

[Transcript] Behind the Money / Bonus: Michael Lewis on FTX & Sam Bankman-Fried

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Hey, BTM listeners, it's Safiya here.

We've got an extra episode this week.

It's a live recording from the FT's due diligence forum
that took place in London on October 11th.

In this discussion, the FT's chief features writer, Henry Mans,
sits down with author Michael Lewis to discuss his latest book.

It's called Going Infinite,
the Rise and Fall of a New Tycoon,
and it chronicles the story of Sam Bankman-Freed,
founder of the crypto exchange FTX.

Lewis followed Bankman-Freed right up until FTX collapsed last year.

Now let's get into it. Enjoy.

Excellent. Hi. Great to be here with Michael Lewis.

Someone was just telling me before this event
that they were told on their first day of work
if they hadn't read Liar's Poker, they were fired.

It's a book that obviously endures,
and you've made a career out of digging down
into the sort of oddballs and mavericks
who have found a way to success.

You've explained the financial industry,
and I think to a broader public than almost anyone,
and you've managed the impossible feat of making it seem cool at times.

So, you know, a real set of achievements.

But I don't know whether any of that prepared you for Sam Bankman-Freed.

And one of the amazing details in this book
is that the only person with a company org chart at FTX
is the therapist who was brought in to help them out.

We need to talk about this. Can we start with this?

Go on.

As a way of introducing how odd the story is
and also just how odd my relationship to the story is.
So, Sam Bankman-Freed, at some point, pretty early,
when he collides with Wall Street,
when he becomes a high-frequency trader, Jane Street,

discovers or thinks he discovers about himself
that his particular aptitude is essentially
functioning in semi-chaotic environments.
Like, not playing chess, though he's very good at chess,
but not great.
But chess, if you've got to make moves in five seconds
and the rules are changing once every two minutes,
you know, that queens are pawns or whatever.
And that very often the right answer is not knowable,
but thinking in a quantitative, probabilistic way
gets you to a better answer.
And I think what he does, once he discovers about this,
it kind of puts a fine point in his own mind about himself,
about what makes him special,
whether it's true or not, it's kind of how he sees himself,
is he proceeds to create lots of these environments.
And his company is run like a chess match
where you have to make a move every five seconds
and they're changing the rules every two minutes.
And there's just no order.
And one symptom of the lack of order was, like, lack of job titles.
I mean, no CFO, no formal list of employees.
So, like, the bankruptcy and the prosecutors
don't know who work there and no organization chart.
And so, when it all goes bust,
one of the things that the guy who was running the bankruptcy,
John Ray says, look how crazy this is,
this is not even an organization chart.
Well, at the same time,
there are these compensating mechanisms going on
inside of Sam Bankman's world.
You thought you were going to have to talk, right?
You know, I'm sorry, I'm just going to go on for a little bit.
But there was all this emotional baggage
on happiness fallout that happened from the way he ran
his affairs and created his little space.
And he subcontracts these problems to other people.
And one of the people he subcontracts into
is his own therapist, his own psychiatrist,
who is based in the Bay Area,
a fellow named George Lerner,
who has become by kind of happenstance
the psychiatrist to effective altruists.
They'll hold to the community.

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He's a psychiatrist to Sam's girlfriend, Caroline Ellison,
before he's psychiatrist to Sam.
And Sam has the idea,
I'm going to move him to the Bahamas
and I'm going to make him the psychiatrist for the whole company.
And so he moves to the Bahamas
and in rapid order,
virtually the entire staff in the Bahamas is seeking his counsel
and wanting to come lay on his sofa
and tell them about their problems.
And a lot of the problems,
almost all the problems are work related.
And a lot of those problems are,
I don't know where I am in this organization.
I don't know who I'm supposed to be listening to
or who I'm supposed to be.
And so George starts interviewing people in therapy
about where they are.
Can I see the book in the organization?
This is something that has not been,
I've not been able to do it on television.
It's just not, because there's so much material
in the book that I've had to get out.
But George, all by himself,
and not telling a soul in the world,
especially not Sam,
creates the only organization chart for FTX.
And it's on the inside of this book.
And he gives it before he goes and disappears.
He gives it to me on a thumb drive.
It's like one of those family trees in a Tolstoy novel.
If you want to follow the story or follow what's going on,
you just look and you want to know who worked there.
There it is.
And it's actually a quite good picture.
But Sam Beckman-Free doesn't know that exists.
And the prosecutors and the bankruptcy bill
don't know that exist.
So it's an example of the weirdness of the story
and the weirdness of my position in relation to it.
George, as he was walking out the door, said,
someone's got to tell this story in full.
Here's everything I can tell you about these people.
Here's the thumb drive. See ya.

And it ended up there,
which I thought was very clever of my publisher.
Yeah, super stuff.
I mean, let's go back to the first interaction you had
with Sam Beckman-Free.
And after your first meeting,
you were put in touch with him by Brad Katsuyama
from your book, Flash Boys.
You go and meet him and you come out enthusiastic,
like raving, like saying to Brad,
he should do business with this guy.
So, Brad was asking me,
so could you meet with this guy?
I didn't know who Sam Beckman-Free was.
I didn't know what FTX was.
People at Crypto World had made several runs at me
to try to get me to write about Crypto World.
And every time I encountered it,
I felt like it just felt hollow.
Like the people were,
they were just talking their book.
It was almost like,
can you write a book about my bond portfolio
and make it go up? That's what it felt like.
And the stories they would tell were always so,
I mean, just didn't, you know,
this Bitcoin is going to replace the dollar.
You know, just, it didn't ring true.
And so it was, he says,
so Brad Katsuyama says,
we're about to exchange shares in our company
for shares in FTX.
It's the fastest growing financial business I've ever seen,
but it's an odd situation because
I can't get a read on him, on the guy,
on Sam Beckman-Free.
And I've called all over and nobody knows who he is.
And what was peculiar about this,
and peculiar about the story,
and how Sam's relationship to the wider world
was at that moment,
he was, according to Forbes magazine,
they just announced he was worth \$22.5 billion
and was the richest person in the world under 30.

And he'd come out of nowhere so fast
that there was no social context for him.
COVID didn't help.
The fact that he was in Hong Kong didn't help.
But so Brad asked me,
go for a walk and just tell me what you think about him.
And at the end of the walk,
I did call Brad and I said,
go for a walk.
Go ahead.
Sure.
There was nothing that was seemed at all alarming.
I would say this.
Hold on, before you say what you're going to say.
Because this is interesting to me.
People are not telling the story
from the point of view of hindsight.
No one, as far as I can tell,
zero people actually said the thing you would say
if you knew what the problem was inside of FTX.
Lots of people, including the FT,
were suspicious of crypto.
FT was famously suspicious of crypto.
It's not a bad heuristic
that if it's a crypto business,
there might be something wrong in it.
People did throw suspicion on FTX.
But nobody said the deposits are in Alameda.
People said a lot of other things, but no one said that.
And that's the thing you would say
if you were trying to bring the place down
or you were trying to identify the problem,
no one saw it.
So obviously, there was not anything
obviously wrong with this person when you met him,
because nobody saw it.
And everybody wanted to do business with him.
What's the lesson there?
As you say, VC is trying to get into this company mad.
There's one company, you quote,
one VC who sends over a term sheet
and says, you fill in the number and we'll sign.
And they actually back out with 150 VC's going in.
I'm sure you've done some thinking

about your own snap judgment on him,
but what didn't they do which they should have done?
I wouldn't have ever put my own money
in any way based on a conversation.
That's idiotic.
I wouldn't have ever put my own money in any way at any point.
So first, I mean, I guess the lesson would be
like don't rely on an interview to make an investment decision.
But I wouldn't.
And I think most people in this room probably wouldn't.
The lesson, if you're a VC,
let's think about this for a minute
because look, the VC is to getting all kinds of grief
for not having done the proper due diligence, right?
They screwed up by just handing this person money
and not insisting on any kind of controls.
There's no board of directors.
I mean, no, see, if all that stuff,
no real insight into the business.
However, I'm not going to completely defend them,
but sort of defend them.
What is the VC's worst nightmare?
All these people, it isn't losing money on this.
If FTX ends up being the next Facebook and they missed.
So I think that's the first thing that's going on.
It's like this thing is moving so fast,
he doesn't need our money.
That was the other thing.
It was he was profitable.
He was in a seller's market and it's COVID
and they can't meet with him.
I mean, it's all over Zoom and remote.
And once it starts and so a few people are in,
it becomes a rush to get in
and a fear of being left out.
I mean, that's not the best way of like running a portfolio,
probably, but you can see how it,
you can kind of see how it happened.
It's insane only in retrospect.
In the moment, it felt to them fairly natural.
And just to push this a little further,
there's this thing out there when it all fell apart that,
oh, it's like one big Ponzi scheme.
And that's not the right,

there's a definition of a Ponzi scheme.
That's not the right description of this.
People trying to put this in a box,
just like this other financial scandal made off
or Ponzi scheme or whatever.
It rhymes with a lot of financial scandals.
It rhymes with milking in some ways.
It rhymes with long-term capital management.
There's a whiff of Bernie made off.
But one of the important facts about this is FTX itself
was a gold mine.
That business, that was a simple business.
It wasn't the first business Sandbank would create.
That's the problem.
He creates this hedge fund or this whatever you want to call it.
It's a high-frequency trading firm for crypto.
That's where the problems were.
And almost accidentally, he creates FTX.
He doesn't actually think he wants to create the exchange.
He creates the software for the exchange
with his help from his CTO.
And he's trying to sell it to other crypto exchanges
and keep a licensing fee or something.
He doesn't even think he has the ability to run an exchange.
So it's kind of accidental that he ends up,
after nobody wants to do it, doing it himself.
And further accidental that it works.
But once it works, and it is essentially the casino,
and the business is so simple, it's just like hosting trades
and taking a little slice of each trade.
Simple, boring business that was working.
They were gaining market share,
even as the market was falling apart,
their revenues were holding up.
It's why the employees of the place had no sense
there was anything possibly wrong,
because all they saw was that.
Now that, Alameda had not existed.
And you just had that with the possible futures of that.
The VC investments make some sense.
I mean, it could have been a really big business.
So that is on the assumption that crypto itself had a purpose?
No, it isn't really.
All it matters is that crypto people believe it has a purpose,

or people just want to gamble in it.

Crypto could be, I mean, it's a tulip craze.

So it's a tulip craze with a twist.

But as long as people are trading crypto, for whatever reason, and it may be because it has a purpose, or maybe because they just want to trade crypto, the casino is going to have value.

I agree with you.

You can make an argument from 90,000 feet that crypto itself is a Ponzi scheme.

That's a different thing.

But as long as people are willing to trade it, the casino works.

And it's not wrong that blockchain could be important.

I mean, it's an odd thing.

It's an odd fact of the modern world that the internet happens.

It is a mechanism for eliminating intermediaries in all spheres of economic life.

And the one sphere of economic life, which not only doesn't really get eliminated, but the intermediaries seem to be able to extracting more and more rents, is the financial sector.

And blockchain, as a possible response to that, is not completely stupid.

That's why Blackback has the demos in it.

Yeah, I mean, the pushback on that is that crypto, by having a decentralized ledger, is in fact inefficient.

It's never going to have the speed, the scale that you need.

I mean, the risk of crypto is summed up brilliantly by one of the FTX employees.

He says, why don't more people just kidnap people with loads of crypto assets and hold them hostage until they hand them over?

I mean, the risk of having an asset that's held in that.

But also, when you first described this book to me last year, I'm not saying it was about Simon Bangman-Free, but it was an extension of your book, Flash Boys, which is about high-frequency traders and the relationship between them.

And it's sort of the warping of financial regulation in the US.

Right.

And yet here you have, even if you appreciate FTX as a business, it was an exchange, which, like the exchanges you were writing about, was just making huge margins or huge amounts of money,

as you say, on tighter spreads often.

Right.

But I mean, it's not the kind of business that you, Michael Lewis, would have sort of approved of, as it were, in the Flash Boys context.

No, it wasn't the FTX.

It's one of the mysteries.

Well, it's not, maybe it's not a mystery, but it's one of the curiosities of crypto world that...

How does this start?

I mean, the people were running at me at crypto saying, write about crypto, write about crypto, write about crypto.

I never found it interesting enough to want to write about it.

When crypto became a \$3 trillion market, I got interested.

And it was not the technology, it was not the trading.

It was just one of the social consequences of that incredible instant creation of wealth.

And one of the social consequences was Simon Bangman-Free.

So that was the other hook I had, was that.

And I said to Sam, at the end of the walk,

I said, your story is bizarre.

I mean, I was coming from nothing.

But first, the sums of money.

Second, what he intended to do with it, or said he intended to do it.

Third, with what he was actually doing with it.

And fourth, how the whole world, in about 18 months, had reorganized itself around this new pile of money.

And he was stress testing all these systems.

You can see he was going to stress test American politics.

He was doing things in the media that were bizarre, questioning models of philanthropy.

Never mind the financial system.

So what interested me was, like, watching this interaction, what I said to him, and I just want to watch.

Watching this interaction between this character and the world around him.

Because it seemed like it was like nothing I'd ever witnessed.

And unlike Mark Zuckerberg, who would be the closest we have to the speed of wealth creation.

And I met Mark Zuckerberg.

He's inaccessible to me.

He's very socially awkward.

And Sam's socially awkward, but Sam was accessible to me.

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I could understand what he was saying.
He'd answer questions.
I could see that there was a literary possibility in him.
Mark Zuckerberg, I just wouldn't know what to do with on the page.
It would just be, oh, that was weird.
With Sam, it was like, it felt like a comedy is what it felt like.
I felt like the beginning of Ferris Bueller's day off.
So with Sam, you're a snap judgment and just an interview judgment,
but on a walk, this guy's real.
This guy is interesting and I want to watch.
When do you change your mind and think, actually, it's going to go wrong?
Not until it went wrong.
There's a little backstory here.
Because you called me.
This is so we need to let them know.
When it's all falling apart, I'm in the Bahamas,
in the little compound where he is.
All the employees have fled and I have it to myself and it's the most magical.
I mean, I say this in the book, but both the reporting experience and that moment
and the social and the environment reminded me so much of New Orleans right after Katrina.
I was there for Katrina and I wrote a big piece about it.
One of my favorite things I've ever written and it's my hometown.
And it was the neutron bomb thing where neutron bombs come off.
All the buildings are standing.
All the possessions are there just as they were and all the people are gone.
And I had the codes to all their offices, all their all their apartments.
I could sleep in any bed I wanted to sleep in.
I could borrow their undershorts if I wanted to.
I could eat out of the refrigerators and it was just it was like that's what was in New Orleans.
You call me in that moment.
So if you said the moment before that moment, how is this going to go wrong?
I would have had answers to that question.
The depositors money is in Alameda would not have been one of the answers.
And in fact, with all the characters very beginning, it felt volatile.
Caroline, Nishad, Sam, Gary doesn't talk, so Gary didn't answer.
But I did a premortem.
I said, you know a premortem, right?
I said, we're going to imagine all this goes wrong.
It's going to all blow up.
Tell me the story of how it all blew up.
And this would have been back in like February when things were great for them.
And they all had different answers.
They wouldn't have divulged this.
But I think they had sincere answers and they were worried about it.

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And Nishad was like, Sam gets kidnapped.

Sam gets kidnapped.

He said, crypto is the perfect ransom.

And he's completely unguarded.

Someone's going to come grab him.

But the thing that was going on in my mind when you called me while it was a surprise to me, what happened?

It was not out of line with what I knew.

I had half a story.

I didn't have a book at that point.

In fact, I still wasn't sure I was going to write the book.

I didn't have a book contract.

Nothing like that.

I'd spent a year with him and I was still figuring out the book.

But there was this thing that had happened that I had fully reported.

And it was early 2018, right after he leaves Jane Street.

He creates Jane Street for crypto.

That's the idea.

But he does it with 20 effective altruists in Berkeley, California, only two of whom have any experience in the markets.

And Sam has what?

Three years of experience in the markets.

And they raise \$175 million from their fellow effective altruists.

And it looks great for about a month.

And then it looks like it's just blowing up.

They're losing money.

They've literally lost the money.

Like, where is the money?

And they don't know how they've lost it.

It's not that they've lost it.

It's that they've lost it.

And that's different, right?

And it freaked them out.

Not everybody, but Sam, who didn't mind losing the money?

We lost it.

We'll find it.

I was like, let's keep trading.

That was his attitude.

And they thought he was insane.

They thought that in 10 of the 20, including the entire rest of the management committee leaves, they quit.

And they think there's a range of opinion about him.

And I interviewed them before FTX went bad and after.

So I got the two views.

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But the range of opinion was he is insane and he's criminal too.
He's just catastrophically disorganized in his mind that he needs this chaos and lives in this chaotic world,
which is not suited to running other people's money.
But in any case, they thought they were in big trouble and they all leave and he finds the money.
And then it all goes well.
And the ones who left say with one exception, one very intelligent exception, the one woman in the group,
all the guys say, wow, we were wrong and he was right.
And everybody who stays says, oh, our uncertainty was unjustified.
Sam's a genius.
He was right.
And that was a foreshadowing of what was going to happen later.
And so when it happened, I went, ah, that's what happens.
It was a little bit like reading a novel, living in his life.
It was like, what's going to happen next?
Does it make sense?
Does it not make sense?
And when it happened, it once surprised me.
It was because it was really stupid among other things, but surprised me.
And it made sense with what I had witnessed up to that point.
But I never would have guessed it if that makes any sense.
I never would have thought it.
So in my process, I have a witness to this process.
The day before it all blows up, it starts on a weekend.
By the next Friday, he's signing the bankruptcy papers.
And I had flown home just before the weekend.
It started because I'd agreed to go to a conference that Jeff Bezos hosts in a resort where he invites 100 people.
And it's a kind of Ted talks and it's a fancy thing.
It's fun.
And I couldn't get out of that.
So I'm at that conference and I'm with a film director, well-known film director, who I use as a sounding board for stories.
And I said, I got a problem.
I've just spent a year and let me tell you about my year.
I told them all about Sandbank and Freed.
I told them all about kind of the, what would be the first 100 pages in the book?
And I said, I got a problem because I don't know if I can write it.
I don't know where it's going.
And he said, you don't have a problem.
He says, you only have a problem if you want it to be a movie.
He said, because it's not a movie because there's no third act.
He said, but you can get away with this in a book.

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He said, you can dance your way to an end and the reader will never guess, will never sense that there's not an ending.

And so he was trying to talk, he was kind of talking to me, giving me courage to try to go write the thing because he was so interested in this social interaction that this person was having with the world around him.

So three days later, he writes me, he says, can I direct the movie? It's like, this is an unbelievable movie.

It had all fallen apart.

But I was in my process, in my head, when it all fell apart, I didn't know where I was going with it.

I was confused whether I actually had a book or I just wasted a year.

And when it all happened, I thought, now I kind of see it.

I see it.

I know where it ends.

It ends, well, it ends weirdly.

There's another alternate universe where you wrote the book a bit too early. I wouldn't have written it.

No, I just would have left it.

Sanbankenfried, I mean, his kind of wrinkles to call him politely of playing video games in meetings, you know, not showering.

Yeah, these are bugs, they're features.

These are how he is.

And we think about it again with sort of Elon Musk or whatever.

And people say, well, is there any way of sort of ironing out some of those, I mean, literal wrinkles?

Could you have a good version of Sanbankenfried?

Could you have done it?

Could anyone have done it?

I don't know.

I don't think so.

It's true that one takeaway from the story is the need for regulation and adult supervision, right?

It's just like, first it's seated when he's a kid, this idea that grownups are stupid and that the world is kind of stupid and that the only way he can navigate the world is by thinking about it by himself using his kind of mathy way of thinking about the world.

And if what he concludes ends up coinciding or consistent with what grownups are saying, fine, then they'll do it that way.

But often it comes out a different way.

It's true that if you would impose on that some supervision, it might have worked out better.

Certainly like at Jane Street, he's a success, right?

At Jane Street, it's okay to have a Sanbankenfried because you have 200 of them and no one of them is able to sync the firm.

200 of them are making these sometimes preposterous expected value calculations slightly better than the rest of the market.

And as a group, you will win.

But any one of them at any one time is capable of causing some harm.

Picking one of those people out and letting them run their world doesn't work very well.

So he was useful as part of a machine that was supervising him.

Is there a way to change his like essential nature

so that you put him on top of this organization and it's less chaotic?

I mean, I don't think you could have.

I think that there was like tragic fatalism to it.

You talk in the book how Bitcoin comes out of the financial crisis,

GameStop comes out of a lack of faith with those markets as well.

Is there something right about flash boys potential ringing in the market?

What does the collapsing in crypto assets, what does that lead to?

I mean, does it lead to something in terms of a political reaction in terms of a societal reaction?

Interesting. I even thought about crypto was such the backdrop or just the set kind of setting for the story.

Rather, it wasn't really a book of exactly about crypto.

Although it's a story that kind of only could have happened in crypto.

What are the consequences?

Well, are you assuming the crypto is dead?

Are you are you think it's in remission?

I mean, I can't see the use case.

I can't see what this thing is functional for.

How can it be both a store of value and an investment opportunity where it keeps going up?

Let's do this just for fun because it doesn't matter what I think.

How many people here think crypto basically is dead in the long run?

That is about half.

And who have the other view that it might still have legs?

Yes, we're split.

50% of the audience.

That's how my mind is. That's how I feel. I feel split.

I don't feel like this is not a judgment I have to make.

I'm not buying any crypto.

But certainly the Bahamas who sort of they missed out on insurances or reinsurance.

They go into cruise ships.

COVID hits.

They're screwed.

They could use some investment.

Even the UK has tried very hard to push itself at times as a crypto hub.

Your book is a cautionary tale for those kind of financial centers.

Well, crypto is a lawless place, right?

It's attracted pirates.

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And so in defense of the Bahamas regulator, Christina Roll, who wrote the rules that enabled, that gave a home to FTX. And who said back in good times, I wrote those rules. I didn't know who was going to roll in and take advantage of them. She was grateful at that time that it was FTX. But she said, my fear is any day I wake up and there's going to be some headline. It's just disastrous. And she was right. She knew she was taking a risk. She thought it was a justifiable risk for the Bahamas because the Bahamas was in such dire straits. And she thought, what is the path for the Bahamas to having a middle class? And this was one. I don't think she was, I don't think it was a dumb bet. I think that was kind of smart of her. It was like, a bit like the venture capitalist. It was like, you can understand why she took the risk just because it went bad. Doesn't mean it was a stupid risk to take. I loved about her was how clear-eyed she was about Sam all the time. And never, she didn't go up and down about him. She said in good times, she said, she thought of him as kind of shy, a little bit vulnerable personally. And she said, it's odd to me, he doesn't understand why people don't trust him. When he's talking to you, you can see him making expected value calculations about the effect of everything he says. It's like, you can see you're a board game to him. And I don't mind that. It's just, that's the way he is. But she saw that instantly. She read him very well and, you know, went bad. It's sad it went bad. Have you read it, by the way? Of course I've read it, yeah. It's only been out a week. I mean, it was embargoed in the most pretty strict way. So it's only been actually available. Have I not given an impression of reading it? No, no. You're very glib, but you can completely pull off an interview without having read the book. I got myself sidetracked. I don't know what I was saying. You were talking about Christina. Oh, it's about how you feel about it. If you ask me what I hope for the reader, I withhold my own judgment, right? I don't tell the reader, do I think he's guilty or innocent?

I just leave that out intentionally.
I withhold some judgments about, like, what his medical issues are and what the brain wiring is.
I let other people do the investigation and do the judgmental stuff and all the rest.
But my feeling about the story is, it's been interesting to me, the rage. So there's a rage about this person. It's a rage.
You probably see a little bit of it, but in the United States, the rage is amazing. It's been a bloodlust since it all fell apart. And, you know, just because there's a mob doesn't mean the mob's target. It's the wrong target. But mobs may make me queasy just generally. They're not attractive things. There's been kind of a mob attitude towards him. And the emotion around it is anger. And as you get closer to it, not just me, but the people on the inside who lost everything, people who have brought their parents and cousins and brothers and sisters onto FTX, who lost everything and are furious about what happened, feel mainly sad about him. There's a kind of sadness about it, more than anger. And that distinction I thought was interesting. And I thought, to the extent I lend a kind of emotion to the story, it's that. It's like anger is not that useful emotion. The sadness thing is, it feels sad. It feels like this person was the beneficiary, but the perverse beneficiary of some contemporary forces. In no other time in history would Sam Beckman free to be in this situation. He never would have even gotten onto Wall Street. It's like he's of the moment. The forces propel him. And he's really not up to managing these forces. He is flawed, deeply flawed, but deeply interesting. And I wonder if the kind of people just have the context for it so they can have a fuller emotional response beyond anger. Yeah. You've written a lot of books and a lot of them have been bestsellers and a lot of them have been wonderfully critically acclaimed. Does it feel different this time? I mean, you're getting pushed back on this book

and you're getting pushed back as well on a book you wrote in the past, The Blind Side, about American football, about a footballer called Michael Orr. I'm not really getting pushed back on the book because his target was the movie and the movie was quite different from the book.

I mean, people have seen The Blind Side and even...

Is it familiar here?

Yeah.

I mean, we obviously don't understand anything about American football.

You can cut out the story.

The basic idea is that he was a guy from very troubled background in Tennessee, Crack Alex, Vosta home, ran away from home, didn't have a home.

Right.

Then it's taken in by this family and he says...

He thought he was adopted, whereas in fact it's a conservatorship.

Did you know he wasn't adopted?

It's in the book.

It was a guardianship or a conservatorship.

They didn't call it that until Britney Spears made it infamous.

But the reason they did it...

So first it was never used for financial reasons.

It was used only to give him money.

But the reason they did it was bizarre, but it's in the book.

At the time, the NCAA, which polices college athletics, was policing vigorously at the time the border between amateur athletes, especially poor black athletes, and rich white boosters of the school who would try to entice the athletes to go to their school.

And the NCAA would not have allowed Michael Orr to go to the school he wanted to go to because of the help the twoies gave him unless there was a legal arrangement in place.

They said it.

It was something legal, and that's what they did.

The way this starts is the blindside movie made a fortune.

Not for me, but it made a fortune.

It made a half a billion dollars for the people who made it.

And Michael Orr said the twoies had made millions from the movie, and it hit it from him.

And that this conservatorship was somehow the mechanism for doing that.

And I knew instantly that that was false because I was the world's authority on how much money they made in the movies because it was my money.

That money got made was I sold the book rights to make a film to Hollywood.

And normally what happens when an author does that, they just keep the money and they let the subjects fend for themselves.

And oftentimes the movies feel like they can just distort the real people enough that they never have to involve them.

And at least that was my advice at the time.

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I instead gave the twoie family half of my money.
So I knew the accounting.
I knew exactly how much money had gone to them and to me.
And to the extent there was a scandal, a scandal was a scandal of Hollywood accounting.
They made half a billion dollars.
We supposedly had a percentage of the net profits and we didn't get any.
So when I got into the fight, I jumped into the fight because I called a reporter and said,
I know this is not true.
He's accusing them of stealing money.
And subsequently it's emerged he was trying to extort money from them two years ago.
And two years ago he called me and said, could we go on the road
and talk about the blind side to make money?
So there's some money issue going on in his life.
And he's lashed out in this way.
And in the current media, political, cultural climate,
it is dangerous to stand up on the behalf of this rich white family
in the face of charges made by this rich black kid.
He made \$40 million in the NFL.
So I don't know if he's still rich, but politically it created problems for me to do this.
But I did it.
And even Michael Orr isn't questioning the book.
So the book has actually, if I just stayed out of it, the book would have been my agent said,
stay out of it because it's just about the movie.
But the book has like not been touched.
Do you think the film is good?
Do you think the film is accurate?
So it took half the book.
So yes, I do think they completely captured the spirit of the thing.
He was a part of their family for years.
Like actually they loved him.
Actually he seemed to love them.
It's sad.
Again, it's more sad.
And breathtaking that he could get himself around in his head to the view that they exploited him in
some way.
And then he feels this way.
I can tell you that it would not shock me.
This is going to sound weird to you if we're sitting here in five years and they're all back together
again
and they've forgiven him and their family again.
There's still some feeling there that I think and I think it might, once it blows over, they may be
reconciled.
So your broader question about, am I used to being hated?
And not really.

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Twice this has happened before, not the blind side.

Twice when books came out, I faced a vicious and hostile kind of reaction to it.

The first was Money Ball.

And there was a war when that book came out that you wouldn't have seen it because it was mainly in baseball

or American in sports generally.

But anybody who was classified as an expert in professional sports went after it.

And to the point where for about a year, I could not turn on a sporting event on American television without running the risk of having someone say something nasty about me or the book.

And the book had to fight kind of hand-to-hand combat for about a month or two.

And there were a lot of nasty reviews, mainly by local journalists.

So I had that experience.

And the other one was Flash Boys.

And that was more peculiar because it was essentially an organized and financed campaign by a few high-frequency trading firms.

And it actually extended into Washington.

They created a lobbying effort to actually lobby against the book.

In the case of this book, I mean, you can't imagine it, but if you could imagine it, if this book was published 15 years ago, you wouldn't have seen this reaction.

It's the existence of Twitter.

It's the ability of people who are upset or threatened or whatever to organize, to create a noise.

But the odd effect, so I've seen it twice and I know what it does,

it sells the hell out of the book.

I've sold, in the first week, 100,000 copies of this book.

I've never done that before.

That's a lot of books.

So that means, I mean, that sounds mercenary, but it also, what it means is you're going to have 100,000 readers.

And the readers will read the book.

And the book will finally, it's not going to be choked off.

It'll have its life in the world.

So I don't worry that much about it.

Great.

I just want to ask-

I mean, if you liked me less, that would bother me.

But I don't think it hasn't really affected my personal life.

No, I don't.

I just want to ask one quick thing.

And one is that there are two other, at least two other potential villains in this book other than Sam.

One is John Ray, who comes in to clear up at the end.

And some of the quotes from him are amazing.

And the other is CZ.

And I just wondered, you don't want to say whether you think Sam is guilty or not.

But do you feel that those other people are almost as worthy of the justice system's attentions or of

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accountability?

Well, it's not what I think.

CZ is getting the justice department's attention.

And my understanding is they would love to arrest him.

So we'll see what happens there.

I don't know.

But he seems to be the focus of justice department interest.

So the bankruptcy thing is so interesting to me because I didn't know anything about US bankruptcy until now.

It's like, I never paid any attention to the process.

And the process is scandalous.

This may be a particularly scandalous case of it, but it is also, I think, generally scandalous.

Used to be supervised, regulated by the SEC.

And that changed in the 1980s when, I guess, the SEC felt overburdened.

And now the only oversight to the process is a character in the justice department called a trustee and who has no teeth.

That person can bitch and moan about how the lawyers are running the bankruptcy, but they can't actually do anything about it.

And that trustee has written letters to the bankruptcy judge saying, you can't do this.

You can't let the law firm that was advising Sam Bankman-Fried with his applications to like the SEC and the CFTC before things went bad

to not only talk him into going into bankruptcy, but then making half a billion dollars off the bankruptcy.

Running the bankruptcy, they're sitting on the evidence that might implicate them.

And the process by which they get hired is very squirrely.

I mean, they hire John Ray to run FTX.

And the next moment John Ray hires them to run the bankruptcy and the fees involved.

I haven't counted it lately, but I had one institutional creditor had done some analysis and I saw it.

They think the bankruptcy fees are going to be a billion dollars, a billion dollars.

So what they saw in the case of FTX is a very fat corpse.

It was not just a corpse. It was a corpse with lots of assets in it.

And one of the peculiarities of this story is that it hasn't been much press about it.

But the bankruptcy itself has released the fact that there are \$8.6 billion of customer deposits that are missing.

They've already recovered \$7.3 billion in liquid assets, and these weren't like clawbacks from people.

These were \$7.3 billion that Sam had lost, like Easter egg lost.

And they found the money. They found less much money.

And they're sitting. This is where it gets great.

John Ray, when I first sat down with him, is telling me how he instantly, the moment he saw a picture of Sam, he could see he was a criminal.

And that as a result, he wasn't going to speak with this person or ask him where he hid his Easter eggs.

And that as an example of how insane that Sam was, he said, look at the stuff he bought in his little

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venture capital portfolio.

He bought this business called Anthropic. What an idiot, he said.

He said, there's nothing there but an idea. He gave him half a billion dollars for 20% of the company.

Well, you know what's happened with Anthropic.

I mean, the latest valuation, it sounds like Amazon has invested in an evaluation of \$30 billion.

So they're sitting on a stake. It's been diluted, but I think it's like a 15% stake that's of a company that if that is worth what it seems to be worth,

it's possible we will be sitting here in a year and Sam Bankman Free will be serving a life sentence and customers will be getting their money back.

That's not an outrageous thought.

Michael, it's been an absolute pleasure seeing you and hearing you talk through this amazing character instead of events.

As you say, I mean, you see it as a comedy, but this guy is facing life in prison.

It's a tragic comedy. You know, it's like this weird, it's a weird genre, but yes.

Will you visit him in jail if he goes there?

Yes. Yeah.

Wonderful. Thank you all very much for listening. A big hand for Michael Lewis.

Thank you.

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