

[Transcript] The Intelligence from The Economist / SBF, FTX, WTF? Sam Bankman-Fried goes on trial

When you pick up some scratches, cause you want a fun break
To play for where you scratch is the next choice you should make
You can make your dogs leg kick and scratch with that
You can even grab a laser pointer and use your cat
You can build yourself a homemade scratching machine
Or use a piece from your chest set
Go ahead, grab the queen
Scratch like a DJ with your record player
A cactus could scratch off that scratchable layer
Cause when it comes to scratching, there's a million play for ways
Thanks to scratches from the California lottery
A little play can make your day
Please play responsibly
Must be 18 years older to purchase, play or claim
Hello and welcome to The Intelligence from The Economist
I'm your host, Jason Palmer
Every weekday we provide a fresh perspective
On the events shaping your world
Crime in Britain is broadly on a downward trend
One offense though is clearly on the up
Shoplifting, it's getting more organized, more brazen
And it doesn't have as much to do with inflation
And costs of living as you might think
And Dave Portnoy first made his name
When he started Barstool Sports two decades ago
But it's his one bite reviews on YouTube
That have made him the unlikely kingmaker of American pizza
First up though
Proceedings today are going to bring up some sour memories
For thousands of cryptocurrency investors
Last November the crypto exchange FTX
Underwent a spectacular failure
Is this the Lehman moment for crypto?
That's the question some in the industry are now asking
Leading cryptocurrency exchange FTX faces bankruptcy
Billions of dollars just disappeared
Hitting big shot investors and small fry alike
The founder and figurehead of FTX Sam Bankman Freed
Widely and once chumily known as SBF
Was arrested back in January
FTX founder Sam Bankman Freed arrested in the Bahamas
Set to face a judge this morning
After US prosecutors filed criminal charges in connection

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With a multi-billion dollar collapse of his crypto company
At his days in court are about to begin in New York
As a jury is selected
Sam Bankman Freed is a former crypto billionaire
Who faces charges that could lead
To him spending up to a century in prison
Henry Tricks writes Schumpeter our column on business
It's just a spectacular fall from grace
For a guy who was the world's richest man under the age of 30
And now finds himself alleged to be the mastermind
Of the biggest fraud of the crypto era
So what are the details on the charges that he's facing?
There are seven charges that he faces
And these include multiple counts of fraud
Of misappropriating clients money
He's charged with conspiracy to commit money laundering
And really behind it all is an accusation
That he defrauded many of the world's biggest investors
And other customers via the cryptocurrency exchange
That he created called FTX
This has led to accusations
That essentially he stole billions of dollars
That people gave to him to invest in crypto
U.S. prosecutors are calling these alleged actions
One of the biggest financial frauds in American history
Although it must be pointed out
That Mr. Bankman Freed denies these allegations
And pleads not guilty
So how did he convince so many of these very smart
Very rich people to part with their money?
He is a very clever intriguing character
I've just finished reading a new book by the financial writer Michael Lewis
Who spent more than a year with Mr. Bankman Freed
And describes how his subject had to actually teach himself how to smile
In order to engage with people at work
And yet he developed this oddly magnetic personality
Which enabled him to bring lots of people into his orbit
To convince them in his ventures
In this book what comes across is his extraordinary hyper-rationality
It sets him apart from almost everyone
He views people not as good or bad or brave or cowardly
But as probability distributions around a mean
And he took this hyper-rationality approach to business

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He basically became a genius at spotting statistical anomalies
In different markets around the world
And he applied that skill to cryptocurrencies
And that made him a billionaire in an extraordinary short period of time
So how did it all come apart then?
How did the hyper-rationality reveal itself as not very effective?
Well it was really an incredibly quick downfall
It became apparent in November of 2022
That large buckets of money that had been deposited on the FTX exchange
Had gone missing
And up to almost \$7 billion appears still to be unaccounted for
Though the question of the missing money will surely be assessed by the court
The new CEO of FTX, John Ray
Who was brought in on behalf of creditors after it filed for bankruptcy
He's described the record keeping in FTX as the worst he's ever seen
The issue here that I was speaking to is
I've just never seen an utter lack of record keeping
Absolutely no internal controls whatsoever
The nub of the problem is that this money that customers of FTX had deposited on the exchange
In order to trade cryptocurrencies was mysteriously put into a hedge fund
That Mr. Bankman Freed also controlled
And the allegation is that he misappropriated that money for his own ends
And so the trial then will be about how the money moved around and when and who's on the hook
for it
It's a mess out there and prosecutors are going to have to sift through a lot of
Very complicated paper trails
Working against Mr. Bankman Freed is the fact that some of his closest friends
His colleagues and his ex-girlfriend are expected to testify
To explain how he improperly channeled sums of money held on FTX
Into that other crypto trading firm that he controlled which was Alameda Research
For instance, his ex-girlfriend Caroline Ellison who was the former chief of Alameda
She must know as well as he does what happens to some of the money
That said their testimony and their role in the affair is bound to be challenged by Mr. Bankman
Freed
There were intense personal relationships going on here
And so do we have a sense for what kind of defense he's going to mount?
Mr. Bankman Freed has been clear pretty much from the start
That he made a massive mistake, but he didn't intend to defraud
He's claimed that he didn't know the details of what happened at his companies
And that you know this money just sort of went astray
And the defense can indeed fall back on the complexity of FTX and of cryptocurrencies in general
Prosecutors have never really taken on a case like this as we've seen it's hugely complex
But that said he has a lot facing him

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And the prosecutors only need one of the charges to stick for him to potentially end up in prison
And Henry, I know that you're going to be speaking a lot more about this on money talks our sister show on business and finance
Yes, I will be on the show next week
alongside Michael Lewis who you'll probably know as
A financial author he wrote the book liars poker about wall street in the 1980s
And he also wrote the book the big short which was turned into a blockbuster movie
And he's written this insider account of the whole affair that I mentioned earlier
So I'll be interesting to talk to him when he's on the show
And you can read my review of his book on our website economists.com
Not just the big short, but also moneyball
Oh, that's true. Yes. Yes
Well, Henry, I will keep my ears out for that for the moment. Thank you very much for your time.
Great talking to you Jason. Thank you
Now you probably know what I'm going to say about hearing more from Henry on money talks
From later this month if you want to listen to that and all of our weekly shows
You're going to need to sign up for our new subscription economist podcasts plus
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I
Used to go in dress smart no bags. I just go in looking quite casual
I'd always purchase something whilst I was in there even if it cost 50p for a pack of chewing gums
Cullen mace is a former shoplifter. He says he used to steal 2000 pounds worth
\$2,400 worth of goods a day to fund his heroin addiction
Typical day of shoplifting would include planning and my destination the day before
Getting up early getting on the motorway getting to our location
And then what we would do is work our way back down to card if hitting every valley village town
whatever we could
until the car was full
Soon as we get home
We'd ring up some of our contacts to would buy in bulk and sell it all as soon as I've sold it
I'm going straight to my drug dealer. I'm locking up in a flat and I'm starting all over again in the morning
Cullen now works for an organization that helps addicts, but while he's no longer shoplifting the number of those who are is growing

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So Britain is in the middle of an area of falling crime generally
There are a couple of crimes that are bucking that trend and one of them is shoplifting
Me and ridge is a Britain correspondent for the Economist
There's been a 24 percent increase in reported incidents of shoplifting in the year to March 2023
And that actually continues an upward trend that's been seen since about 2013
So there's clearly a big rise, but what what are these sort of absolute numbers? Let's put some numbers to it
So last year the police reported
342,000 cases of shoplifting which will be a drop in the ocean of the total number
There'll be far more incidents than that that are never reported in one respect though. This is a correction
It's a return to something like the levels of shoplifting that was seen during the pandemic when Britons were locked down. They weren't able to go shopping let alone shoplift
But the British Retail Consortium makes it out to be slightly more dramatic than this
It warns that it's soaring across the country and that's a line that's repeated by individual retailers
The British Retail Consortium also says that in some cities it's increased in the last year by as much as 68 percent
But if broadly other crimes are falling
It's tempting to imagine that a rise in shoplifting has something to do with just soaring costs of living
So no one really knows who is shoplifting. Why?
But anecdotally and that includes anecdotes from academics who are studying this phenomenon
It seems that the cost of living crisis actually only plays a pretty small part
Most shoplifters seem to be
Repeated sort of petty offenders with drug or alcohol problems who are being given shoplifting lists
by organised criminals
And thieves quite often seem to be stealing to order
After getting a list from a criminal gang because the popular items often include alcohol
baby formula
confectionery and meat which some shops say are being swiped in bulk clearly to be sold elsewhere
This may have been made easier by a change to the law in 2014
Which meant that low-level shoplifting that is of items worth less than 200 pounds
Could be tried in magistrates courts not the crown court
And it seems that that probably stopped or deterred police from investigating these sorts of crimes
But it seems if this is going on the other the police ought to be more involved not less
Well, some forces are trying to be innovative in dealing with shoplifting
Nottingham police for example draws up these most wanted lists of shoplifters and for each person
on the list
They draw up a criminal behaviour order which aims to tackle the causes of their shoplifting
So that most commonly would mandate drug or alcohol treatment
But what the police should do
There's no question is focus particularly on the rise in aggressive shoplifting
Shopkeepers are much less likely to confront shoplifters these days because of threats of violence
and indeed some violence

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But I should add here that only something like two percent of all crimes of any sort are lightly to lead to convictions and it may be even lower for shoplifting
So that indicates that stopping the crime from happening in the first place is probably more effective
So if stopping it is part of the key here then what are shops to do to prevent it happening?
I think a lot of it is about design
So shops that have lots of goods and automated checkouts
Make very tempting opportunities for criminals to swipe a lot of stuff
So some simple sensible things are to place high value items a long way from the door
Put security tags on items that are likely to be stolen
Arrange aisles so that staff can see more easily down them
And one other policy which is generally something that's used in high-end shops is to meet shoppers at the door
That makes potential criminals. I think a lot less likely to steal things
But it doesn't happen very commonly at the moment because obviously you need staff to do it
It seems a shame almost that the policy prescription here is design your store is differently rather than tackle the problem directly
I think it's worth bearing in mind that the rise in shoplifting is actually in some ways reflective of a positive
Development in Britain, which is that lots of crime is on the decrease
And one crime that has been in the climb for about 20 years is house burglaries
And so it's likely that some of the gangs that used to organize those sorts of crimes have been diverted to shoplifting
So it's not an entirely depressing tale
Me and thanks very much for your time. Thanks very much Jason
When you pick up some scratches because you want a fun break to play for where you scratch the next choice
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Thanks to scratchers from the california lottery a little play can make your day
Please play responsibly must be 18 years or older to purchase play or claim
In every one bite pizza review day port noi goes to a pizzeria orders a pie stands out front of the shop
Says his catch fries, which is one bite everyone knows the rules
And then after taking definitely more than one bite he rates the pizza on a score from zero to ten
Hi Frankie, uh, where where are we? I don't even know. I think melbourne florida something like that. Uh, chucky cheese
The reviews have been hugely popular online. They've been viewed nearly 700 million times on youtube since he started making them in 2015
Max Norman is a culture correspondent for the economist and contributes to world in a dish our

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column on food

Dave Portnoy is the center of the pizza review

He founded barstool sports about 20 years ago

It started as a broad sheet that he handed out in boston. It's grown into a huge online community

Known for its rowdiness and maleness

But there's also another side to port noi

He has been a frequent guest on tucker Carlson

During the pandemic he went and raged against dr. Anthony Fauci and on the way covid was handled

He's also been accused of misogyny and racism and various cases of sexual misconduct, which he's denied

He continues to be a very divisive figure

Something of a pizza populist you might say

Late last month I took the subway out to coney island to attend port noi's one bite pizza festival

It was raining cats and dogs. It was absolutely

Soaked there was a threat that might be cancelled

But at the end of the day six thousand people came out some from as far as the uk

Took a price starting around 150 dollars for basically a music festival for pizza

At the center of this was an inflatable statue of liberty

But instead of a torch she had a pizza slice pointing vertically towards the sky

And absolutely every possible available surface

There was day port noi's face a cartoon version of port noi

Like a ridiculous cheesy cross between you know a rained out music festival a drunken tailgate and also

Something like a trump rally because there were subtle politics going on all over the place

Here we go we cut the music he runs out like a rock star to cheering

And welcomes everybody but very quickly gets into a rant about the media particularly the washington post

I'd be remiss not to say fuck the washington post

He's undeniably charismatic

he's

Funny in the way that sarcastic crass friend is funny

I think there's something about the way that he totally

Abandons any pretensions to objectivity that's really appealing pizza is something we all enjoy

And I think it's something that we all feel we know and similarly I think many of us are slightly doubtful

Of the expertise of food critics and so there's something about just the honesty and the clarity of his reactions

That's really appealing

He's definitely full of himself, but also kind of appealing

I'm gonna be over there

Fortnoy's videos are surprisingly engaging. He's not a critic exactly. He's more like a judge

He really reacts to pizza rather than reviewing it. He'll take this bite and then he'll give this

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ridiculously precise score

Despite the lardiness of all of this. This is really serious business. It's kind of a pizza gelp for the whole country

There was a pizzeria recently in new jersey that got a 9.4

Which is absolutely unheard of which quickly sold out its entire menu for days

Equally importantly a bad review can lead to a flood of negative reviews by barstool fans who are known as stoolies

One pizzeria in massachusetts where

Portnoy had a very public

Confrontation with a pizzeria owner was then you know besieged by negative reviews on online platforms

The attendees of the festival were predictable barstool fans young man, but also there were lots of People who were definitely there more for the pizza than for portnoy

There's no one else that does it. You know like to that extent like there are people that try to copy him or whatever, but

Yeah, I appreciate what he does. I love it. Yeah

Have you followed the controversy around him like various accusations of

Like misconduct and things like that. Yeah, I'm gonna guess

Yeah, exactly. What do you think about that?

I mean

I'm not looking at him for moral guidance. You know what I mean

Health like it is and people don't like that because we live in a fucking soft world right now That's what I think. Yeah

And I'm curious, you know, what are you?

I don't know what would change your mind about him. I mean, do you think it's or do you think it's just a rally?

I think we're here for the pizza man getting a little too political. That's

That's what's wrong with everything around here. Just enjoy the pizza have fun today and

The guy's not guilty of anything. Let him let him live his life. Yeah

The pizza was

Really good for one and also remarkably diverse

The beauty of pizza is that it's a food that everyone has access to and everyone can have a legitimate opinion about

It's also

Importantly in a city like New York. It's affordable

So maybe the advent of a pizza populist someone a bit Trumpy

Whose course charisma is impossible for restaurants to ignore should not be surprising

Even if portnoy like american culture writ large is sort on decency. He's a pretty good guide to a decent slice

That's all for this episode of the intelligence

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