to be backed by assets worth one dollar. But is it? Faux started looking into Tether while a reporter for Bloomberg. I was one of those he contacted early on when he said he was working on a story for Bloomberg's *Business Week* magazine, and I strongly encouraged him to pursue the story. The quest takes him to far corners of the world: Sam Bankman-Fried's headquarters in the Bahamas; the 'ApeFest' in New York; scammer compounds in Cambodia; and El Salvador, which declared bitcoin a national currency.

Most of these jaunts reveal very little about Tether's inner workings, however. Indeed, I doubt whether he really thought they would, and instead just needed a way to string together stories from a bunch of escapades. Aside from a couple of failed attempts to confront Tether management, the targets he chooses can't and don't reveal any Tether secrets, or answer whether the company actually has the reserves to back the tokens. Aside from amusing biographical elements about the company's principals, anyone looking for insight about Tether won't find it here.

Faux even ignores some basic facts about how Tether works. He decides to journey to Cambodia to investigate scammers using Tether and argues that the company should stop such use. It's a "cop-out", he says, for Tether not to take action, since it knows when scammers are using its coins: "There

was an entry in Tether's database representing how much money I had, and another one representing how much Vicky Ho [a scammer] had." But while this may enhance his story, it is misleading, as Faux surely knows. Tether tokens, like crypto assets generally, are bearer instruments. So, Tether doesn't necessarily know that a blockchain address belongs to Faux or to 'Vicky the scammer'. While I believe we *should* require stablecoin issuers to meet the equivalent of the 'know your customer' rules that banks must follow, they don't have to do so today.

This book will inevitably be compared to Michael Lewis's *Going infinite*. The latter is a much more informative and nuanced portrait of Sam Bankman-Fried, the convicted fraudster and founder of FTX. It captures what drove him to initially succeed and the tragedy of his downfall – both in terms of the harm it caused so many others, and the waste of the life of a talented individual. Faux's view is that Bankman-Fried was a liar and fraudster from the start, end of story. His interviews with Bankman-Fried add very little to our understanding of what happened and why.

On the other hand, Faux's discussion of other crypto failures is worth reading, if only for entertainment value. He adds colour to the story of the downfall of Celsius, the crypto lending platform created by Alex Mashinsky. Faux interviews Jason Stone, to whom Mashinsky delegated the task of investing Celsius's burgeoning deposits. Anyone who has

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any doubts that Mashinsky was a fraudster and Celsius was doomed to collapse should read about Stone's strategies, not to mention his drug habits. Mashinsky has denied fraud charges and a fraud trial is due later this year. Faux's description of Three Arrows Capital founder Su Zhu is short and scathing, quoting seemingly uninspiring comments that "made him by crypto standards, a 'powerhouse intellectual'".

Number go up is strongest in its depictions of other dimensions of the crypto craze, such as the not fashionable tech (NFT) bubble. Here Faux's strategy of participating in the insanity pays off. He recounts his efforts to purchase a Bored Ape for \$20,000 and attend the ApeFest – a four-day gathering of crypto elite, celebrities and hangers-on. His sharp wit and vivid sketches of NFT hawkers should be required reading for anyone considering an NFT investment.

As mentioned earlier, Faux also engages with a crypto scammer, which leads him to journey to Cambodia to investigate the compounds where, allegedly, young people are lured into jobs by gangsters and then forced to engage in scamming under threat of torture or death. The decision to go is courageous, but arguably a bit foolish: what exactly did he think he could learn by just showing up? But the surreal and scary turn in the narrative is jarring, and it's good that he reminds readers of the very dark side of crypto.

His trip to El Salvador, whose president declared bitcoin a national currency, is also sobering. The narrative contrasts the silly claims of crypto promoters – who make quick visits to endorse the strategy before returning to their lives of comfort – with the reality of poverty on the ground.

Ultimately, the book would be a great, comic obituary of crypto, if only crypto were dead. But the fact is Tether is thriving, bitcoin is back up to \$50,000 and some of the world's largest financial institutions are promoting bitcoin exchange-traded funds. That underscores the need to create a better regulatory framework, to prevent the harm Faux depicts, but also to harness whatever potential the technology may offer, which might be with stablecoins.

Let us hope the book isn't just seen as a pronouncement of last rites.

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