

HOW BIG TECH COVERS UP IT'S CRIMES AND LIES

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In 1996, I published an article in the [Ohio State Law Library](#) on “vaporware” in Silicon Valley. Vaporware is the marketing ploy of preannouncing products that do not yet exist and may never come into existence in their described form. This was a common marketing practice in Silicon Valley at the time, but it carried the potential for antitrust liability, products liability, and securities fraud liability, both civil and criminal.

The thing about vaporware is that when software products did not materialize as promised by their companies, the damage was mostly financial—to disappointed consumers and investors. Unfortunately, when a company is rolling out a new product in the healthcare field that does not live up to promises, lives can be endangered and that is the scary story of Theranos and Elizabeth Holmes spelled out in John Carreyrou’s new book [Bad Blood: Secrets and Lies in a Silicon Valley Startup](#).

The book tells a startling story. Elizabeth Holmes dropped out of Stanford to start a company she promised would revolutionize the health care industry by quickly, cheaply, and nearly painlessly allowing virtually every blood test known to man to be done with just a drop of blood pricked from a finger. Holmes was smart, confident, articulate, driven, and beautiful. She channeled Steve Jobs, dressing all in black and copying him in other ways. She affected a deep voice. She ran Theranos as her personal fiefdom, maintaining voting control while raising \$900 million, and wrapping many very prominent old men around her finger—George Shultz, Rupert Murdoch, Henry Kissinger, James Mattis, David Boies, Sam Nunn, among many others. She held Barack Obama, Joe Biden, and Hillary Clinton in thrall. Holmes became the darling of Silicon Valley and a role model for all of us who were tickled to see the first female billionaire whose wealth derived from a company that she herself started. She was described as a genius with a heart.

At one point, Holmes held more than half of the stock of a company that private investors were valuing at \$9 billion. But it was all a mirage. The firm never got close to creating the technology to do the tests that Holmes promised. And yet she kept promising and kept trying to roll out products that did not work. She sustained the fraud by fanatic security that kept employees in silos so that they didn’t know what other employees knew, by suing ex-employees with lawsuits if they talked, by threatening the press, and by being the consummate liar.

As a business ethics professor, I am most interested in how this happened. The most innocent explanation is that Holmes genuinely wished to change the world, but her enthusiasm coupled with [overconfidence](#) led her to overpromise. Because she was rapidly accumulating capital, employees, and good press clippings, [loss aversion](#) made it impossible for Holmes to admit the truth—that her products were nowhere close to living up to her hype. Like rogue trader Nick Leeson, rather than admit the truth, she kept doubling down. She desperately wanted to believe her own hype, but likely at some point realized the truth but saw no alternative but to keep lying. [Incrementalism](#) kicked in and little lies and small cheats slowly became more blatant lies and bigger cheats. Because she was so determined to change the world for the better and had deluded herself into thinking she was about to do so, Elizabeth likely gave herself [moral license](#) to tell the lies she deemed necessary to reach her goal. This [behavioral ethics](#) explanation is plausible, I think. [Naturally, Ethics Unwrapped has videos on all these concepts.]

Another school of thought mentioned by Carreyrou near the end of his book is that Elizabeth was under the influence of her lover, Sunny Balwani, who was rich, twenty years her senior, and a bully who summarily fired any employee who dared point out that the emperor had no clothes. Carreyrou points out, however, that Elizabeth had been lying to pharmaceutical companies for at least a few years before Balwani joined the company. And Elizabeth was nearly as big a bully in managing the firm as Balwani and shared his paranoia.

Carreyrou seems to believe a darker story, described in the last paragraph of his book:

A sociopath is often described as someone with little or no conscience. I’ll leave it to the psychologists to decide whether Holmes fits the clinical profile, but there’s no question that her moral compass was badly askew. I’m fairly certain she didn’t initially set out to defraud investors and put patients in harm’s way when she dropped out of Stanford fifteen years ago. By all accounts, she had a vision that she genuinely believed in and threw herself into realizing. But in her all-consuming quest to be the second coming of Steve Jobs amid the gold rush of the ‘unicorn’ boom, there came a point when she stopped listening to sound advice and began to cut corners.

Carreyrou points out that Holmes has never apologized or shown any remorse for her wrongs, which may make his theory the strongest. Whichever theory is correct, [Bad Blood](#) tells a riveting cautionary tale.

Democrats, along with allies in Silicon Valley and the news media, have suppressed the Hunter Biden scandal despite mounting evidence that President-elect Joseph R. Biden’s son had secret, lucrative financial ties to oligarchs and a powerful communist-connected Chinese businessman.

Since September, it has been a remarkable combination of blacklisting, promoting the theory of a Russian plot against the Bidens or simply ignoring the story. Liberal news websites acknowledged the scandal only after Mr. Biden won the election and Hunter Biden publicly stated that he is under criminal investigation for suspected tax fraud.

The difference is striking for President Trump’s associates whom media excoriated during the long FBI Russia probe, which did not establish a conspiracy in the 2016 election.

“It was an unprecedented cover-up across so many entities inside and outside of the government,” J.D. Gordon, the 2016 Trump campaign’s national security adviser, told The Washington Times. “Silicon Valley suppressed an actual scandal related to Hunter Biden while hyping a manufactured scandal over Trump-Russia.”

Mr. Gordon, now an analyst for One America News, was dogged by the news media and the special counsel’s office over how he handled a proposed amendment to the Republican Party platform on arming the Ukrainian military. Investigators found no wrongdoing.

News of Hunter Biden’s extensive cash flow from shady foreigners was documented in a Sept. 23 report by Senate Republicans. It revealed a series of Treasury Department suspicious activity reports on Hunter Biden from Europe to Asia.

The pre-election report, by Senate Finance Committee Chairman Charles E. Grassley, Iowa Republican, and Senate Homeland Security and Governmental Affairs Committee Chairman Ron Johnson, Wisconsin Republican, received coverage from conservative media. From the dominant liberal press, it was a blackout.

“We found that [the Bidens] engaged in potential criminal financial deals across the globe, including China, which created counterintelligence concerns,” Mr. Grassley said on the Senate floor. “I think it’s outrageous that the Fourth Estate would choose to ignore facts when they are uncovered by Republicans.”

Committee Democrats responded to the report, which relied on official bank wire transfers, by accusing Mr. Johnson of accepting Russian disinformation. Democrats had leaked the conspiracy beforehand to liberal news outlets.

The Democrats claimed that Mr. Johnson’s staff communicated with a Ukrainian politician and known Russian puppet. Mr. Johnson has called that a lie.

“Democrats laundered their unclassified speculation through classified analysis of intelligence reporting to fabricate a veneer of credibility in an effort to shield their claims from public

scrutiny. Those false claims were then leaked to friendly media outlets, which reported them as fact," Mr. Johnson and Mr. Grassley said.

In October, the New York Post revealed the stunning contents of Hunter Biden's abandoned MacBook Pro laptop. The hard drive showed the son's global financial dealings, including message traffic about including Joseph R. Biden in the deals. At least one Ukrainian oligarch representative who financed Hunter Biden received a private audience with his father, who was vice president at the time.

How did the Democrats-Silicon Valley-news media triumvirate react? They played the Russia card.

After the New York Post story appeared, Democrat-aligned former intelligence officers, led by appointees of President Obama, alleged that the laptop was an elaborate Russian plot.

Weeks later, after Mr. Biden won the presidency, no proof of a Moscow-laptop link has emerged.

But an open letter, led by former CIA Director John O. Brennan and former Director of National Intelligence James R. Clapper, provided the talking point that news media needed to condemn the laptop reporting instead of following it up. Cable channels CNN and MSNBC launched a cacophony of "Russian plot" talking points to try to suppress the story.

Twitter went a step further. It blacklisted the New York Post story altogether from its 6,000-tweets-a-second platform. Gatekeepers claimed the messages were the result of a hack, even though there was no such evidence. Facebook limited the article's distribution.

Jason Maloni, a public relations executive who worked as a spokesman for former Trump campaign manager Paul Manafort, told The Washington Times that he is surprised the media ignored what Hunter Biden did during his father's vice presidency. Manafort, hounded relentlessly by the press and congressional Democrats, was convicted of tax fraud but not a Russian conspiracy.

"I am surprised and saddened about how incurious some are about some truly concerning and verifiable facts," Mr. Maloni told The Washington Times. "Every single day, stories emerge where there is a need for no-agenda investigative journalism, apolitical platforms, and lawmakers with zero interest in scoring political points to help us understand how large is the iceberg beneath the surface. When did we become so afraid of a narrative that doesn't quite fit our neat little worldview?"

David Harsanyi wrote in National Review: "Journalists claim they can't cover the New York Post's Hunter Biden email scoop because the underlying evidence has yet to be verified. Also, they won't look for any verifying evidence because there isn't enough evidence. It's quite the conundrum."

Ironically, it was Democrats, led by Rep. Adam B. Schiff of California, and their penchant for accusing detractors of being Russian assets that prompted former Hunter Biden business partner Tony Bobulinski to come forward on Fox News. He verified the messages' authenticity. Liberal media still shunned the story.

Mr. Harsanyi wrote: "Perhaps my favorite part of yesterday's interview, though, was learning that Adam Schiff's ugly and mendacious habit of smearing anyone he disagrees with as a Russian asset is what allegedly helped spur Bobulinski, a former U.S. Navy lieutenant, to come forward."

The laptop launch point was a computer repair shop in Wilmington, Delaware. The owner said Hunter Biden dropped it off for repairs in April 2019 and never returned. The owner eventually provided the contents to the FBI and to Trump attorney Rudolph W. Giuliani.

Together, the laptop and the Senate report showed the profile of a son cashing in on his father's federal office.

Millions of dollars in investments and consulting fees flowed to him from a Moscow oligarch close to Russian President Vladimir Putin in 2014, a Ukrainian energy firm deemed corrupt by the U.S. government and a fantastically wealthy Chinese corporate figure working with the Chinese Communist Party and the People's Liberation Army.

That businessman, Ye Jianming, whose firm directly wired millions of dollars to Hunter Biden, was accused of corruption in 2018 and disappeared.

At one point, Ye associates financed a \$100,000 shopping spree by Hunter Biden and his uncle James Biden, the Senate report showed. Hunter Biden also provided thousands of dollars to European women involved in human trafficking.

The conservative watchdog Media Research Center commissioned a poll by Republican pollster McLaughlin & Associates. It showed that 36% of Biden voters were not aware of Hunter Biden's scandal and that 13% of those said they would not have voted for the former vice president if they had known.

"Big Media and Big Tech Stole the 2020 Election," the Media Research Center said.

Said Mr. Gordon, the former campaign adviser: "For all the attention on foreign election interference, public censorship by domestic groups like Twitter and Facebook was more impactful in shaping the outcome. Big Tech is rapidly becoming Big Brother straight out of Orwell's '1984.' Its unholy alliance with the federal bureaucracy and elected Democrats poses one of the biggest internal threats facing America today. Our freedom is in free fall."