

STYLE

Everyone Is Getting Hilariously Rich and You're Not

By NELLIE BOWLES JAN. 13, 2018

SAN FRANCISCO — Recently the founder of something called Ripple briefly became richer than Mark Zuckerberg. Another day an anonymous donor set up an \$86 million Bitcoin-fortune charity called the Pineapple Fund. A Tesla was spotted with a BLOCKHN license plate. There's a surge in people looking to buy Bitcoin on their credit cards. After the Long Island Iced Tea company announced it would pivot to blockchain, its stock rose 500 percent in a day.

In 2017, the cryptocurrency Bitcoin went from \$830 to \$19,300, and now quivers around \$14,000. Ether, its main rival, started the year at less than \$10, closing out 2017 at \$715. Now it's over \$1,100. The wealth is intoxicating news, feverish because it seems so random. Investors trying to grok the landscape compare it to the dot-com bubble of the late 1990s, when valuations soared and it was hard to separate the Amazons and Googles from the Pets.coms and eToys.

The cryptocurrency community is centered around a tightknit group of friends — developers, libertarians, Redditors and cypherpunks — who have known each other for years through meet-ups, an endless circuit of crypto conferences and internet message boards. Over long hours in anonymous group chats, San Francisco bars and Settlers of Catan game nights, they talk about how cryptocurrency will decentralize power and wealth, changing the world order.

The goal may be decentralization, but the money is extremely concentrated. Coinbase has more than 13 million accounts that own cryptocurrencies. Data suggests that about 94 percent

of the Bitcoin wealth is held by men, and some estimate that 95 percent of the wealth is held by 4 percent of the owners.

There are only a few winners here, and, unless they lose it all, their impact going forward will be outsize.

They also remember who laughed at them and when.

James Spediacci and his twin brother, Julian, who bought ether when it was about 30 cents, now run one of the most popular whale clubs: private cryptocurrency trading communities where crypto syndicates are coordinated in group chats. He showed me a screen shot of his Facebook post from 2014 telling everyone to buy ether.

“One like,” he said, pointing to his phone. “It got one like.”

Inside the Crypto Castle

Whether it's all built on sand or not, the crypto castle has risen. There's an actual house called the Crypto Castle, and the king is Jeremy Gardner, 25, a rakish young investor with a hedge fund who has become the de facto tour guide for crypto newcomers.

Early one afternoon, he opened a bottle of rosé while he charged half a dozen external batteries so he wouldn't have to ever plug in his phone in Ibiza, Spain, the next week.

“I do I.C.O.s. It's my thing,” he said. He wore a pink button-front and pink pants. “It's me, a couple V.C.s and a lot of charlatans.”

An initial coin offering is a way to raise money: A company creates its own cryptocurrency and investors buy into the new coin, without actually buying a stake in the company. Mr. Gardner led an I.C.O. for his start-up Augur, creating an “Augur token” that he then sold to raise real world money. These tokens sold fast, and it is one of the forces that kicked off this boom. For a time, the value of Augur, a market-forecasting start-up with few customers, exceeded \$1 billion.

About eight people live in the Crypto Castle on any given night, and some of Mr. Gardner's tenants brought out snacks (Cheez-Its and a jar of Nutella). One of the bedrooms has a stripper pole. Mr. Gardner leaned back into the sofa and rested his feet on the table. He recently did an I.C.O. for a start-up after-party. "You can I.C.O. anything," he said. He runs Distributed, a 180-page magazine about cryptocurrency that comes out about once a year. He is now raising \$75 million for his hedge fund, Ausum Ventures (pronounced "awesome"). He said his closest friends are moving to Puerto Rico to get around paying taxes.

"They're going to build a modern-day Atlantis out there," he said. "But for me, it's too early in my career to check out."

He wears a bracelet from his Burning Man camp (Mayan Warrior) and a necklace that is a key on a chain. "I was given this necklace and was told my net worth would go up, and it's gone up six x since then," he said.

He drew a chart to explain the crypto community: 20 percent for ideology, 60 percent for the tech and 100 percent for the money, he said, drawing a circle around it all.

A roommate on the sofa perked up and asked if he'd ever invest in his lucid dreams start-up (the idea is a headpiece that induces them). Mr. Gardner did not seem impressed: "Probably not," he said. A reality show wants to follow him around, but he's skeptical that it can add to his life.

"I literally have a date with Bella Hadid not having a reality show," he said.

A few weeks after we first met, as the Bitcoin price exploded in December, Mr. Gardner seemed shaken. People had begun making pilgrimages to the Crypto Castle, knocking on the door, hoping Mr. Gardner could help them invest.

"Nothing feels real, it doesn't feel real," he said. "I'm ready for crypto assets to go down 90 percent. I'll feel better then, I think. This has been too insane."

Enter the Crypto Crackhouse

Nearby is a building residents call the Crypto Crackhouse.

Grant Hummer, who runs the San Francisco Ethereum Meetup, lives there. Long hallways called Bitcoin Boulevard and Ethereum Alley lead to communal bathrooms. Mr. Hummer and his co-founder committed \$40 million of their own crypto-made money to their new \$100 million hedge fund, Chromatic Capital.

“My neurons are fried from all the volatility,” Mr. Hummer said. “I don’t even care at this point. I’m numb to it. I’ll lose a million dollars in a day and I’m like, O.K.”

His room is simple: a bed, a futon, a TV on a mostly empty media console, three keyboard cleaning sprays and a half dozen canisters of Lysol wipes. His T-shirt read, ‘The Lizard of Wall Street,’ with a picture of a lizard in a suit, dollar-sign necklaces around its neck. He carries with him a coin that reads, “memento mori,” to remind himself he can die any day. He sees the boom as part of a global apocalypse.

“The worse regular civilization does and the less you trust, the better crypto does,” Mr. Hummer said. “It’s almost like the ultimate short trade.”

Mr. Hummer went out to meet Joe Buttram, 27, for drinks. As a mixed martial arts fighter, Mr. Buttram said he would fight for a couple hundred bucks, sometimes a few thousand, and worked security at a start-up, but his main hobbies were reading 4chan and buying vintage pornography, passions that exposed him to cryptocurrency.

He said his holdings are into double-digit millions but wouldn’t give specifics other than to say he’d quit his job and is starting a hedge fund. There’s a common paranoia among the crypto-wealthy that they’ll be targeted and robbed since there’s no bank securing the money, so many are obsessively secretive. Many say even their parents don’t know how much they’ve made. This also allows people to pretend to be wealthier than they are, of course.

“It’s unforgiving,” Mr. Buttram said. “You make one mistake and it’s all gone.”

They talk about buying Lamborghinis, the single acceptable way to spend money in the Ethereum cryptocurrency community. The currency’s founder frequently appears in fan art as Jesus with a Lamborghini. Mr. Buttram says he’s renting an orange Lambo for the weekend. And he wears a solid gold Bitcoin “B” necklace encrusted with diamonds that he had made. Otherwise, HODL.

This is one of the core beliefs in this community: HODL, “hold” typed very fast, as if in a panic. HODL even if you feel FUD — fear, uncertainty and doubt. If you show wealth, it means you don’t really believe in the cryptocurrency revolution, a full remake of the financial system, governments and our world order that will send the price of ether up astronomically.

“HODL when everyone has FUD,” Mr. Hummer said quietly, to explain why he still lives in a dorm room. “This will change civilization. This can 100 x or more from here.”

He knows this is strange.

“When I meet people in the normal world now, I get bored,” Mr. Hummer said. “It’s just a different level of consciousness.”

The tone turns somber.

“Sometimes I think about what would happen to the future if a bomb went off at one of our meetings,” Mr. Buttram said.

Mr. Hummer said, “A bomb would set back civilization for years.”

A few days later, Mr. Hummer was working from his co-founder’s apartment.

James Fickel, 26, lives in a high-rise with a Russian blue cat called Mr. Bigglesworth. Mr. Fickel is known in the community for “going full YOLO” and investing \$400,000 when Ethereum was at 80 cents. Now, with a fortune he says is in the hundreds of millions, his parents have retired and sent his younger sister to live with him.

“I’m taking over her education,” Mr. Fickel said, sitting on a white leather sofa, Mr. Bigglesworth asleep in his impossibly skinny arms.

Today, Mr. Fickel is outlining the endgame for cryptocurrency true believers.

“It’s the entire world reorganizing itself,” Mr. Fickel said. “We could get rid of our armies because for the first time you’ll have people saying, ‘I want to vote for a global order.’ It’s the internet waking up — it’s the internet grabbing its pitchfork. That’s the blockchain.”

Mr. Hummer is skeptical.

“All I know is the price of ether is going to go up,” Mr. Hummer said.

At a jazz bar a few days later, I run into Mr. Fickel’s personal trainer, Alan Chen, who is now running in this crypto circle. Mr. Fickel had convinced Mr. Chen to put his savings into Ethereum.

“I’m retired, man,” Mr. Chen said. “I’m moving to L.A. next week. I got a penthouse on Marina del Rey.”

“Don’t say I’m retired,” he added. “I’m going into business now. I’m going to use blockchain to help personal trainers.”

Nearby was Chante Eliaszhadeh, 22, a law student at the University of California, Berkeley, who started the Berkeley Law Blockchain group.

“Obviously the bubble’s going to burst and everyone’s going to need a lawyer,” she said.

The Bitcoin Meetup Group Throws a Party

At the annual San Francisco Bitcoin Meetup Party, hundreds gathered under the fluorescent lights of a co-working space, and there was a line out the door. The waiting list had to be told not to show up. Many there wore Bitcoin- and Ethereum-themed clothes from Hodlmoon, which sells unisex cryptocurrency sweaters.

Those closest to the technology are the most cautious. Pieter Wuille, 33, a Bitcoin core developer, kept his backpack on as he wandered the party. He’s part of the team working to develop the Bitcoin technology.

“The technology still needs time to evolve,” Mr. Wuille said. “This infusion of interest is bringing the wrong kind of attention. Some people believe Bitcoin can’t fail or this technology solves many more problems than it does. It can. And it does not.”

He said everyone is asking him whether to buy Bitcoin. “I tell them I have no idea,” he said. “I don’t know!”

“There’s so many people rushing into the space, if it’s a bit of speculation, I’m O.K. with

that,” said the Coinbase C.E.O., Brian Armstrong, whose company has become the de facto portal for casual investors. “But we can’t guarantee the website’s going to be up exactly when you need it. Everyone needs to take a deep breath.”

As the holiday party filled up, a cryptocurrency rapper called CoinDaddy — Arya Bahmanyar, 28 — was getting ready to perform.

Formerly a commercial real estate agent, Mr. Bahmanyar works full time at CoinDaddy after becoming a self-described crypto-millionaire (“you think I would dress up like this if I wasn’t?”). “Right now all our entertainers come from outside crypto culture — not inside crypto, and we’ve got to change that,” he said.

He pointed to his outfit — a long white fake mink coat, gold-heeled shoes — and said, “It’s gold, right? It’s gold. It’s a niche, and I’m going to fill it.”

He says he is going to shoot a music video soon for a song called “Lambo Party” and another called “Cryptomom,” about “all these moms are pumping in their children’s savings accounts.”

Maria Lomeli, 56, came to the party to find the people she had put a lot of trust in. A housekeeper from Pacifica, Calif., she said she had invested \$12,000 in cryptocurrencies over the last few weeks after reading about it in the news.

She wore running shoes and a zip-up jacket that said, “Cinemark, the best seats in town.” She worked there cleaning out theaters. Now she cleans houses. Banks, she said, were designed to steal. Taxes left her supporting a government that she felt didn’t support her.

“Charges for sending money to my daughter, interest on our loans,” she said. “And then the money we pay in taxes goes to wars and whatever else they want.”

She found a Bitcoin event in the city and asked people there how to buy Bitcoin on her phone. She invested \$1,000. It went up. So she put in \$10,000 more, she said, along with \$1,000 in a currency called Litecoin. Both her children have discouraged this.

“And maybe I’m going to lose it,” she said. “Maybe I’m going to keep cleaning houses. But

something is telling me I can trust this generation. My instinct is telling me this is the future.”

She had to leave the party early because parking downtown is expensive, she said. She zipped up her jacket and left on her own.

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