

Silicon Valley Fake: Elizabeth Holmes and the Fraudster's Motivation

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It has been one noisy time for the paladins of big tech. Jobs have been shed by the thousands at Meta, Amazon and Twitter; FTX, the second largest cryptocurrency company, has collapsed. Then came the conviction of Elizabeth Holmes, founder of the healthcare company Theranos, for fraud.

Pursuing the steps of the college drop-out turned billionaire, Holmes claimed that her company had remarkable technology, capable of diagnosing a number of medical conditions from a mere drop of blood. The ruse of the blood analyzer known as the Theranos Sample Processing Unit (TSPU), Edison or minilab, worked – at least for a time. All the way, Holmes was very consciously promoting herself in the mould of Steve Jobs, initially mocked only to become mighty. Investment flowed into the company coffers. By 2014, Theranos was valued at \$10 billion.

Some noses were detecting a strange smell in such success. The *Wall Street Journal* [picked](#) up a scent in 2015. Unreliable results arising from ineffectual blood-testing technology from Theranos, made available across dozens of Walgreens stores, actually posed a risk to patients.

The [response](#) from Holmes regarding suspicions was pure Apple, which is to say, copied. "This is what happens when you work to change things. First they think you're crazy, then

they fight you, then you change the world.”

Cliché followed cliché, platitude bolstered platitude. At the [Forbes 30 Under 30 Summit](#), a gathering bound to be unreliable if not questionable in ethics, she was there to add to the show, only this time sounding like Chumbawamba. “You’ll get knocked down over and over again, and you get back up... I’ve been knocked down a lot, and it became really clear that this was what I wanted to do, and I would start this company over 10,000 times if I had to.”

In 2018, the US Securities and Exchange Commission rather punctured the balloon of hubris by [charging](#) Theranos, Holmes and former President Ramesh “Sunny” Balwani “with raising more than \$700 million from investors through an elaborate, years-long fraud in which they exaggerated or made false statements about the company’s technology, business and financial performance.”

As the Commission’s media release continued to explain, the allegations focused on false and misleading statements across investor presentations, product demonstrations and media articles claiming that the “portable blood analyzer – could conduct comprehensive blood tests from finger drops of blood, revolutionizing the blood testing industry.”

Theranos, Holmes and Balwani had also claimed that company products were used to effect by the US Department of Defense in Afghanistan and on medevac helicopters. This fabulous fib was complete by assertions that \$100 million in revenue would flow back to the company. In the Commission’s words, “Theranos’ technology was never deployed by the US Department of Defense and generated a little more than \$100,000 in revenue from operations in 2014.”

After a trial lasting a month, Holmes [was found guilty](#) on three counts of wire fraud and one of conspiracy. She was found not guilty on four other counts, and the jury failed to reach a unanimous verdict on the remaining three counts. This month, she received a prison sentence of 11 years and three months. (Lawyers for the government had asked for 15 years.)

“I am devastated by my failings,” Holmes [stated](#). “Looking back there are so many things I’d do differently if I had the chance. I tried to realise my dream too quickly.” And there, the rationale of the fraud was set out, the fine line between tolerated crookedness and the crookedness that gets you found out.

Big fraud is an indispensable element in society. To succeed, a presumption must work: the fraudulent behaviour can only hit a mark with the collusion of the gullible, those willing to fall for the outrageous suggestion, the astonishing proposition. The world of art forgeries is the best illustration of this fact: is the purchaser intent on collecting the original, or merely a signature? Throw in a few experts to sign off on authenticity and provenance, and we can forget the reality.

Orson Welles, in characteristically brilliant fashion, drew out this point in his idiosyncratically subversive [F for Fake](#) (1973). The two stars are the Hungarian aristocrat – or so he purported to be – Elmyr de Hory, and Clifford Irving. Both figures perpetrated, in their own way, frauds of daring.

Irving made his name by convincing McGraw-Hill, Inc. that he had worked with billionaire Howard Hughes to produce his life story. To substantiate the account, Irving [forged](#) Hughes’

handwriting, which was, as it were, authenticated by the publishing house. It took the sceptical approach of postal inspectors to change tack and ask for samples of Clifford's own writing.

Elmyr's own contribution to fakery came with art forgeries verging on genius. With breezy effortlessness, he would whip up a Picasso, a Monet or a Modigliani. Art collectors and galleries acquired them by the dozens. Along the way, the armies of the duped and cheated, refusing to do their own critical research and even ask the basic questions, grew.

While the most gullible are often thought of as the weakest and most vulnerable in society, they can sometimes be the most powerful. The most acute illustration of this is the fact that those in power, at the very least those with supposed expertise, hate being fooled so blatantly.

Fraud, for it to be committed to scale, comes with a certain style, a fashion. Make it plausible, make it receivable. Holmes did that to a tee, aping, mimicking the Jobs factor, even dressing in his fashion.

Engineer Andy Hertzfeld's [own account](#) of Jobs is relevant in this regard. The founder of Apple had a "reality distortion field, a confounding mélange of a charismatic style, an indomitable will, and an eagerness to bend any fact to fit the purpose at hand." Holmes was exploiting the notion of drop out chic, but she was also operating in a world of evangelical hustling and truth stretching.

The dupes, to some extent, deserve it, and Holmes, as egregious as her behaviour might have been, merely fed it. To that end, the sentence she received was harsh, even vengeful. Former New York federal prosecutor Andrey Spektor is [one who thinks as much](#). Federal sentencing, while seeming arbitrary, "requires a humane and common sense result: Defendants must not be punished more than necessary." To lock up Holmes in a federal penitentiary till her 50s, was not necessary. But such is the vicious retaliation that comes from the duped.

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