BETTER MARKETS

CRYPTO

FACT SHEET

Crypto's Predatory Targeting of Minority Communities

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Crypto claims that it is an innovative financial product that can be highly beneficial to those who have been shut out of, exploited by, or discriminated against by the traditional banking and financial systems. These claims are targeted at the unbanked, the underbanked, low- and moderate-income households, and communities of color, particularly Black Americans (as well as targeted at policymakers and elected officials who care about such people). Financial inclusion and wealth creation are the core of crypto's claims and marketing. Advocates, including some prominent figures, often promote crypto as a tool that could reshape, if not displace, the traditional financial system.

One of the most significant reasons for crypto's appeal to minority communities, especially, is the deep mistrust many have toward traditional financial systems. Historically, minority groups in the U.S.—particularly Black and Latino communities—have been subjected to financial discrimination, exclusion, and exploitation through practices like redlining, loan denials, predatory lending, and "banking while Black" practices. These experiences have rightly generated deep skepticism about the established financial sector, which makes crypto's promise of an inclusive, decentralized alternative more attractive. The appeal rests on the idea that anyone, regardless of background, race, ethnicity, and current income level, can access wealth-building opportunities without gatekeepers or intermediaries. As the crypto industry is well aware, this message can be incredibly enticing in communities that have faced systemic exclusion from wealth and wealth-building opportunities. That's why crypto proponents frequently cite its potential to integrate the underbanked and unbanked into a new financial system without a long disreputable history, providing opportunities that traditional institutions have often denied them.

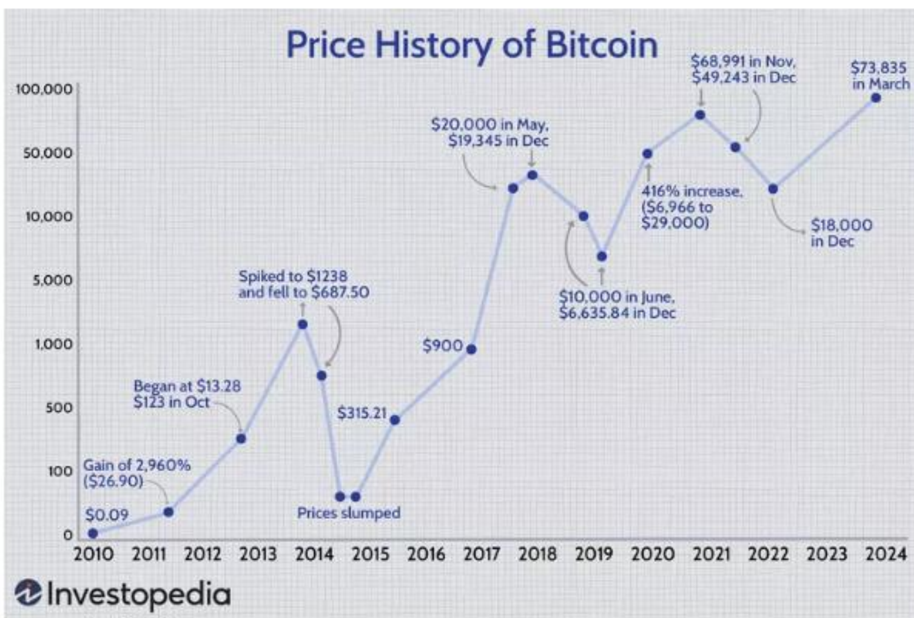
It all sounds great, but do these claims have a valid basis and can they withstand scrutiny? The answers are clearly no. In fact, the record shows that crypto targets and exploits the very people it claims to benefit, including, in particular, Black Americans.[1]

[1] It is important to remember that crypto is a very niche market, used by only a tiny fraction of Americans and is largely useless as a means of payment or for participation in the dominant financial and banking systems. For example, according to a May 2024 Federal Reserve Board (Fed) study, only 7% of adults held or used crypto in 2023 (down from 10% in 2022 and 12% in 2021). That's only about 18 million out of about 320 million Americans. The number of Americans using crypto in 2023 to buy things was just 1% (down from 2%), according to a Fed banking and credit survey. Moreover, now 16 years after crypto was invented, there is still no valid, socially acceptable use for crypto. Indeed, gambling and wild speculation are the least bad uses for crypto, with criminal activities like money laundering, tax evasion, ransomware, terrorist and rouge state financing being the primary uses. That's presumably why most Americans have a negative view of crypto and why crypto virtually never mentions crypto in their ads attempting to buy politicians.

Beneath these promising poll-driven narratives by crypto companies seeking to maximize profits lies a troubling reality: crypto disproportionately harms the very people it claims to uplift. For minority communities—often with limited financial resources and even less financial resilience—the risks of volatility and fraud can lead to devastating financial losses. What crypto frames as a pathway to financial empowerment too often becomes another avenue for exploitation.

Crypto Volatility and Financial Fragility in Minority Communities

Crypto markets are not only unregulated and non-transparent, but are known for extreme volatility, meaning rapid price swings up and down that can lead to significant financial gains or devastating losses. While some investors undoubtedly have benefited from gains during crypto booms, the frequent and significant crashes that follow leave many if not most investors vulnerable to heavy losses. After all, where do all the crypto billionaires who own the crypto firms get all their billions of dollars from? For example, Bitcoin "has had a choppy and volatile trading history":

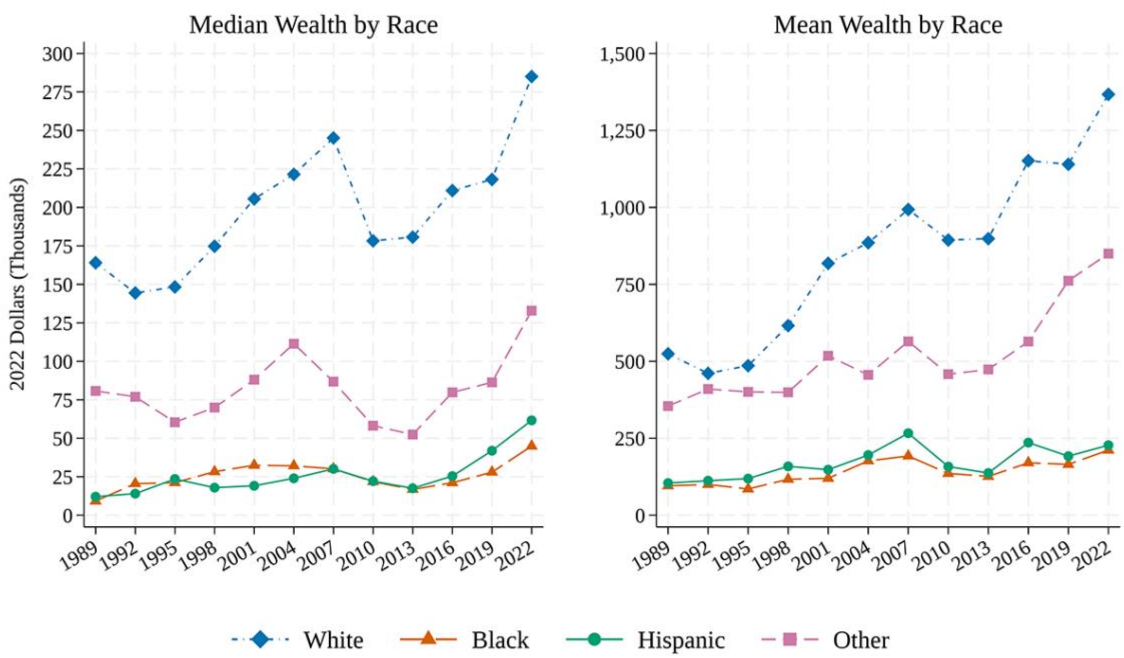


Investopedia / Alice Morgan

Importantly, don't be misled by Bitcoin's increasing long-term price trend. Pay attention to the frequent sharp rises and drops over that time period. Those price swings are the volatility that creates opportunities for some traders to gain, but just as many, if not more, traders face significant losses —especially those who borrow money (leveraged trading) to buy Bitcoin or other crypto. In these cases, even small price drops can force crypto owners to sell their Bitcoin quickly to repay what they've borrowed, often leading to even bigger losses.

When you look at the price increases and decreases in the market over the long term, they often appear to balance each other out. One might think that the losses incurred when prices go down are mostly canceled out or recovered by gains when prices go up. That is only true for a steadfast buy-and-hold purchaser, not for those who trade in and out of the crypto market at different times (sometimes forced to do so during price movements that require a leverage crypto owner to add more funds to cover their positions). That isn't only the case over the long term, but also as the prices swing day-to-day and week-to-week. That volatility can and often does lead to significant losses. Thus, the hyper-volatility seen in the crypto markets can be harmful for traders, both in the short term (daily, weekly, or monthly) and in the long term (overall trends). Also, because they are smaller markets with less liquidity, the volatility is generally even greater for other crypto tokens like Ethereum, Dogecoin, Tron (TRX), XRP, and others.

For minority communities, the financial ability to absorb such losses (or make payments due to margin calls) is often lacking. Research has shown that Black and Latino families, on average, have significantly less wealth than white families. This wealth gap makes crypto a risky bet for Black Americans. According to the Fed, the median wealth of white families is approximately six times higher than that of Black families and five times higher than that of Latino families. These wealth disparities mean that even modest financial losses can have a disproportionately severe impact on minority households.



Source: Board of Governors of the Federal Reserve System (2023).

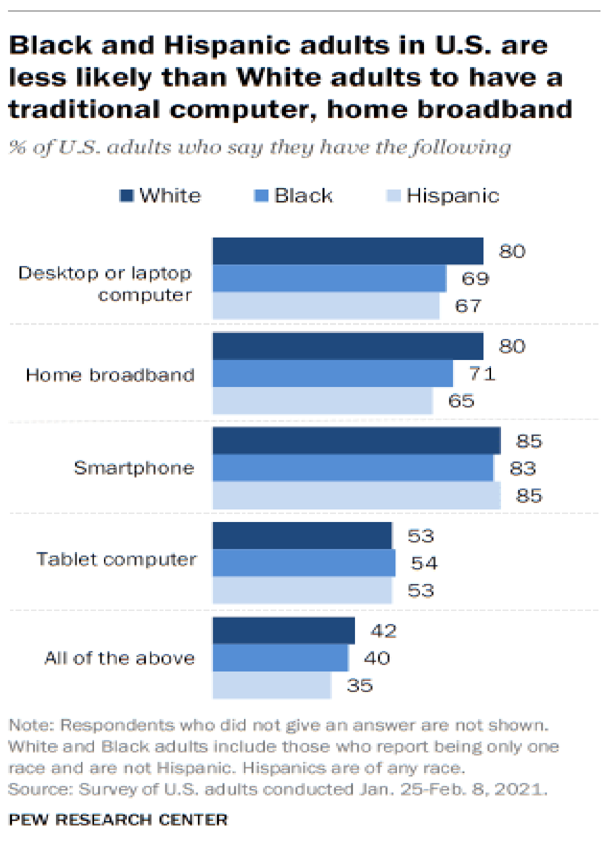
For many in minority communities, crypto's promise of rapid wealth accumulation is appealing. However, the speculative nature of crypto, combined with its extreme volatility, makes these investments particularly risky. When the value of crypto plummets—sometimes losing 50% or more of their value within a matter of days—those without a strong financial safety net are left with few options to recover. This leaves many minority investors in a precarious financial situation, amplifying the economic inequalities they are already facing. Frankly, it's a little different than playing the slot machines at a casino, where, as everyone knows, people win from time to time, but the house always wins, hence the crypto billionaires!

Crypto Fraud and its Impact on Minority Communities

Adding to the risks posed by excessive volatility is the high prevalence of crypto fraud, which further harms minority communities. Crypto scams, such as Ponzi schemes, fake investment opportunities, and phishing attacks, have surged in recent years. In 2023 alone, crypto-related fraud led to reported losses of over $5.6 billion, with tens of thousands of victims across the U.S. This is part of a broader trend where scammers exploit the excitement in the crypto space, preying on individuals who may not fully understand the risks involved and desperate for financial security.

Minority communities are particularly at risk because they are often targeted by fraudsters using tailored messaging and platforms that appeal to individuals seeking quick wealth-building opportunities. A lack of access to reliable financial education exacerbates this issue, leaving many investors without a clear understanding of how these scams operate. According to a report by the FBI, the excitement surrounding crypto and the fear of missing out (FOMO) are powerful drivers that scammers exploit, using urgency and false promises of high returns to manipulate vulnerable investors. This hyper-targeting of tailored messages seeking to trigger quick, thoughtless trading is made worse by gamified apps and, increasingly, artificial intelligence (AI).

Another factor that makes minority communities more susceptible to crypto fraud is the digital divide. Many minority households may lack access to reliable internet or have limited digital literacy, making it difficult to distinguish between legitimate investment opportunities and fraudulent schemes. Scammers shamelessly exploit this knowledge gap, often using sophisticated methods such as fake websites, fraudulent mobile apps, and phishing emails that appear identical to legitimate crypto services.



Once an investor falls victim to these scams, the decentralized and anonymous nature of crypto transactions makes it extremely difficult if not impossible to recover lost funds, leaving many minority investors in financial ruin. The lack of recourse only deepens the financial harm already inflicted, amplifying the risks for those with fewer resources to absorb the losses. Adding to the risks of crypto's volatility and widespread fraud is the targeted marketing that strategically capitalizes on these vulnerabilities of minority communities.

Exploitation Through Targeted Marketing

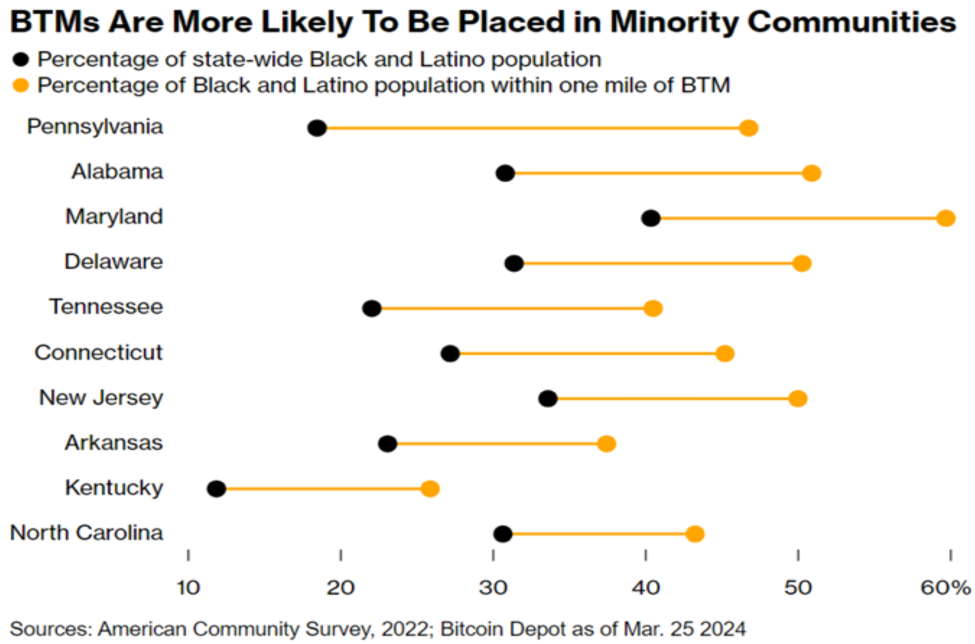
To give the illusion of legitimacy, respectability, and trustworthiness, the crypto industry bolsters its claims by using celebrity endorsements, many of which are by accomplished, successful figures in minority communities. This persuasive tactic of using celebrity partnerships with popular cultural icons draws outsized attention and creates excitement around investing in digital assets. This marketing approach creates a cultural pressure to participate, with crypto marketed as something cutting-edge, exciting, and inclusive. As mentioned above, it also stokes the fires of FOMO, further increasing the likelihood that individuals will make risky investments without fully understanding the implications.

The resulting message becomes less about sound financial planning or investments and more about staying relevant in a rapidly changing world that might leave you behind. For minority investors, this can create a false sense of obligation to participate in crypto markets.

This marketing approach by crypto toward minority communities, really under the guise of financial inclusion, is not just misguided; it's exploitative. Minority groups in the U.S. have historically been victims of predatory financial practices, from redlining in housing to payday loans that trap individuals in cycles of debt. Crypto's marketing capitalizes on these vulnerabilities by framing its products as tools for empowerment when they often serve to perpetuate and exacerbate existing inequalities.

For example, crypto platforms frequently highlight how digital assets can help the "unbanked" and "underbanked," who are disproportionately represented in minority communities, access financial services. While the lack of traditional banking services is indeed a significant issue, offering crypto as a solution ignores the instability and risks associated with these digital assets. The fact that crypto is not insured or regulated like traditional banking services leaves these communities even more vulnerable to financial scams, losses, and collapse.

Illustrating all this is the crypto industry's targeting of minorities with Bitcoin ATMs. As Bloomberg detailed, Bitcoin ATMs have clustered in Latino, Black, and low-income neighborhoods, much like payday lenders and check cashing services. The placement of Bitcoin ATMs suggests ethnic targeting.



Compounding what appears to be racist targeting, these ATMs convert cash to Bitcoin, but it's almost entirely a one-way transaction. In fact, 92% of these ATMs only allow cash-to-Bitcoin transactions! As a result, users, who are already financially vulnerable, face significant barriers when attempting to retrieve their funds. And these ATMs are also notorious for charging very high fees – up to 22%! That means that Bitcoin has to increase in price by 22% before the minority purchaser has broken even – and more if he or she wants to gain more than they started with, presumably the objective.

The ease with which people can acquire Bitcoin through these ATMs, with exorbitant costs and without adequate education about the volatility and risks, often leads to substantial losses. This is little more than a wealth extraction mechanism where individuals are almost guaranteed to lose money, further exacerbating the financial instability of minority communities.

This phenomenon is part of a broader legacy of what has been referred to as "predatory inclusion," where financial products that are marketed and sold to underserved communities with claims of financial access and opportunity ultimately prove exploitative. Similar to payday loans and subprime mortgages, cryptocurrency has been marketed as a means to financial inclusion for minority communities, but in reality, it exposes them to undue financial risk and loss. Predatory inclusion in the crypto context refers to how market actors use the promise of financial empowerment to draw marginalized people into a largely unregulated, high-risk market. Crypto's promises of building a more inclusive financial system remain largely unfulfilled, as the industry continues to exploit communities of color.

Conclusion

While crypto is often marketed as a tool for democratizing finance and promoting financial inclusion, the crypto industry targets, preys on, victimizes, and uses the unbanked, the underbanked, low- and moderate-income households, and communities of color. Yes, they are rightly skeptical of the traditional financial system that has excluded, discriminated, and exploited them for so long.

Unfortunately, that makes them highly susceptible to the marketing/sales propaganda of the crypto industry, which pitches bogus wealth building opportunities. Its claims are largely baseless and its products exploitive, all posing significant risks to vulnerable communities. The volatility of crypto markets, combined with targeted and often misleading marketing, disproportionately harms those least able to withstand financial losses. Rather than serving as a pathway to financial empowerment, crypto appears to be deepening existing inequalities, exacerbating the very issues it claims to address.

Exploring approaches that do not rely on speculative, volatile products like crypto is crucial to genuinely promoting financial inclusion and building wealth in minority communities. Minority and all underserved investors deserve access to financial products and a financial system that serve their needs without ripping them off, discriminating against them, or exploiting them. To do that, policymakers must focus on addressing the systemic racism embedded in the traditional financial system, which continues to marginalize, exploit, and underserve minority groups. This includes expanding access to fair and affordable credit, combating discriminatory lending practices, and investing in community-based financial institutions that prioritize equity and inclusivity.

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