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Financial Crisis Report

Advancing in a Time of Crisis

Words of Wisdom "It is during our darkest moments that we must focus to see the light." Aristotle

Inside this issue:

We are experiencing the most economically unstable and socially erratic period in the history of the modern world. This period is marked with extreme fluctuations in the stock, commodity and currency markets accompanied by severe and sometimes violent and deadly social disruptions including historic pandemics, wars, riots and even regime changing coups. As is typical of such times, many fortunes will be made and lost during this period. After talking with many business owners, executives, professionals, scholars and government officials from around the world, the writer believes that for the financially astute investor, this is a time of unprecedented opportunity given the global trade unbalances and distortions in the stock, commodity and currency markets. *The Financial Crisis Report* is a free compilation of the opinions of David Miyoshi as well as of those advisors he himself subscribes to (with appropriate credits given) on how to benefit during this historic time of crisis. The writer receives no compensation of any kind from any advisors whose articles or ideas may appear in this report. The reader is welcomed to check on all sources of information mentioned herein. Because the opinions and observations of this writer and other advisors are provided herein without charge, the reader is asked to make his/her own judgment on the contents.

Who is Joe Biden?

Taken from CNBC News Jan 20, 2021

Joe Biden is sworn in as the 46th President of the United States on the West Front of the U.S. Capitol in Washington, January 20, 2021.
Kevin Lamarque | Reuters

Joseph Robinette Biden Jr. was sworn in as the 46th U.S. president on Jan 20, 2021, completing the most daunting power transfer in recent American history. Originally, I thought he would not be inaugurated after the evidence of voter fraud was disclosed. But this did not happen and on Jan 20 Biden was officially proclaimed president. The following is taken from an article by CNBC published on that day. D. Miyoshi

Inaugurated in a fortified Washington under the shadow of the coronavirus pandemic, the 78-year-old Democrat Joe Biden took the oath of office at the U.S. Capitol in front of a sparse bipartisan crowd.

Biden enters the White House exactly two weeks after a mob inflamed by his predecessor, Donald Trump, stormed the Capitol, disrupting the transition to his administration and leaving five people dead.

Biden took the oath of office from Supreme Court Chief Justice John Roberts, with his left hand on a family Bible. During an inaugural address in which he called on Americans to reject efforts to sow division and pledged to work for the voters who did not support him, Biden declared, "Democracy has prevailed."

"On this hallowed ground where, just a few days ago, violence sought to shake the Capitol's very foundation, we come together as one nation, under God, indivisible, to carry out the peaceful transfer of power as we have for more than two centuries," Biden said.

Biden, the oldest American president, faces swirling crises as he and Vice President Kamala Harris take power. At 56, she became the first woman, first Black American and first South Asian American to become vice president.

Biden will try to streamline the biggest vaccination effort in U.S. history to contain a virus that has claimed more than 400,000 lives nationwide. He will aim to boost an economy in which about 18 million people are receiving unemployment benefits and food banks experience demand unseen in decades.

"In the work ahead of us, we're going to need each other. We need all of our strength to persevere through this dark winter," the president said.

Biden will try to implement a broad agenda while navigating a country where millions of people, including members of Congress, fed disinformation by Trump question the legitimacy of his victory in the November election. In his remarks, the president said the country must "reject the culture where facts themselves are manipulated and even manufactured." Biden called on Americans to "defend the truth and defeat the lies."

Biden, a Democrat, won the presidency in Novem-

Beginning of the Fall of the American Empire

ber in his third try. His first attempt came during the 1988 presidential cycle, followed by a 2008 primary loss to his future boss Barack Obama.

Biden served two terms as Obama's vice president from 2009 to 2017. He took the job after 36 years in the Senate representing Delaware, a state Biden has said "will be written on my heart." Biden joined the Senate when he was 30.

This time, Biden ran as the person best equipped to defeat Trump. Concerns bubbled within his party that his record on racial justice and the social safety net left him unprepared to confront the country's challenges. Biden pledged to "restore the soul of America," and clinched his party's presidential nomination after early stumbles.

Tragedy and compassion

Campaigning during the pandemic, Biden aimed to show a compassion built through tragedy. He often opened up about the deaths of his first wife, Neilia, and young daughter, Naomi, in a 1972 car crash, and his adult son Beau's passing from brain cancer in 2015.

Biden enters office trying to curb the pain wrought by the pandemic. He paused during his remarks for a moment of silence to recognize the Americans who died from the virus, asking the country to "honor them by becoming a people and a nation we know we can and should be."

Working with narrow majorities in the House and Senate, Biden will first try to pass a $1.9 trillion coronavirus relief package. Other priorities include health care, immigration and climate change. He will start to address some of those issues with executive orders on his first day in office.

Biden said the country "will be judged by how we resolve these cascading crises of our era" — the pandemic, threats to democracy, systemic racism, economic inequity and climate change.

Throughout his campaign, Biden contended he could win Republicans to his cause, especially because of his relationships in the Senate. The next two years will test his sway in a Trump-centric GOP. Democrats will need 10 Republican votes to pass most legislation in the chamber.

End of Article

Beginning of the Fall of the American Empire

On Jan 5, the GOP lost both Senate seats in Georgia. On that day the bond market began to send out its message scrawled on the wall of the Capitol "As you sow, so shall ye reap"

On that day Bloomberg reported: U.S. Treasury yields broke above 1% for the first time since the pandemic-driven turmoil in March, and the selloff may only have just begun should the Democrats secure control of the U.S. Senate.

U.S. Treasury bonds are the backbone of the whole global financial system. Rising yields could mean a greater appetite for borrowing money (signaling an expanding economy).

More likely, in this context, they tell us that the world is losing faith in the U.S. dollar.

And here's more from Bloomberg, which backs up the "inflate or die" theory of conservative economist Bill Bonner:

Traders see U.S. inflation averaging at least 2% per year over the coming decade, the first time expectations have climbed that high since 2018.

Could it be? Are we really at a major turning point… when Treasury bond prices go down and yields go up? Was Jan 6 the key day… when everything we took for granted for the last 40 years – declining inflation, low-and-falling interest rates, and rising stock prices – suddenly turned around?

Slippery Slope

And for the U.S. empire… resting on a foundation of dollar strength – is this the beginning of the end? Will the Chinese, Iranians, Russians, etc. soon come up with a competing currency… perhaps more solidly tied to the real world?

Biden's Plan for Social Security and Medicare

For 224 years, America's power and wealth grew. By economist Bill Bonner's reckoning, it peaked around the turn of the century, 20 years ago. Since then, it's been on a gentle downhill slide. But now, the slope has suddenly gotten much steeper and more slippery.

Everything Is Cyclical

The credit cycle, from top to bottom and back, lasts about 70 years. That's long enough for one generation to learn and the next to forget.

The last bottom in Treasury yields came after World War II. Whether Jan 6 marked another historic bottom in yields, we won't know for sure for several years.

The stock market, too, moves in big, long cycles… from boom to bust and back to boom again… over many decades. We see it most clearly when we filter out the noise caused by an unreliable U.S. dollar.

In 1980, stocks hit an all-time low. Then, you could get the entire Dow – all 30 stocks in the index – for barely more than a single ounce of gold.

From there, stocks rose until 2000, peaking 42 times higher (it took 42 ounces of gold to buy the Dow stocks in January 2000).

Since then, stocks have been working their way down again, in terms of gold… with the Dow currently worth about 16 ounces of gold.

And neither is "paper" money itself immune to cycles. It goes from creation to cremation… never surviving a complete credit cycle. Like a delicate flower, it blooms bright… but fades fast.

Because, when money gets "tight" – with rising real interest rates – the authorities can't resist the temptation to print more.

Reap What Ye Sow

What was sown in 2020 was financial, political, and social chaos…

And now, 2021 promises a fulsome harvest… of bitterness… financial losses… and economic disruption.

Democrats will blame Republicans. Conservatives will blame liberals.

But who really is to blame for a setting sun?

D. Miyoshi

Biden's Plan for Social Security and Medicare

The following article was written by Mark Miller and published on Jan 20, 2021 in Wealth Management.com a site for financial consultants. I recreate it here for your reading consideration. D. Miyoshi

What does the future of Social Security and Medicare look like for financial clients under the new Biden administration and a Democratic Congress?

What does the future of Social Security and Medicare look like for your clients under the new Biden administration and a Democratic Congress? And how should you respond to client concerns about the financial health of these vital retirement programs?

Both programs face challenges, but their financial structures are not identical. And President Joe Biden has proposed reform and expansion of both that go well beyond addressing solvency. Let's break it down.

Social Security

It's not news that Social Security faces a long-term solvency problem. Before the pandemic, Social Security's actuary projected that the combined retirement and disability trust funds would be drained in 2035; at that point, the program would have sufficient income from current tax payments to meet roughly 80 percent of promised benefits.

The insolvency date has accelerated a bit due to the economic downturn and accompanying slump in payroll tax receipts—the projected insolvency date now is 2034. That could change further depending on how quickly the economy rebounds from the pandemic-induced recession.

As a candidate, President Biden issued a detailed plan for Social Security that addresses the solvency problem by adding a new tier

Biden's Plan for Social Security and Medicare

of payroll tax contributions for high earners. Currently, workers and employers split a 12.4% tax, levied on income this year up to $142,800. Biden would add a new tax at the same rate on incomes over $400,000.

That would extend solvency only until 2040—not for 75 years, as envisioned in more progressive versions of Social Security reform. (Notably, the revenue from this new higher bracket would grow over time as more workers move past the $400,000 trip point.)

Biden's plan also finances a series of moderate benefit expansions, which could be helpful to retirees in the wake of the economic devastation wrought by the pandemic. One change would credit caregivers in their benefits for time spent out of the workforce—a change that would especially benefit women, who already face a substantial retirement gender gap.

Biden also proposes several changes that I'd group together under the category of longevity insurance—that is, they would tend to boost benefits for older beneficiaries. This can be significant for clients who run the risk of exhausting savings if they reach very advanced ages.

One change would replace the current yardstick used for determining Social Security's annual cost-of-living adjustment (COLA) with an alternate measure geared to the types of inflation typically experienced by seniors, including health care. The CPI-E, which would replace the CPI-W, is projected to boost the COLA by two percentage points annually. That may not sound like much, but it adds up as the higher benefit compounds over time.

Benefits for some surviving spouses also would get a boost under Biden's plan. Currently, a surviving spouse is entitled to 100 percent of the deceased spouse's benefit if it is larger than her own. But if the two spouses earned similar benefit amounts, the survivor still faces a cut in household benefit in the neighborhood of 50%.

Biden's plan would give survivors the option of receiving 75% of the original household benefit, so long as the new payment does not exceed the benefit received by a two-earner couple with average career earnings. The idea here is to cap the benefit to exclude very high income beneficiaries.

To help address longevity concerns, the president's plan would also provide a bonus equal to 5% of the average benefit to beneficiaries who had collected payments for 20 years. This would phase in, starting with a 1% boost for beneficiaries who had collected for 16 years.

Medicare Solvency

There's plenty of loose talk in the media about the unsustainability of Medicare. But it's very important to understand where the problems are—and where they are not.

Medicare has several different parts, and they are not all financed in the same way. The solvency issue now on the table pertains to Part A, which finances hospitalization and is funded mainly by a 2.9% payroll tax split between workers and employers.

The hospital fund always has a projected insolvency date, as it balances payroll tax receipts against hospital costs. The insolvency date fluctuates a great deal; since 1970, it has been as close as two years away to as far as 28 years into the future.

The Congressional Budget Office projects that the fund will be drained in 2024. Before the pandemic, Medicare's trustees projected that the fund would be exhausted in 2026, but the job losses stemming from the pandemic have reduced tax receipts.

So, that is an urgent issue that needs to be addressed—if the trust fund is drained, Medicare would have resources to pay just 90% of expected costs, and the fund's ability to pay bills would deteriorate further from there. Congress will need to make decisions sooner rather than later how to fix the problem; in the past, legislative fixes often have relied on reductions in payment rates to health care providers or by increasing payroll tax rates.

Medicare's outpatient (Part B) and prescription drug (Part D) programs are financed by general government revenue and beneficiary premiums. Both are adjusted annually to meet program costs, so neither face solvency problems.

Medicare Expansion

Biden has called for expansion of Medicare by reducing the eligibility age to 60. That actually would be an incremental step—a study last year by the National Academy of Social Insurance found that lowering the age to 62 would add 10.1 million to the Medicare rolls, but only 670,000 who had been uninsured because this older age group already has a comparatively low uninsured rate. Those figures likely are somewhat higher now due to the pandemic.

By contrast, reducing the Medicare age to 50 would add 57.3 million new enrollees, 4.6 million of whom would have been uninsured, the study found.

A lower Medicare age would come with some complications, namely how to finance the Part A expansion. Biden has proposed to protect the Part A trust fund by financing the expense of serving new, younger enrollees from general revenue, rather than the payroll tax.

Mark Miller is a journalist and author who writes about trends in retirement and aging. He is a columnist for Reuters and also contributes to Morningstar and the AARP magazine.

End of Article

4 Economic Challenges for 2021

Now that there is a new US president, wherever you stand on the political spectrum, there's no doubt that the next four years will look very different from the last four years.

But it's not just fiscal policy that should concern us. Notably, famous portfolio manager Jeremy Grantham is convinced that we are in the end stages of a major asset bubble that, once it bursts, will send shockwaves around the world.

Grantham says the single most dependable feature of the late stages of the great bubbles of history has been really crazy investor behavior, especially on the part of individuals. For the first 10 years of this bull market, which is the longest in history, we lacked such wild speculation. But now we have it.

Grantham believes this bubble might survive up to the late spring or early summer, coinciding with the broad rollout of the COVID vaccine. But at that moment, the most pressing issue facing the world economy will have been solved. Market participants will breathe a sigh of relief, look around, and immediately realize that the economy is still in poor shape, stimulus will shortly be cut back with the end of the COVID crisis, and valuations are absurd. And then reality will strike home with a vengeance

With that said, what economic challenges will we face in 2021? The following article by John Mauldin published on January 22, 2021 in Newsmax Finance is an attempt to answer that question. I submit it for your reading consideration. D. Miyoshi

This year will bring several economic challenges in the U.S. — some we may not yet foresee. But I can already identify at least four.

First, the coronavirus pandemic is permanently changing certain parts of the economy.

I'll start with the one most familiar to me: business travel. It came to a screeching halt last spring. Airlines, hotels, and so on since recovered a little but are nowhere near normal, nor are most profitable. They're just holding on.

The problem is their best customers have now learned how to do business with significantly less travel. I, for one, look forward to flying again, though I doubt many of us will do as much as we did in the past.

Large conventions, which require months of planning and preparation, won't return until late 2021, at best. (My Strategic Investment Conference, set for May 4 through May 14, will be held online for the second year in a row.)

Even beyond that, I bet future in-person events be smaller. This is bad news for that industry and entire cities, like Las Vegas, that depend on those big tourism dollars.

Second, these changes will cascade through the economy.

When a restaurant or hotel closes, its workers, suppliers and landlord suffer, too. The impact on commercial real estate has barely started but I think will be gigantic.

The post-pandemic economy will need fewer shopping malls, retail strip centers, hotels and office buildings. At the same time, we'll see higher demand for warehouses and shipping infrastructure.

It will all sort out but will take time. And there will be losers.

As for housing, close to 40% of rental homes and apartments in this country are owned by small investors who now have difficult choices. Are they better off working with distressed tenants, particularly when stable tenants are in short supply?

As I've said since this pandemic started, the world is going to be repriced.

Third, it's not clear whether we actually have functional capital markets anymore.

After nearly a year of radical, unprecedented Federal Reserve action, the bond market is totally at the Fed's mercy. Their purchases of Treasury bonds and corporate bond ETFs have let the government and large companies borrow huge amounts on some of the best terms in recorded history.

This cash isn't necessarily being used productively, though, which is going to be a big problem at some point.

Further, the Fed is making the wealth and income disparity divide even worse. Their financial repression is crushing savers, almost forcing retirees to choose riskier alternatives at precisely the time in their lives when they shouldn't be.

Given today's valuations, this could have disastrous effects.

Fourth, a lot of fiscal and monetary aid found its way into the stock market, driving share prices far above any remotely fair valuation.

As I've said, these manias can continue longer than we expect, but eventually something triggers a collapse. We have multiple plausible candidates, too, not least of which is the prospect of higher corporate tax rates.

Biden and the Democrats basically want to reverse the 2017 tax cuts. If they succeed, it's fair to expect some of the market gains since then to reverse as well. That, in turn, could have a negative "wealth effect" by making investors save their cash instead of using it to buy stocks.

This would remove some of the market's fuel and put even more downward pressure on prices.

On the one hand, I'm confident about 2021. These four challenges could be balanced out by the four reasons to be hopeful that I shared with you previously. On the other hand, I'm cautious. But the gripping hand is strongest. Things could still go either way, so be careful out there.

End of Article

A Whistleblower

According to Wikipedia, a whistleblower is a person, usually an employee, who exposes information or activity within a private, public, or government organization that is deemed illegal, illicit, unsafe, or a waste, fraud, or abuse of taxpayer funds. Those who become whistleblowers can choose to bring information or allegations to surface either internally or externally.

Over 83% of whistleblowers report internally to a supervisor, human resources, compliance or a neutral third party within the company, with the thought that the company will address and correct the issues. Externally, a whistleblower can bring allegations to light by contacting a third party outside of the organization such as the media, government, or law enforcement.

Even though it is illegal in many countries, including the United States, over 90% of whistleblowers report being retaliated against from those who are accused or alleged of wrongdoing, on behalf of the company. The most common type of retaliation reported is being abruptly terminated. However, there are several other activities that are considered retaliatory, such as sudden extreme increase in workloads, having hours cut drastically, making task completion impossible or otherwise bullying measures. Because of this, a number of laws exist to protect whistleblowers. Some third-party groups even offer protection to whistleblowers, but that protection can only go so far.

The person who fits this description to the tee is John Cruz. Recently he published a book entitled *Whistleblower Bloodmoney: Obama-Clinton-Comey-Lynch*. Its available on Amazon. I just finished it and if what he writes is true, he has uncovered one of the biggest political scandals in modern history.

Recently, Cruz was interviewed by Dave Hodges on the *Common Sense Show*. Hodges says this was one of the most important interviews in the history of the *Common Sense Show.*

Here is what Hodges wrote about that interview:

In one of the most important interviews in the history of *The Common Sense Show*, I recently interviewed John Cruz, a former Senior Vice-President at HSBC Bank.

After being honorably discharged from the military, John Cruz had obtained what he thought was his dream position as the Senior VP at HSBC Bank only to realize that this job would become the greatest nightmare of his life and with each passing day his life remains in jeopardy.

Little did John Cruz realize that when began to work at HSBC Bank, he was working for the most corrupt bank in the world. HSBC has become the bank of last resort. When a criminal entity, or terrorist group needs to launder money from drug trafficking, child-sex-trafficking or gun running, HSBC is your bank of choice and the bank was using your stolen social security numbers to facilitate the crimes. Many of you reading these words have had your identity stolen and its being used to facilitate the above-mentioned crimes.

Big Tech Tyranny Can Ruin America

And people wonder why identity theft is such a major problem in our country.

The following interview details how John Cruz discovered that his bank was using terrorist money to finance the political campaign of Hillary Clinton and James Comey was a part of it and people like the future Attorney General of the United States, Loretta Lynch was providing legal cover for the Deep State.

Recent events have shed a new light on John Cruz's whistleblowing. First, we need to ask an important question: Who owns HSBC Bank? Answer: The Communist Chinese government owns HSBC. According to Cruz the most prominent manner in which HSBC Bank launders money is through offshore entities, like the ones that some of the stimulus money is going. Yes, over $700 billion has gone oversees in the most recent stimulus bill. Only $124 billion went to the bankrupted American citizens. And what is that foreign money being used for. Two confidential insiders tell us that this, in part, is hush money given to key judges to block any consideration of Trump's election fraud cases, despite having a mountain of evidence to support his claims. Further, some of the hush money has gone to American politicians, including Georgia's governor's family member, and key members of Congress.

Who set up this unholy alliance to buy the needed cooperation to end Trump's presidency by any and all means possible? The Chinese Communist Party (CHICOMS). And who set this network up? The conspiracy of silence of network was set up by Comey, Clinton and Lynch when they were running interference for HSBC Bank.

The testimony of this one man could put away prominent members of the Deep State. He has given Congressional testimony, but was ignored.

Hodges interview of John Cruz exposing the current pathway of corruption, money laundering and bribery can be found under the following URL

https://thecommonsenseshow.com/topics/conspiracy-articles

The History Channel writes that one of the reasons Rome fell was due to government corruption and political instability. History tends to repeat itself.

D. Miyoshi

Big Tech Tyranny Can Ruin America

Article by Buck Sexton

Published Jan 14, 2021 in *American Consequences*

While many people on the Right saw the digital purge coming, the ferocity of the ambush has been a shock... The major tech companies – specifically Google, Apple, Amazon, Facebook, and Twitter – have become absolutely brazen in their partisan assaults. Whereas they used to pretend that right-of-center views were mysteriously censored or banished by accident, it seems now they are outright telling America, "We decide what you can say."

If you don't abide by their dictates, they will banish you from the Internet.

To make matters worse, it now seems that these companies are working together. A handful of the most powerful, wealthy, and influential companies on the planet have shown they can unite to elevate or destroy political candidates, online competitors, or anyone they decide is a threat to their messianic-progressive worldview.

They've become the world's most powerful censorship cartel.

It's not an exaggeration to say this is the most serious threat to free speech since the founding of the Internet. The tech giants not only control the most important content platforms online, they own and run much of the Internet's underlying infrastructure.

It's one thing to be told you can't Tweet anymore or your Facebook videos have been demonetized...

It's another to find out – as the free-speech micro-blogging site Parler did last week – that Amazon Web Services has actually shut off your servers and put you entirely out of business. Add to that the flight of text messaging, e-mail, payment processors, and even legal services (all of which also happened to Parler) because nobody wants to cross the censorship cartel. And it's clear that Silicon Valley has the ability to annihilate any online enterprise with insufficient Left-wing politics.

While there is extreme tension around the transfer of government power right now, the first signs of the great digital purge had nothing to do with the 2020 election. The social media suppression campaign of the New York Post reporting about Hunter Biden as "hacked information" was certainly a major indicator of trouble to come. But

How America Can End

the oligarchs of Silicon Valley showed us what they were planning even earlier than that with their "fact checks" around COVID-19.

Question the efficacy of masks against the virus? Get suspended from Facebook for misinformation. Claim on Twitter that pandemic lockdowns haven't stopped the virus in major cities? Watch as your account gets dinged with a fact check for "lacking context."

The COVID-19 pandemic remains a policy issue of urgent national and global concern, but only approved narratives are allowed online. Deviate from them, and you find yourself throttled, shadow banned, or booted off the platform altogether.

Who determines what the limits of acceptable speech are in America today? It's a combination of Big Tech's "independent fact checkers" who seem to have an obvious preference for Leftist politics, and algorithms that unsurprisingly suppress and target conservatives.

They used to call this political targeting of conservatives a conspiracy theory... Now, the tech giants seem to be playing favorites, and that means Democrats have a huge advantage in the entire online ecosystem.

For Google, Amazon, and the social media platforms to shut down speech they dislike is deeply un-American. The First Amendment is a law that protects us from government action, but it's also a principle that the American experiment relies on.

For all their claims about transparency and open platforms, we can see that Silicon Valley has produced companies that are dishonest with the public about their intentions when it comes to free speech. It appears they are now explicitly political actors, tilting the entirety of American political discourse to the Left.

This censorship will lead the country down a dangerous path if it continues. Ideas that the Internet elites deem too dangerous or problematic for online sharing will find other ways to spread. Dark conspiracies will flourish, as will distrust and mounting frustration. Eventually, such suppression will boil over.

The only easy answer to this problem would be for the Internet giants to voluntarily cede their editorial powers and promote the open exchange of ideas. But they absolutely won't... Their leadership cadres are made up of Democrat donors, and many of their rank-and-file workers are "woke" activists. They enjoy this new power to silence anyone with the temerity to challenge "the science" behind COVID-19 lockdowns.

All of this is likely to get worse before it gets better. Their ultimate plan is not to eliminate hate from the Internet, but to hobble conservatism as an ideological force in American politics. If the oligarchs at Google, Facebook, and Amazon have to sacrifice our central freedom to get there, they view it as a small price to pay. And they've got deep pockets.

End of Article

How America Can End

The stirring images of people storming the U.S. Capital building on Jan 6, reminds us just how divided we are as Americans. The divisions formed before the improbable election of President Trump in 2016. That divide only intensified during the past four years. On Jan 6 it boiled over. Trump has been a hero to many Americans, mostly in red state America, and a villain to others, mostly in blue state America.

Many Trump supporters believe the election was stolen from him, especially in key swing states. Biden supporters dismiss it all as conspiracy.

The bigger story is that America is divided as it hasn't been in decades, and demographic trends will only exacerbate these divisions. Here is an article that appeared in the December 2019 issue of *The Atlantic* describing how America as we've known it could end. It is very thought provoking. D. Miyoshi

By Yoni Appelbaum, senior editor at *The Atlantic*

Democracy depends on the consent of the losers. For most of the 20th century, parties and candidates in the United States have competed in elections with the understanding that electoral defeats are neither permanent nor intolerable. The losers could accept the result, adjust their ideas and coalitions, and move on to fight in the next election. Ideas and policies would be contested, sometimes viciously, but however heated the rhetoric got, defeat was not generally equated with political annihilation. The stakes could feel high, but rarely existential. In recent years, however, beginning before the election of Donald Trump and accelerating since, that has changed.

"Our radical Democrat opponents are driven by hatred, prejudice, and rage," Trump told the crowd at his reelection kickoff event in Orlando in June. "They want to destroy you and they want to destroy our country as we know it." This is the core of the president's pitch to his supporters: He is all that stands between them and the abyss.

How America Can End

In October 2019, with the specter of impeachment looming, he fumed on Twitter, "What is taking place is not an impeachment, it is a COUP, intended to take away the Power of the People, their VOTE, their Freedoms, their Second Amendment, Religion, Military, Border Wall, and their God-given rights as a Citizen of The United States of America!" For good measure, he also quoted a supporter's dark prediction that impeachment "will cause a Civil War like fracture in this Nation from which our Country will never heal."

Trump's apocalyptic rhetoric matches the tenor of the times. The body politic is more fractious than at any time in recent memory. Over the past 25 years, both red and blue areas have become more deeply hued, with Democrats clustering in cities and suburbs and Republicans filling in rural areas and exurbs. In Congress, where the two caucuses once overlapped ideologically, the dividing aisle has turned into a chasm.

As partisans have drifted apart geographically and ideologically, they've become more hostile toward each other. In 1960, less than 5 percent of Democrats and Republicans said they'd be unhappy if their children married someone from the other party; today, 35 percent of Republicans and 45 percent of Democrats would be, according to a recent Public Religion Research Institute/Atlantic poll—far higher than the percentages that object to marriages crossing the boundaries of race and religion. As hostility rises, Americans' trust in political institutions, and in one another, is declining. A study released by the Pew Research Center in July found that only about half of respondents believed their fellow citizens would accept election results no matter who won. At the fringes, distrust has become centrifugal: Right-wing activists in Texas and left-wing activists in California have revived talk of secession.

Recent research by political scientists at Vanderbilt University and other institutions has found both Republicans and Democrats distressingly willing to dehumanize members of the opposite party. "Partisans are willing to explicitly state that members of the opposing party are like animals, that they lack essential human traits," the researchers found. The president encourages and exploits such fears. This is a dangerous line to cross. As the researchers write, "Dehumanization may loosen the moral restraints that would normally prevent us from harming another human being."

Outright political violence remains considerably rarer than in other periods of partisan divide, including the late 1960s. But overheated rhetoric has helped radicalize some individuals. Cesar Sayoc, who was arrested for targeting multiple prominent Democrats with pipe bombs, was an avid Fox News watcher; in court filings, his lawyers said he took inspiration from Trump's white-supremacist rhetoric. "It is impossible," they wrote, "to separate the political climate and [Sayoc's] mental illness." James Hodgkinson, who shot at Republican lawmakers (and badly wounded Representative Steve Scalise) at a baseball practice, was a member of the Facebook groups Terminate the Republican Party and The Road to Hell Is Paved With Republicans. In other instances, political protests have turned violent, most notably in Charlottesville, Virginia, where a Unite the Right rally led to the murder of a young woman. In Portland, Oregon, and elsewhere, the left-wing "antifa" movement has clashed with police. The violence of extremist groups provides ammunition to ideologues seeking to stoke fear of the other side.

What has caused such rancor? The stresses of a globalizing, postindustrial economy. Growing economic inequality. The hyperbolizing force of social media. Geographic sorting. The demagogic provocations of the president himself. As in Murder on the Orient Express, every suspect has had a hand in the crime.

But the biggest driver might be demographic change. The United States is undergoing a transition perhaps no rich and stable democracy has ever experienced: Its historically dominant group is on its way to becoming a political minority—and its minority groups are asserting their co-equal rights and interests. If there are precedents for such a transition, they lie here in the United States, where white Englishmen initially predominated, and the boundaries of the dominant group have been under negotiation ever since. Yet those precedents are hardly comforting. Many of these renegotiations sparked political conflict or open violence, and few were as profound as the one now under way.

Within the living memory of most Americans, a majority of the country's residents were white Christians. That is no longer the case, and voters are not insensate to the change—nearly a third of conservatives say they face "a lot" of discrimination for their beliefs, as do more than half of white evangelicals. But more epochal than the change that has already happened is the change that is yet to come: Sometime in the next quarter century or so, depending on immigration rates and the vagaries of ethnic and racial identification, nonwhites will become a majority in the U.S. For some Americans, that change will be cause for celebration; for others, it may pass unnoticed. But the transition is already producing a sharp political backlash, exploited and exacerbated by the president. In 2016, white working-class voters who said that discrimination against whites is a serious problem, or who said they felt like strangers in their own country, were almost twice as likely to vote for Trump as those who did not. Two-thirds of Trump voters agreed that "the 2016 election represented the last chance to stop America's decline." In Trump, they'd found a defender.

In 2002, the political scientist Ruy Teixeira and the journalist John Judis published a book, *The Emerging Democratic Majority*, which argued that demographic changes—the browning of America, along with the movement of more women, professionals, and young people into the Democratic fold—would soon usher in a "new progressive era" that would relegate Republicans to permanent minority political status. The book argued, somewhat triumphally, that the new emerging majority was inexorable and inevitable. After Barack Obama's reelection, in 2012, Teixeira doubled down on the argument in *The Atlantic*, writing, "The Democratic majority could be here to stay." Two years later, after the Democrats got thumped in the 2014 midterms, Judis partially recanted, saying that the emerging Democratic majority had turned out to be a mirage and that growing support for the GOP among the white working class would give the Republicans a long-term advantage. The 2016 election seemed to confirm this.

But now many conservatives, surveying demographic trends, have concluded that Teixeira wasn't wrong—merely premature. They can see the GOP's sinking fortunes among younger voters, and feel the culture turning against them, condemning them today for views that

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were commonplace only yesterday. They are losing faith that they can win elections in the future. With this come dark possibilities.

The United States is undergoing a transition perhaps no rich and stable democracy has ever experienced: Its historically dominant group is on its way to becoming a political minority.

The Republican Party has treated Trump's tenure more as an interregnum than a revival, a brief respite that can be used to slow its decline. Instead of simply contesting elections, the GOP has redoubled its efforts to narrow the electorate and raise the odds that it can win legislative majorities with a minority of votes. In the first five years after conservative justices on the Supreme Court gutted a key provision of the Voting Rights Act in 2013, 39 percent of the counties that the law had previously restrained reduced their number of polling places. And while gerrymandering is a bipartisan sin, over the past decade Republicans have indulged in it more heavily. In Wisconsin last year, Democrats won 53 percent of the votes cast in state legislative races, but just 36 percent of the seats. In Pennsylvania, Republicans tried to impeach the state Supreme Court justices who had struck down a GOP attempt to gerrymander congressional districts in that state. The Trump White House has tried to suppress counts of immigrants for the 2020 census, to reduce their voting power. All political parties maneuver for advantage, but only a party that has concluded it cannot win the votes of large swaths of the public will seek to deter them from casting those votes at all.

The history of the United States is rich with examples of once-dominant groups adjusting to the rise of formerly marginalized populations—sometimes gracefully, more often bitterly, and occasionally violently. Partisan coalitions in the United States are constantly reshuffling, realigning along new axes. Once-rigid boundaries of faith, ethnicity, and class often prove malleable. Issues gain salience or fade into irrelevance; yesterday's rivals become tomorrow's allies.

But sometimes, that process of realignment breaks down. Instead of reaching out and inviting new allies into its coalition, the political right hardens, turning against the democratic processes it fears will subsume it. A conservatism defined by ideas can hold its own against progressivism, winning converts to its principles and evolving with each generation. A conservatism defined by identity reduces the complex calculus of politics to a simple arithmetic question—and at some point, the numbers no longer add up.

Trump has led his party to this dead end, and it may well cost him his chance for reelection, presuming he is not removed through impeachment. But the president's defeat would likely only deepen the despair that fueled his rise, confirming his supporters' fear that the demographic tide has turned against them. That fear is the single greatest threat facing American democracy, the force that is already battering down precedents, leveling norms, and demolishing guardrails. When a group that has traditionally exercised power comes to believe that its eclipse is inevitable, and that the destruction of all it holds dear will follow, it will fight to preserve what it has—whatever the cost.

Adam Przeworski, a political scientist who has studied struggling democracies in Eastern Europe and Latin America, has argued that to survive, democratic institutions "must give all the relevant political forces a chance to win from time to time in the competition of interests and values." But, he adds, they also have to do something else, of equal importance: "They must make even losing under democracy more attractive than a future under non-democratic outcomes." That conservatives—despite currently holding the White House, the Senate, and many state governments—are losing faith in their ability to win elections in the future bodes ill for the smooth functioning of American democracy. That they believe these electoral losses would lead to their destruction is even more worrying.

We should be careful about overstating the dangers. It is not 1860 again in the United States—it is not even 1850. But numerous examples from American history—most notably the antebellum South—offer a cautionary tale about how quickly a robust democracy can weaken when a large section of the population becomes convinced that it cannot continue to win elections, and also that it cannot afford to lose them.

The collapse of the mainstream Republican Party in the face of Trumpism is at once a product of highly particular circumstances and a disturbing echo of other events. In his recent study of the

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emergence of democracy in Western Europe, the political scientist Daniel Ziblatt zeroes in on a decisive factor distinguishing the states that achieved democratic stability from those that fell prey to authoritarian impulses: The key variable was not the strength or character of the political left, or of the forces pushing for greater democratization, so much as the viability of the center-right. A strong center-right party could wall off more extreme right-wing movements, shutting out the radicals who attacked the political system itself.

The left is by no means immune to authoritarian impulses; some of the worst excesses of the 20th century were carried out by totalitarian left-wing regimes. But right-wing parties are typically composed of people who have enjoyed power and status within a society. They might include disproportionate numbers of leaders—business magnates, military officers, judges, governors—upon whose loyalty and support the government depends. If groups that traditionally have enjoyed privileged positions see a future for themselves in a more democratic society, Ziblatt finds, they will accede to it. But if "conservative forces believe that electoral politics will permanently exclude them from government, they are more likely to reject democracy outright."

Ziblatt points to Germany in the 1930s, the most catastrophic collapse of a democracy in the 20th century, as evidence that the fate of democracy lies in the hands of conservatives. Where the center-right flourishes, it can defend the interests of its adherents, starving more radical movements of support. In Germany, where center-right parties faltered, "not their strength, but rather their weakness" became the driving force behind democracy's collapse.

Of course, the most catastrophic collapse of a democracy in the 19th century took place right here in the United States, sparked by the anxieties of white voters who feared the decline of their own power within a diversifying nation.

The slaveholding South exercised disproportionate political power in the early republic. America's first dozen presidents—excepting only those named Adams—were slaveholders. Twelve of the first 16 secretaries of state came from slave states. The South initially dominated Congress as well, buoyed by its ability to count three-fifths of the enslaved persons held as property for the purposes of apportionment.

Whether the American political system today can endure without fracturing further may depend on the choices of the center-right.

Politics in the early republic was factious and fractious, dominated by crosscutting interests. But as Northern states formally abandoned slavery, and then embraced westward expansion, tensions rose between the states that exalted free labor and the ones whose fortunes were directly tied to slave labor, bringing sectional conflict to the fore. By the mid-19th century, demographics were clearly on the side of the free states, where the population was rapidly expanding. Immigrants surged across the Atlantic, finding jobs in Northern factories and settling on midwestern farms. By the outbreak of the Civil War, the foreign-born would form 19 percent of the population of the Northern states, but just 4 percent of the Southern population.

The new dynamic was first felt in the House of Representatives, the most democratic institution of American government—and the Southern response was a concerted effort to remove the topic of slavery from debate. In 1836, Southern congressmen and their allies imposed a gag rule on the House, barring consideration of petitions that so much as mentioned slavery, which would stand for nine years. As the historian Joanne Freeman shows in her recent book, *The Field of Blood*: Violence in Congress and the Road to Civil War, slave-state representatives in Washington also turned to bullying, brandishing weapons, challenging those who dared disparage the peculiar institution to duels, or simply attacking them on the House floor with fists or canes. In 1845, an antislavery speech delivered by Ohio's Joshua Giddings so upset Louisiana's John Dawson that he cocked his pistol and announced that he intended to kill his fellow congressman. In a scene more Sergio Leone than Frank Capra, other representatives—at least four of them with guns of their own—rushed to either side, in a tense standoff. By the late 1850s, the threat of violence was so pervasive that members regularly entered the House armed.

As Southern politicians perceived that demographic trends were starting to favor the North, they began to regard popular democracy itself as a threat. "The North has acquired a decided ascendancy over every department of this Government," warned South Carolina's Senator John C. Calhoun in 1850, a "despotic" situation, in which the interests of the South were bound to be sacrificed, "however oppressive the effects may be." With the House tipping against them, Southern politicians focused on the Senate, insisting that the admission of any free states be balanced by new slave states, to preserve their control of the chamber. They looked to the Supreme Court—which by the 1850s had a five-justice majority from slave-holding states—to safeguard their power. And, fatefully, they struck back at the power of Northerners to set the rules of their own communities, launching a frontal assault on states' rights.

But the South and its conciliating allies overreached. A center-right consensus, drawing Southern plantation owners together with Northern businessmen, had long kept the Union intact. As demographics turned against the South, though, its politicians began to abandon hope of convincing their Northern neighbors of the moral justice of their position, or of the pragmatic case for compromise. Instead of reposing faith in electoral democracy to protect their way of life, they used the coercive power of the federal government to compel the North to support the institution of slavery, insisting that anyone providing sanctuary to slaves, even in free states, be punished: The Fugitive Slave Act of 1850 required Northern law-enforcement officials to arrest those who escaped from Southern plantations, and imposed penalties on citizens who gave them shelter.

The persecution complex of the South succeeded where decades of abolitionist activism had failed, producing the very hostility to slavery that Southerners feared. The sight of armed marshals ripping apart families and marching their neighbors back to slavery roused many Northerners from their moral torpor. The push-and-pull of democratic politics had produced setbacks for the South over the previous decades, but the South's abandonment of electoral democracy in favor of countermajoritarian politics would prove catastrophic to its cause.

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Today, a Republican Party that appeals primarily to white Christian voters is fighting a losing battle. The Electoral College, Supreme Court, and Senate may delay defeat for a time, but they cannot postpone it forever.

The GOP's efforts to cling to power by coercion instead of persuasion have illuminated the perils of defining a political party in a pluralistic democracy around a common heritage, rather than around values or ideals. Consider Trump's push to slow the pace of immigration, which has backfired spectacularly, turning public opinion against his restrictionist stance. Before Trump announced his presidential bid, in 2015, less than a quarter of Americans thought legal immigration should be increased; today, more than a third feel that way. Whatever the merits of Trump's particular immigration proposals, he has made them less likely to be enacted.

For a populist, Trump is remarkably unpopular. But no one should take comfort from that fact. The more he radicalizes his opponents against his agenda, the more he gives his own supporters to fear. The excesses of the left bind his supporters more tightly to him, even as the excesses of the right make it harder for the Republican Party to command majority support, validating the fear that the party is passing into eclipse, in a vicious cycle.

The right, and the country, can come back from this. Our history is rife with influential groups that, after discarding their commitment to democratic principles in an attempt to retain their grasp on power, lost their fight and then discovered they could thrive in the political order they had so feared. The Federalists passed the Alien and Sedition Acts, criminalizing criticism of their administration; Redemption-era Democrats stripped black voters of the franchise; and Progressive Republicans wrested municipal governance away from immigrant voters. Each rejected popular democracy out of fear that it would lose at the polls, and terror at what might then result. And in each case democracy eventually prevailed, without tragic effect on the losers. The American system works more often than it doesn't.

The years around the First World War offer another example. A flood of immigrants, particularly from Eastern and Southern Europe, left many white Protestants feeling threatened. In rapid succession, the nation instituted Prohibition, in part to regulate the social habits of these new populations; staged the Palmer Raids, which rounded up thousands of political radicals and deported hundreds; saw the revival of the Ku Klux Klan as a national organization with millions of members, including tens of thousands who marched openly through Washington, D.C.; and passed new immigration laws, slamming shut the doors to the United States.

Under President Woodrow Wilson, the Democratic Party was at the forefront of this nativist backlash. Four years after Wilson left office, the party faced a battle between Wilson's son-in-law and Al Smith—a New York Catholic of Irish, German, and Italian extraction who opposed Prohibition and denounced lynching—for the presidential nomination. The convention deadlocked for more than 100 ballots, ultimately settling on an obscure nominee. But in the next nominating fight, four years after that, Smith prevailed, shouldering aside the nativist forces within the party. He brought together newly enfranchised women and the ethnic voters of growing industrial cities. The Democrats lost the presidential race in 1928—but won the next five, in one of the most dominant runs in American political history. The most effective way to protect the things they cherished, Democratic politicians belatedly discovered, wasn't by locking immigrants out of the party, but by inviting them in.

Whether the American political system today can endure without fracturing further, Daniel Ziblatt's research suggests, may depend on the choices the center-right now makes. If the center-right decides to accept some electoral defeats and then seeks to gain adherents via argumentation and attraction—and, crucially, eschews making racial heritage its organizing principle—then the GOP can remain vibrant. Its fissures will heal and its prospects will improve, as did those of the Democratic Party in the 1920s, after Wilson. Democracy will be maintained. But if the center-right, surveying demographic upheaval and finding the prospect of electoral losses intolerable, casts its lot with Trumpism and a far right rooted in ethno-nationalism, then it is doomed to an ever smaller proportion of voters, and risks revisiting the ugliest chapters of our history.

Two documents produced after Mitt Romney's loss in 2012 and before Trump's election in 2016 lay out the stakes and the choice. After Romney's stinging defeat in the presidential election, the Republican National Committee decided that if it held to its course, it was destined for political exile. It issued a report calling on the GOP to do more to win over "Hispanic[s], Asian and Pacific Islanders, African Americans, Indian Americans, Native Americans, women, and youth[s]." There was an edge of panic in that recommendation; those groups accounted for nearly three-quarters of the ballots cast in 2012. "Unless the RNC gets serious about tackling this problem, we will lose future elections," the report warned. "The data demonstrates this."

But it wasn't just the pragmatists within the GOP who felt this panic. In the most influential declaration of right-wing support for Trump-

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ism, the conservative writer Michael Anton declared in the Claremont Review of Books that “2016 is the Flight 93 election: charge the cockpit or you die.” His cry of despair offered a bleak echo of the RNC’s demographic analysis. “If you haven’t noticed, our side has been losing consistently since 1988,” he wrote, averring that “the deck is stacked overwhelmingly against us.” He blamed “the ceaseless importation of Third World foreigners,” which had placed Democrats “on the cusp of a permanent victory that will forever obviate [their] need to pretend to respect democratic and constitutional niceties.”

The Republican Party faced a choice between these two competing visions in the last presidential election. The post-2012 report defined the GOP ideologically, urging its leaders to reach out to new groups, emphasize the values they had in common, and rebuild the party into an organization capable of winning a majority of the votes in a presidential race. Anton’s essay, by contrast, defined the party as the defender of “a people, a civilization” threatened by America’s growing diversity. The GOP’s efforts to broaden its coalition, he thundered, were an abject surrender. If it lost the next election, conservatives would be subjected to “vindictive persecution against resistance and dissent.”

Anton and some 63 million other Americans charged the cockpit. The standard-bearers of the Republican Party were vanquished by a candidate who had never spent a day in public office, and who oozed disdain for democratic processes. Instead of reaching out to a diversifying electorate, Donald Trump doubled down on core Republican constituencies, promising to protect them from a culture and a polity that, he said, were turning against them.

The gravest danger to American democracy isn’t an excess of vitriol, argues Adam Serwer. It’s the false promise of civility.

When Trump’s presidency comes to its end, the Republican Party will confront the same choice it faced before his rise, only even more urgently. In 2013, the party’s leaders saw the path that lay before them clearly, and urged Republicans to reach out to voters of diverse backgrounds whose own values matched the “ideals, philosophy and principles” of the GOP. Trumpism deprioritizes conservative ideas and principles in favor of ethno-nationalism.

The conservative strands of America’s political heritage—a bias in favor of continuity, a love for traditions and institutions, a healthy skepticism of sharp departures—provide the nation with a requisite ballast. America is at once a land of continual change and a nation of strong continuities. Each new wave of immigration to the United States has altered its culture, but the immigrants themselves have embraced and thus conserved many of its core traditions. To the enormous frustration of their clergy, Jews and Catholics and Muslims arriving on these shores became a little bit congregationalist, shifting power from the pulpits to the pews. Peasants and laborers became more entrepreneurial. Many new arrivals became more egalitarian. And all became more American.

By accepting these immigrants, and inviting them to subscribe to the country’s founding ideals, American elites avoided displacement. The country’s dominant culture has continually redefined itself, enlarging its boundaries to retain a majority of a changing population. When the United States came into being, most Americans were white, Protestant, and English. But the ineradicable difference between a Welshman and a Scot soon became all but undetectable. Whiteness itself proved elastic, first excluding Jews and Italians and Irish, and then stretching to encompass them. Established Churches gave way to a variety of Protestant sects, and the proliferation of other faiths made “Christian” a coherent category; that broadened, too, into the Judeo-Christian tradition. If America’s white Christian majority is gone, then some new majority is already emerging to take its place—some new, more capacious way of understanding what it is to belong to the American mainstream.

So strong is the attraction of the American idea that it infects even our dissidents. The suffragists at Seneca Falls, Martin Luther King Jr. on the steps of the Lincoln Memorial, and Harvey Milk in front of San Francisco’s city hall all quoted the Declaration of Independence. The United States possesses a strong radical tradition, but its most successful social movements have generally adopted the language of conservatism, framing their calls for change as an expression of America’s founding ideals rather than as a rejection of them.

Even today, large numbers of conservatives retain the courage of their convictions, believing they can win new adherents to their cause. They have not despaired of prevailing at the polls and they are not prepared to abandon moral suasion in favor of coercion; they are fighting to recover their party from a president whose success was built on convincing voters that the country is slipping away from them.

The stakes in this battle on the right are much higher than the next election. If Republican voters can’t be convinced that democratic elections will continue to offer them a viable path to victory, that they can thrive within a diversifying nation, and that even in defeat their basic rights will be protected, then Trumpism will extend long after Trump leaves office—and our democracy will suffer for it.

End of Article

Is the U.S. like the U.K. in WWI?

I believe what's going on in the U.S. and its debt situation is similar to what happened to the U.K. after World War I. Before the war, the U.K. was the world's sole superpower. Despite its expansive empire, it was able to keep a relatively low debt level for most of the latter part of the 19th century, something in the 20% to 30% of GDP range.

However, World-War I caused U.K. debt to explode. This debt, which was roughly 30% of GDP in 1913, leapt to over 150% of GDP in the decades after the war. This high debt level also led to a large underperformance of the U.K. economy during the 1920s boom (which is a definite warning for the American economy going forward).

The globe kept buying the U.K. debt because it was a superpower. In the U.S., before the dot-com bust in 2000, U.S. debt was roughly 30% of GDP. However, three recessions later, it had soared to an incredible 130% of GDP. It is probably on its way north of 150% like the U.K. in the 1920s.

The question is: How long will foreign investors support this high debt level? Nearly 40% of the U.S. debt is held by foreigners. Maybe as with the U.K., there will be another decade or two where investors are still willing to support these high debt levels, as the U.S. continues to be the key cog in the global economy.

However, when the U.K. had to run up even more debt to protect itself in World War II, that ended the pound's dominance as a reserve currency and investors' willingness to support the empire. I would expect that sometime in the next decade or two, we will see investors move away from the U.S dollar and move toward the emerging markets in Asia where most of the economic growth is occurring. That will signal the end of their willingness to support these inflated U.S. debt levels.

The long-term effects of this will be negative because it means a lower U.S. dollar, higher inflation, and a lower standard of living for most Americans. Many articles have been written on gold and silver and precious metals in the past, and I feel (as I have for the past 10 years) that they are the best way to protect oneself against a devaluation in the currency.

Nothing lasts forever, and that includes empires. Just like the Roman, Ottoman, Spanish, Portuguese, British, and French before it, the U.S. empire will one day cease to exist. Another superpower will take over. This will mean that it will not get a premium on its debt like it currently gets. These types of declines due to excessive debt can take decades. However, if we as investors are prudent, we will hedge ourselves with precious metals for that potential day of reckoning. Harry Figgie, who at the turn of this century predicted the fall of the American Empire, will be proven to be correct; it will just take 30 years longer than he thought it was going to.

D. Miyoshi

Riskiest Stock Market of the Past 100 Years

What if one year ago, you knew that over the course of 2020, a pandemic would shut down much of the global economy – creating the steepest economic contraction since the Great Depression...

Thousands of restaurants and other businesses would close their doors – leaving millions of Americans unemployed and desperate...

Violent protests would occur in dozens of American towns and cities...

The stock market would hit a new all-time high in late February 2020 only to plunge 34% in about one month...

The U.S. Federal Reserve would cut interest rates effectively to zero and print roughly $3 trillion to support the economy and the financial system...

And Congress would sign off on an unprecedented $2 trillion stimulus package – mailing personal checks directly to people's homes.

Riskiest Stock Market of the Past 100 Years

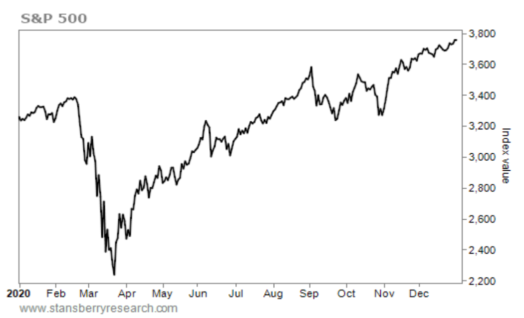
Assuming you knew all this one year ago, what would have been your guess for the performance of various asset prices this year?

Probably nothing like what we got.

According to Dan Ferris, editor of *Extreme Value* (a publication I subscribe to) the U.S. stock market is more expensive – and therefore riskier – than at any time in the past century. You must understand that risk... because last year's roller coaster ride isn't over yet...

Ferris points out that the stock market soared 68% off its March bottom last year. Would you have thought new all-time highs were even a remote possibility after that precipitous drop?

Would you have thought that despite a raging pandemic, political upheaval, and civil unrest, stocks would surge to their most expensive valuation in history – even more expensive than the 1929 and 2000 market tops?



Ferris says that a wider range of outcomes for the price of a given asset indicates higher risk. For example, there's a much wider range of outcomes for small-cap mining stocks (which can soar hundreds, even thousands of percent – or collapse entirely) than for Treasury bonds (which pay 1% a year for 10-year bonds today).

The stock market has made higher highs since I got bearish in 2017... But it has also made lower lows. In other words, a wide range of outcomes occurred.

The more expensive stocks become, the riskier they are to own. And that's what we're seeing today...

The best two metrics to demonstrate how expensive stocks are today are the S&P 500 price-to-sales (P/S) ratio and the ratio of total U.S. market cap to U.S. gross domestic product ("GDP").

Over the past century or so, whenever the P/S ratio has been high, the market has tended to perform poorly, sometimes for many years. At the peak of the dot-com bubble in March 2000, the P/S ratio was 2.3. Today, it's about 2.7.

The total market-cap-to-GDP ratio was pioneered by value guru Benjamin Graham and often cited by his prized pupil, Warren Buffett. It, too, has never been as high as it is today. It peaked at 140% in 2000 and 105% in 2007. Now it's 188%.

Ferris follows the stock market valuation work of economist and asset manager John Hussman of HussmanFunds.com. He tracks five metrics, including the P/S ratio, that have all correlated negatively over the past century with subsequent 10- and 12-year S&P 500 performance. Roughly 90% of the time when they've been high, the S&P 500 has performed poorly for a decade.

In a recent market comment, Hussman wrote...

Presently, I expect that the completion of this market cycle is likely to involve a loss in the S&P 500 on the order of 65-70%. I realize, of course, that this sounds insane. The problem is that this projection is fully in line with a century of evidence and is consistent with the extent of market losses that would be run-of-the-mill given present valuation extremes.

Hussman estimates that a portfolio of 60% S&P 500 stocks, 30% long-term Treasury bonds, and 10% Treasury bills will lose 1.7% per year for the next 12 years. He estimates the S&P 500 by itself will lose 3.6% per year for the next 12 years.

Asset manager Jeremy Grantham's firm, GMO, has studied a couple dozen asset bubbles throughout history. It also publishes seven-year return forecasts for various asset classes. Grantham recently called the current market a "'real McCoy' bubble" and added, "It's truly crazy."

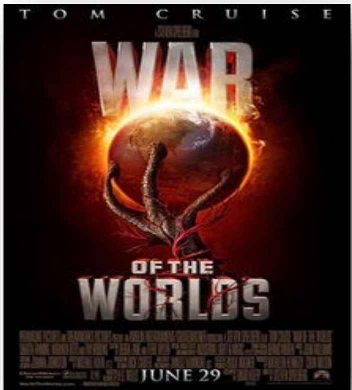
GMO's seven-year annual return estimates for all U.S. equities and bonds, international large-cap equities, and international bonds are negative. Its only attractive forecast is for value stocks in emerging markets, at 9.1% per year.

With stocks more overvalued than at any time in the past century, it's time to plan accordingly and begin to divest out of stocks. Risk is high today... And we'll likely see years of underperformance when this bull market ends.

Here is to your sound investing.

D. Miyoshi

War of the (Financial) Worlds



The article below is by Nomi Prins, former chairman of Goldman Sachs. It appeared on *TomDispatch* on Jan 10, 2021

The casualty figures sound like they're from some particularly brutal war, possibly the American Civil War, or as some doctors have been saying, "World War III": more than 360,000 dead Americans, with predictions of more than 500,000 of us by the end of February. As for the poor, the evicted, the jobless, particularly people of color, the pain is almost beyond imagining. Yet, if in some sense this country looks like a warscape on a pandemic planet, a kind of ongoing hell on earth, then, in truth, there's also a heaven.

Yes, the numbers are truly terrible if you're looking at the jobless, the homeless, the hungry. But, speaking of heaven, the numbers are spectacular if you're looking at the more than one trillion dollars America's 650-plus billionaires added to their wealth during the pandemic or the staggering records that the stock market set as the year ended, figures so high that New Year's Eve was party time of the first order for the truly wealthy. After all, however his Amazon workers may be suffering, Jeff Bezos, the richest man on Earth at more than $182 billion and still rising — no, wait, Elon Musk just zipped by Bill Gates and Bezos to take first place on that list with $185 billion — is in heaven true. Musk may already, in fact, be heading for Mars, rocketed there by his earnings last year.

And speaking of Mars (and heaven and hell and war and all the rest), that superb *TomDispatch* regular Nomi Prins, author of *Collusion: How Central Bankers Rigged the World*, is back with us as 2021 begins, considering just what that planet and Earth have in common in this pandemic moment of ours. I provid here for your reading consideration Prins' article . D. Miyoshi

War of the (Financial) Worlds

Or Let the Markets Go Wild While the People Go Down

By Nomi Prins

Sometimes things only make sense when seen through a magnifying lens. As it happens, I'm thinking about reality, the very American and global reality clearly repeating itself as 2021 begins.

We all know, of course, that we're living through a once-in-a-century-style pandemic; that millions of people have lost their jobs, a portion of which will never return; that the poorest among us, who can withstand such acute economic hardship the least, have been slammed the hardest; and that the global economy has been knee-capped, thanks to a battery of lockdowns, shutdowns, restrictions of various sorts, and health-related concerns. More sobering than all of this: more than 360,000 Americans (and counting) have already lost their lives as a result of Covid-19 with, according to public health experts, far more to come.

And yet, as if in some galaxy far, far away, there also turns out to be another, so much more upbeat side to this equation. As Covid-19 grew ever worse while 2020 ended, the stock market reached heights that hadn't been seen before. Ever.

Meanwhile, again in the thoroughly cheery news column, banks in 2021 will be able to resume their march toward billions of dollars in share buybacks, courtesy of the Federal Reserve opting to support such a bank-and-stock-market stimulus. The Fed's green light for this activity on December 18th will allow mega-banks to return to those share buybacks (which constitute 70% of the capital payout that they provide shareholders). In June 2020, the Fed had banned the practice ostensibly to help them better navigate risks caused by the pandemic.

Those very financial institutions can now pour money into purchasing their own stocks again rather than, say, into loans to struggling small businesses endangered by pandemic-instigated economic disaster. As soon as Wall Street got the good news from the Fed as 2020 ended, JPMorgan Chase, the nation's biggest bank, wasted no time in announcing its intent to buy a staggering $30 billion of its own shares in the new year. And as if by magic, those shares leapt 5% that very day. Other mega-banks followed suit, as did their share prices.

Now, for reasons you'll soon understand, take a little trip back in history with me to the eve of Halloween, 1938, when Orson Welles and the Mercury Theatre dramatized his adaptation of H.G. Wells' 1898 sci-fi-meets-dystopia-meets-imperialism novel, The War of the Worlds, on the radio. As Martians "invaded" New Jersey (it had been London in the novel) with mayhem in mind, panic evidently ensued among some radio listeners who thought they were hearing perfectly real reports about an alien invasion of Planet Earth. Later accounts suggest that the media blew that reaction out of proportion ("fake news," 1938-style?), yet people who tuned in late and missed the set-up about the fictitious nature of the program did indeed panic.

And it's not hard to understand why they might have done so at that moment. There had already been surprises galore. The world, after all, had barely recovered from the aftermath of the 1929 stock mar-

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ket crash and the Great Depression that followed. It was also still reeling from the fiery Hindenburg disaster of 1937 in which a German airship blew up in New Jersey, as well as from the escalation of tensions and hostilities in both Asia and Europe that would lead to World War II. Perhaps people already equated or conflated the Martian invasion on the radio with fantasies about a potential German invasion of this country. In some papers, after all, reports on the reaction to Welles's performance were set right next to news of war clouds brewing in Europe and Asia. With or without Welles, people were on edge.

Whatever the case, fear has been both a great motivator and an anxiety provoker when it comes to the media, whether in 1938 or today. At the moment, the focus is on economic and health-related fears in all-too-ample supply. It is also on the disconnect that exists between the real economic world that most of us live in and turbo-boosted stock markets. These distorted markets are the result of wealth inequality that once would have been unimaginable in this country. In a way, economically speaking, you might say that today we're suffering the equivalent of an invasion from Mars.

From the Financial Crisis to the Pandemic

It's not hard these days to imagine the chaos people would feel if their lives or livelihoods were threatened by an external, uncontrollable force like those Martians. After all, we're in a pandemic age in which the gaps between the rich, the poor, and the middle class are being reinforced in endlessly stunning ways, a world in which some people have the means to remain remarkably safe, secure, and alive, while others have no means at all.

Covid-19 is not, of course, from Mars or sent by aliens, but in terms of its impact, it's as if it were. And the pandemic is, in the end, only exacerbating, sometimes in radical ways, problems that already were bad enough, particularly economic inequality.

Remember that, long before Covid-19 hit, the financial crisis of 2008 was met by a multi-trillion-dollar Wall Street bailout. At the same time, the Federal Reserve cut interest rates to zero, while purchasing U.S. Treasury and mortgage bonds from the very banks that had sparked the disaster. Its own assets then rose from $870 billion to $4.5 trillion between August 2007 and August 2015. On the other hand, the U.S. economy never quite reached a growth level of, on average, more than 2% annually in the years after that near collapse, even as the stock market regained all its losses and so much more. The Dow Jones Industrial Average, aided by an ultra-loose monetary policy, steadily rose from a financial-crisis low of 6,926 on March 5, 2009 to 27,090 by March 4, 2020, which was when Covid-19 briefly trashed its rally.

However, within a month of the market dip that followed widespread shutdowns, its climb was refortified by similar but larger maneuvers, as Federal Reserve policy was once again deployed to save the rich under the auspices of saving the economy. Rally 2.0 took the Dow to a new record of 30,606.48 as 2020 closed.

On the other side of reality, I'm sure you won't be surprised to learn that, according to recent Federal Reserve reports, the U.S. wealth gap continued to widen dramatically as economic inequality increased yet again in 2020 thanks to the coronavirus pandemic. That's because the health and economic devastation it inflicted affected low-wage service workers, low-income earners, and people of color so much more than the upper-middle class and elite upper class.

Meanwhile, as 2020 ended, the richest 10% of Americans owned more than 88% of the outstanding shares of companies and mutual funds in the U.S. The top 1% also controlled more than 88 times the wealth of the bottom 50% of Americans. Simply put, the less you had, the less you could afford to lose any of it. Indeed, the combined net worth of the top 1% of Americans was $34.2 trillion (about one-third of all U.S. household wealth), while the total for the bottom half was $2.1 trillion (or 1.9% of that wealth).

And yet, American billionaires scored monumentally during the pandemic, due particularly to their lofty position in the stock market. The planet's 2,200 or so billionaires got wealthier by $1.9 trillion in 2020 alone and were worth about $11.4 trillion in mid-December 2020 (up from $9.5 trillion a year earlier). Twenty-first-century tycoons like Elon Musk and Jeff Bezos raked it in specifically because of all the money pouring into shares of their stock. Even bipartisan congressional stimulus measures meant for necessary relief turned into a chance to elevate fortunes at the highest echelons of society.

If you want to grasp inequality in the pandemic moment, consider this: while the market soared, more than 25.5 million Americans were the recipients of federal unemployment benefits. The S&P 500 stock market index added a total of $14 trillion in market value in 2020. In essentially another universe, the number of people who lost their jobs due to the pandemic and didn't regain them was about 10 million. And that figure doesn't even count people who can't go to work because they have to take care of others, their workplace is restricted, or they're home-schooling their kids.

The Martians and the Inequality Gap

In The War of the Worlds, H.G. Wells evokes a species — humanity — rendered helpless in the face of a force greater than itself and beyond its control. His depiction of the grim relationship between the Martians and the humans they were suppressing (meant to remind readers of the relationship between British imperialists and those they suppressed in distant lands) cast an eerie light on the power and wealth gap in Great Britain and around the world at the turn of the twentieth century.

The book was written in the Gilded Age, when rapid economic growth, particularly in the United States, bred a new class of "robber barons." Like the twenty-first-century version of such beings, they, too, made money from their money, while the economic status of workers slipped ever lower. It was an early version of a zero-sum game in which the spoils of the system were increasingly beyond the reach of so many. Those at the top ferociously accumulated wealth, while the majority of the rest of the population barely got by or

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drowned.

A crisis of inequality had been sparked by the Industrial Revolution itself, which started in England and then crossed the Atlantic. By the late nineteenth century, America's "robber barons" were insanely wealthy. As economist Thomas Piketty wrote, there was a steeper increase in wealth inequality during the Gilded Age than ever before in American history. In 1810, the top 1% of Americans held 25% of the country's total wealth; between 1870 and 1910 that share leapt to 45%.

Today, the top 1% of Americans possess more wealth than the whole of the middle class, a phenomenon first true in 2010 and still the reality of our moment. By 2018, about 75% of the $113 trillion in aggregate U.S. household assets were financial ones; that is, tied up in stocks, ETF's, 401Ks, IRAs, mutual funds, and similar investments. The majority of nonfinancial assets in that mix was in real estate.

Even before the pandemic, only the richest 20% of American households had recovered fully (or, in the case of the truly wealthy, more than fully) from the financial crisis. That's mostly because since that crisis, fewer households had participated in the stock market or owned real estate and so had no chance to capitalize on increases in the values of either.

Much of the appreciation in stock market and real-estate values has been directly or indirectly related to the Fed's actions. By the end of December 2020, its balance sheet had increased by $3.164 trillion, reaching a total of $7.35 trillion, 63% more than its book at the height of the decade following the 2008 disaster.

Its ultra-loose policies made it cheaper to borrow money, but not as attractive to invest it in low-interest-rate, less risky securities like Treasury bonds. As a result, the Fed incentivized those with extra money to grow it through quicker, often riskier investments in the stock market or real estate. By 2020, there were bidding wars for suburban houses by urbanites seeking refuge from coronavirus-stricken cities with all-cash offers, something beyond the reach of most traditional buyers.

Though Congress passed two much-needed Covid-related stimulus packages that extended unemployment benefits, while offering two one-off payments and a Paycheck Protection Program support for smaller businesses, the impact of those acts paled in comparison to the tax breaks and power of investment the stock market provided the well-off and corporate kingpins.

While markets leapt to record highs, poverty in the United States also rose last year from 9.3% in June to 11.7% in November 2020. That added nearly eight million Americans to the ranks of the poor, even as America's 659 billionaires held double the wealth of the 165 million poorest Americans.

The Martians Are Here

The gap between incoming and outgoing federal funds rose, too. The U.S. deficit increased by $3.3 trillion during 2020. The size of the public debt issued by the Treasury Department reached $27.5 trillion. Total federal revenue was $3.45 trillion, while the corporate tax part of that was just $221 billion, or a paltry 6.4%. What that means is that in an ever more unequal America, 93.6% of the money flowing into the government's till comes from individuals, not corporations.

And though many larger and mid-size corporations filed for bankruptcy protection due to coronavirus related shutdowns, the brunt of absolute closures hit smaller local businesses — from restaurants to hair salons to health-and-wellness shops — much harder, only exacerbating economic disparity at the community level.

In other words, the real problem when it comes to inequality isn't the total amount of taxes received versus money spent in a time of crisis, but the composition of federal revenue that's wildly out of whack (something the pandemic has only made worse). Take the defense sector, for example. The U.S. government doled out $738 billion to the Pentagon for fiscal year 2020. The contracts to defense-related private companies in the last year for which data was available, fiscal year 2018, totaled roughly 62% of a full defense budget of $579 billion, or $358 billion. Now imagine this: that amount alone dwarfed the total of all corporate taxes flowing into the U.S. Treasury in 2019.

Inequality is about the disparity between people and countries with respect to income, wealth, or power. The more that corporations keep relative to their bottom line when compared with ordinary citizens, the more the stock market rises relative to the real economy. The more that individuals, rather than corporations, shoulder the burden of tax revenues, the greater the inherent inequality in society. The more that financial assets appreciate on money seeking to multiply itself in the quickest way possible (think of it as like a virus), the greater the distortion created.

The Fed can focus on its inflation-versus-full-employment dual-mandate all it wants, while pushing policies that distort the value of the real economy compared to financial assets. But the reality is that the more those Fed-inflated assets grow relative to real ones, the greater the inequality gap. That's plain math and it's the ugly essence of the United States of America as 2021 begins.

The market doesn't care about politics. It's a creature that acts in accordance with the goals of its largest participants. The real economy, on the other hand, requires far more effort — planning, prioritizing, and executing programs and projects that can produce tangible profits. We're a long way from a world that puts investment in the real economy ahead of those soaring financial markets. That gap, in fact, might as well be like the distance between Earth and Mars. In the midst of a pandemic, as billionaires only grow richer and the markets soar, can there be any question that we're experiencing a Martian invasion?

End of Article

What is Really Dividing America

There is a dividing element in America and it's not really the left versus the right or Antifa versus conservatives, Joe Biden versus Donald Trump, the social media purging, the media being one sided in its coverage, or all the other allegations of wrong doing that is going around now in our country. Yes, people are focused on these as the dividing issues in our country. But actually, there's something even bigger than all of these problems. And what could that be?

According to Dave Hodges of the *Common Sense Show*, the fundamental thing that is dividing America these days is <u>wealth distribution</u> or what is called in sociology the stratification of wealth and how wealth is divided. In America today we have less than 700 individuals that control $4 trillion but we also have over 100 million people that can't afford a $1,000 repair bill or even a $500 repair bill for fixing the car or the air conditioner or the heating system.

As we entered the final days of Trump, the American economy looked really good and there were gains made in low unemployment and some people and underrepresented groups even experienced good gains in take-home income. But it's also true that in America only 5 companies dominate the stock market (Google, Facebook, Amazon, Tesla, Microsoft). If it wasn't for them the stock market would be in a tailspin. This wealth distribution is never ever healthy. People talk about the impending conflict that is going to come from the left versus the right. Yes, this is possible. But Hodges believes what's more likely to occur, using history as a guideline and predictor, will be the inevitable rising up of the have-nots against the haves. This is classic Karl Marx. Although Hodges is not a Marxist he believes Karl Marx was right about one thing. The workers of the world inevitably unite and revolt against the rich and take what they have in a revolution believing then that life will be good for them. The problem is (as is always the case) when a communist revolution happens the money never gets distributed to the people. It always goes from one privileged group to another with power being the objective. And then forces build up towards the next conflict and the next in the inevitable and predictable course of human history.

If there is a Civil War in America, the people who really know history say it's not going to come from the conflict of left versus right or Pelosi versus Trump. It's going to come from this wealth redistribution that has gone on in America that has tremendously bifurcated the wealth in the country. People will say enough is enough, I'm not making ends meet, this system doesn't work, it sucks and they will find some ideological grounds to base their differences with the rich on.

<u>Thus, in America it is more likely we will have an economic conflict as opposed to a political conflict.</u> There will be some crossover of both but in the final analysis economics will dominate because at the end of the day people vote their pocketbooks. They also fight for their pocketbooks. America is now in a very dangerous situation. We need to see the economic policies coming out of the Biden administration to be able to make a more definitive assertion on how this is all going to play out but we do see very dark clouds ahead for our country.

And, as it is true in every severe economic downturn in history, there will be a small minority of people who through their knowledge and actions, will benefit from the economic travails of the majority. You want to be in this minority.

D. Miyoshi

What Lies Ahead

After the tumult of January most of us now wonder what lies ahead. I know there are a multitude of opinions and prognostications among the various economic and political commentators I follow. But one commentator I particularly take note of is John Mauldin of Mauldin Economics. Mauldin is one who is both scholarly in his analysis of a situation and yet is realistic in applying it to that situation. Therefore, I present here his forecast for 2021 which he calls "a Year of the Gripping Hand." I think you will find it informative. D. Miyoshi

One reason humans love to divide everything in half is the two-handed design of our bodies. Thinking in pairs is a simple, intuitive mental shortcut. Harry Truman famously asked for a one-handed economist so he could stop hearing, "On the one hand, but then on the other hand..." But what if we had three hands?

That's exactly the kind of strange scenario science fiction writers

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love. Larry Niven and Jerry Pournelle related one in their 1974 book The Mote in God's Eye. The story features an alien species with three arms—two "normal" hands and a stronger, but less dexterous one called the "gripping hand." So when humans might describe a question as "On the one hand/on the other hand," these aliens would add a third alternative, "On the gripping hand." The strong gripping hand was their most powerful alternative.

That seems simple but it opens up a profoundly different thought process, one the authors explored in a later sequel, The Gripping Hand. Today I will do the same in a smaller way. Every January I give you my yearly forecast, but this time two hands simply can't capture the nature of the forces we face.

On one hand, we have some extraordinarily good reasons for optimism. On the other hand are several potentially severe problems. On the far stronger gripping hand, we have the coronavirus that last year overwhelmed everything else. And could do so again, if we let it.

Reasons for Hope

We'll start with the good news. There's plenty of it out there, but I'll focus on four key points.

First, we now have weapons against the virus. The US has two approved vaccines. England, China and Russia have developed their own vaccines. Additional options are under development, and will likely be available later this year. These will be game changers if we manage to deploy them widely and quickly. Which, I admit, is a big "if."

The initial rollout has been slow almost everywhere. (Israel and surprisingly West Virginia being impressive exceptions. West Virginia was the one state that did not use the federal nursing home rollout plan. They ran their own process, showing how this is really a state-by-state problem.) But I think the logistical issues will get solved and people will gain confidence as side effects prove minimal.

Moreover, we will see improvement long before the "herd immunity" threshold. Protecting the most vulnerable groups will reduce pressure on hospitals and hopefully let governments lighten business restrictions. I don't expect anything like normalcy until the second half of the year, at the earliest, but we should feel a difference sooner.

Second, the recently passed fiscal package will give some relief to unemployed workers and small businesses. The process was late-night political sausage-making at its worst. It took way too long. I dislike some of it but had the bill not passed, I think we would certainly be looking at a double-dip recession in early 2021.

With the Democrats controlling the Senate, we will probably see more cash payments, at least an increase to the $2,000 many wanted (adding to the $600 that passed). It will aggravate an already high national debt but should also boost consumer spending, as we saw with similar payments last year. And, if the vaccines do their part, this time people will be more inclined to spend it in the hard-hit restaurant, entertainment, and travel sectors. We are also likely to see a major infrastructure bill as well as additional stimulus. Again, this will blow apart any thought of budget restraint. Sigh.

Third, 2020 was (of necessity) a year of massive innovation throughout the economy. Businesses forced into an "adapt or die" position worked hard to adapt. A disturbingly high number didn't make it but many did, finding creative ways to operate under new constraints. Those investments having been made, we can now begin to reap the benefits.

I talked with Richard Fisher this week, former president of the Dallas Fed, who is on the PepsiCo board. He noted that under the urgency of COVID-19, consumer goods companies like PEP have accelerated innovation, productivity, and brand positioning over the past nine months that would otherwise have taken five or more years.

It is not just consumer goods companies. An enormous amount of innovation has been pulled forward in a wide variety of businesses and industries. Hundreds of teams of brilliant scientists singularly focused on one problem. The incredible discoveries they are making and the knowledge that they have developed will be applied in scores of different fields.

We would be in a far worse position right now if not for the hard work of millions, everyone from healthcare professionals to farmers, warehouse and delivery workers, store clerks, and others who risked their health to keep society going. Add to that list the scientists and entrepreneurs who developed the vaccines that will get us out of this, and figured out how to do business in tough conditions.

Fourth, US trade policy should change for the better this year. President Trump's tariffs—one of his worst mistakes, in my view—won't disappear instantly but hopefully the Biden team will take a much more nuanced and focused approach and ditch the tariffs. They are attacks on American consumers, and specifically the Walmart nation.

The president-elect says, at least, he will continue taking a hard line against China's unfair practices. He should. But I think he will be more conscious of minimizing the collateral damage to our own nation, and will return the US to organizations like the WTO. This will be critical as we try to get the world economy back on its feet in 2021.

Note: I am an unapologetic proponent of true free trade. But I also recognize that we need to help workers that are caught in the crossfire. The benefits of free trade cannot accrue only to a portion of the country. They must be shared widely, even if that means government assistance for some workers for a period of time.

So those are some reasons to be hopeful about 2021. But remember, we have three hands.

Four Challenges

This year will bring challenges—some we may not yet foresee. But I can already identify at least four.

First, the pandemic is permanently changing certain parts of the economy. I'll start with the one most familiar to me: business travel. It came to a screeching halt last spring. Airlines, hotels, and so on since recovered a little but are nowhere near normal, nor are most profitable. They're just holding on.

The problem is their best customers have now learned how to do business with significantly less travel. I, for one, look forward to flying again, though I doubt that many of us will do as much as we

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did in the past. I don't see large conventions (that require months of planning and preparation) returning until late 2021, at best. And even beyond that, I bet they'll be smaller. This is bad news for that industry and entire cities, like Las Vegas, that depend on it.

Second, these changes will cascade through the economy. When a restaurant or hotel closes, its workers, suppliers, and landlord suffer, too. The impact on commercial real estate has barely started but I think will be gigantic. The post-pandemic economy will need fewer shopping malls, retail strip centers, hotels, and office buildings. At the same time, we'll see higher demand for warehouses and shipping infrastructure. It will all sort out but will take time. And there will be losers.

As for housing, close to 40% of rental homes and apartments in this country are owned by small investors who now have difficult choices. Are they better off working with distressed tenants, particularly when stable tenants are in short supply? As I've repeatedly said, the world, and by that I mean almost everything, is going to be repriced.

Third, after almost a year of radical, unprecedented Federal Reserve action, it's not clear whether we actually have functional capital markets anymore. The bond market, at least, is totally at the Fed's mercy. Their purchases of Treasury bonds and corporate bond ETFs have let the government and large companies borrow huge amounts on some of the best terms in recorded history. This cash isn't necessarily being used productively, though, which is going to be a big problem at some point.

Further, the Fed is making the wealth and income disparity divide even worse. Their financial repression is crushing savers, almost forcing retirees to choose riskier alternatives at precisely the time in their lives when they shouldn't be. And given today's valuations, this could have disastrous effects.

Fourth, a lot of fiscal and monetary aid found its way into the stock market, driving share prices far above any remotely fair valuation. As I've said, these manias can continue longer than we expect, but eventually something triggers a collapse. We have multiple plausible candidates, too, not least of which is the prospect of higher corporate tax rates. Biden and the Democrats basically want to reverse the 2017 tax cuts. If they succeed, it's fair to expect some of the market gains since then to reverse as well. That, in turn, could have a negative "wealth effect" by making investors save their cash instead of using it to buy stocks. This would remove some of the market's fuel and put even more downward pressure on prices.

So we've looked at one hand and the other. Which brings us to…

The Gripping Hand

That alien species with the third limb doesn't have three equivalent hands. One of them is far stronger than the others. They call it the gripping hand.

In 2021, the gripping hand is the virus. It can sweep away every other concern and take control any time it wants—though that's probably the wrong word. Viruses don't have "wants." They have no feelings, they don't want to make money, they don't respond to insults or threats. They just spread until something stops them. Viruses gonna virus.

Now we have the beginnings of what we need: vaccines to deprive the virus of new hosts. If enough of us get vaccinated, it will have nowhere to go and recede to manageable levels. That's probably this year's most critical economic variable. The global economy will recover in direct proportion to our success in vaccinating people.

This is where the news is problematic. Bluntly, potential production of the vaccines approved so far is nowhere near enough to cover the most vulnerable in the US and Europe by the end of the third quarter, let alone emerging markets. This is sadly realistic math.

We desperately need the vaccine Johnson & Johnson is developing, with their enormous potential production capacity. We also need additional new vaccines. Without a great deal of new production, 2020's lockdowns and restricted economic environment may continue long into 2021. The 100,000 small businesses we have lost? More may follow.

The World Bank's annual forecast was very plain about this. They have four scenarios in which global growth ranges from 5% this year on the upside, to an unspecified below-zero number in their "severe downside" scenario. The primary difference between these scenarios is vaccine progress. If it goes well we could bounce back quickly and strongly. If not, we will stay in recession. That's the gripping hand and it really isn't complicated. And it's why investors and business people ought to be very concerned about the slow start, though fortunately it is improving somewhat. We don't have weeks to waste here.

Just to make matters more interesting, the virus is not waiting for us to get our act together. New variants are emerging that seem to spread faster. They may slow down progress when, as noted, time is not on our side, economically speaking.

What do I think, you ask? Longtime readers may remember I last used this gripping hand analogy 15 years ago in my 2006 forecast. That year turned out okay, but some of the issues I mentioned worsened considerably in the years that followed.

Timing is hard. A month ago, I was fairly optimistic. Even two weeks ago I was glad to see the new fiscal package pass, thinking it would at least keep GDP positive in the first quarter. Now, I really don't know.

On the one hand I'm confident. On the other hand, I'm cautious. But the gripping hand is strongest. It could go either way.

<u>End of Article</u>

Why People Accept Communism

Pastor Cristian Ionescu of Elim Romanian Pentecostal Church in Chicago. (Courtesy of Cristian Ionescu)

On Jan 20, 2021 *The Epoch Times* published an interview of pastor Cristian Ionescu, a Romanian immigrant and Chicago pastor who fled persecution in communist Romania as a religious refugee. Pastor Ionescu said "When you condition a society to collectively think in terms of surviving, [being] desperate for survival you will get them to accept anything."

"This is the reason any time the government imposes something and mandates something I'm very suspicious. … A government should be able in a democracy to convince people to accept something [for the common good], not mandate it—this is the difference between totalitarianism and democracy," Ionescu continued.

A rush to impose mandates is being seen in America now with the CCP (Chinese Communist Party) virus pandemic, forcing people to fight for their own survival, pastor Ionescu said, citing the government's decision to close churches in response to COVID-19.

"The reaction to the virus is an orchestrated effort to destroy the church, to destroy conservatives, to destroy people with basic values and traditional values in a society. At worst it was programmed and originated deliberately, at best it was exploited and used for their purpose," he said adding however that the challenge posed by the virus is real.

Government officials should have known better than everybody to what degree this pandemic is dangerous, but they have not acted like that, Ionescu said. They afforded themselves some privileges that they cut everybody else from having so, he explained.

"I saw the hypocrisy when they condone rather large demonstrations with no restrictions [due to pandemic] but then they banned others which were [democratic] and religious in nature," Ionescu said.

"People should understand the church is not a video game, a church is not an online affair. Church has to be physical, and it has to be gathering, and has to be fellowship, physical fellowship. This is the core and is an elemental basic survival prerogative of a church and religious activity obviously—for me closing down churches was a death sentence for the church," Ionescu said.

During communist rule in Romania, students were taught in school that communism and Marxism can never be imposed in a society in a peaceful way—it can only be done via a revolution, Ionescu said. This is "because people will never voluntarily give up their freedoms, their possessions, and their privileges so you need to take them away … by force," he added.

To take total control of a society, the government has to create as much hate and as much division as possible, Ionescu said, based on his experience of living in communist Romania.

Although in Romania socialism was imposed by the Soviet Army, the communist party needed to maintain its control over the society, Ionescu said. To achieve this, the government created "a society of fear, of survival, lacking basics, and getting them as a result of the government handouts," he explained.

In Romania, people had a little bit of meat, bread, milk, they had jobs provided by the communist government as long as they would fall in line and would not be individualistic about their opinions or religion, Ionescu recalled.

He is amazed to see the Americans, who were bred to be self-reliant and innovative, diverted towards that mindset that the government should provide handouts for people.

"Communism is a cannibalistic society at its core and they have absolutely no problems with throwing their own to the wolves … once a person had ended [his] usefulness," Ionescu continued.

An example was Lucreţiu Pătrăşcanu, a Romanian lawyer, who was one of the intellectuals that cooperated with communists and Soviets in taking over Romania but later found himself loving his country and being a nationalist, Ionescu said.

He disagreed with the Soviet domination imposed on Romania which led to conflicts with communist party leaders. As a result, Pătrăşcanu was purged from the party, imprisoned, and executed in 1954.

A desperate need for survival was also exploited in Romania during World War II, Ionescu said. The Romanian society was so anti-communist and anti-Bolshevik that the country's government struck a deal with Hitler and Germany against the Soviets, which was a terrible situation, he explained, "they found themselves aligning with the devil to fight the devil."

Stop the game for GameStop?

Romania was a very prosperous and successful monarchy in the 1920s and 1930s and at that time the affluence of the people, the culture, and everything went through the roof, Ionescu said.

During these years the Romanians believed that socialism and communism practiced by their neighbor the Soviet Union would never work in their country, explained Ionescu.

Romanian people loved their king and even after communists took power organized “huge demonstrations, hundreds of thousands of people protesting all over Romania in favor of the king,” Ionescu continued.

The Romanian communist party only had under a thousand members before communism was imposed upon Romania by the Soviet Army, Ionescu said, so “it took force to impose it.”

It took communist rulers in Romania a few years to get rid of private property, it took them even longer to take away lands from the peasants but the war against religion was relentless and lasted up to the point of the revolution in 1989 which overthrew the Romanian communist regime, Ionescu said.

In America today, the education system, the media, and all these trigger points of society have been taken over by Marxism, Ionescu said, America is heading towards that system and these are signs.

“True intellectualism is oppressed in America, we have a pseudo-intellectualism in America,” true prosperity in America has been replaced by greed and exploitation, he said adding “the same happened in Romania but it took less in Romania to do that because of the Soviet Army occupation.”

“In America, it has to be done in a way where the younger generation is covertly assimilated into that kind of thinking and it has happened for the last few decades,” Ionescu said.

Ionescu advises Americans to exercise their faith in an authentic way, focus more on communities trying to influence people there for good.

The left has worked every day for the last 50–60 years to conquer step by step almost the whole society, including the education system and churches, Ionescu said.

“America has to get back to its belief in God and that’s where it should start a spiritual revival,” Ionescu concluded.

End of Article

Stop the game for GameStop?

A confluence of social media, a market distortion, and a desire to get the upper hand over Wall Street resulted in one of the more incredible stock market moments in recent history.

Brownstone Research shows it to us in one chart.

For those that don’t know GameStop, it is the video game equivalent of Radio Shack for electronics or Blockbuster for movie rentals. The company has been in bad shape for a long time. And it’s floundering in a world where video games are now mostly downloaded online or purchased on Amazon.

How did this happen? Pretty simple actually.

Day traders on a social media forum called WallStreetBets on the Reddit platform noticed a massive short position taken by hedge funds in GameStop. They figured if enough people got together and bought GameStop, they could “squeeze” the hedge funds out of their positions. That would force a massive run-up in the share price.

Stop the game for GameStop?

And that's exactly what happened.

GameStop was trading around $17.90 a share on the first trading day of the year. At its peak on Jan 29, it traded as high as $483 a share. For those who simply got lucky and bought at the right time, that's a more than 26x return within a month.

This has nothing to do with fundamentals, analysis, or the underlying assets of GameStop. Normal investors figured that they could beat Wall Street at their own game… and they did.

And what happened next was also interesting. Another social media platform that hosted the WallStreetBets server banned the group. The "justification" was that users engaged in hate speech and spread misinformation.

You likely heard of this mania that happened on the stock market. Flush hedge funds had "shorted" GameStop stock, expecting to profit when its price dropped.

But a collection of some five million day traders on a Reddit forum — WallStreetBets — tossed a monkey wrench in the works.

Most own accounts with small balances… generally under $5,000. They are, in the parlance of the trade, "newbies."

These saboteurs piled into GameStop stock in astounding volume. This mass purchasing sent the stock price galloping higher.

The short-selling hedge funds began hemorrhaging sweat. The higher the price jumped, the more money they would lose.

Although some options trading was involved, I will skip over the techniques of this trading because it can get complicated.

Most of the action involved the "shorting" of stock.

But when you short a stock, you must first borrow it from a broker. You then sell it upon the open market.

To exit your position at a later date, you must repurchase the stock… and return it to the broker.

If the stock declines — as you had planned — you reap a profit. If the stock increases, you endure a loss.

The higher the stock price, the more money you lose. You, therefore, prefer an early exit. You would rather lose some than lose much.

But you must repurchase the stock to exit your position. If many short-sellers purchase the stock, it pushes the stock higher still.

Other short-sellers then capitulate… and exit their position… meaning they purchase more shares… pushing prices higher yet.

Now come back to GameStop…

The small traders of WallStreetBets bpought loads of GameStop stock. That, of course, placed upward pressure upon the price.

The baffled hedge funds began exiting their short positions to avoid further losses. That is, they were forced to purchase GameStop stock.

Thus the stock price increased. The billiard balls were set in dizzying motion… more short-sellers being "squeezed" from their positions… the more stock they were forced to purchase… the higher the stock price.

Before you know what has occurred, GameStop stock streaked from $17 to $469 within one month.

Thus the day trading midgets slayed the mighty hedge fund giants.

What is even more confounding is that Reddit, Discord, and Twitter and similar platforms are using double standards to pick and choose which individuals or groups they want to ban, censor, and ultimately "cancel."

The White House took notice and commented on the GameStop situation. And the Securities and Exchange Commission (SEC) even had to step in to say:

"We are aware of and actively monitoring the ongoing market volatility in the options and equities markets and, consistent with our mission to protect investors and maintain fair, orderly, and efficient markets, we are working with our fellow regulators to assess the situation and review the activities of regulated entities, financial intermediaries, and other market participants."

Actually, more than 100% of GameStop's available float (the number of shares available for trading) was being shorted by hedge funds. How is that possible?

Technically, it's not. Short selling requires the short seller to borrow shares from someone. The short seller sells those borrowed shares to someone else, with the liability of having to eventually buy back those shares.

But "naked short selling" is something that bad actors on Wall Street have done for years to fleece normal investors. By selling short shares that don't exist, they ultimately drive down the share price, forcing retail investors to sell out their positions.

Big Government is Destroying Our Country

And then the short sellers buy back the stock for pennies on the dollar at a great profit. It is nothing but market manipulation. And it enables a transfer of wealth from normal investors to Wall Street.

This is a disgusting practice that should be impossible. But sadly, it is not.

And that's why it is so ironic that the SEC is contemplating taking action against retail investors. Many from Wall Street are suggesting that this kind of activity needs to be shut down. They're saying it's pure market manipulation.

It seems from Wall Street's perspective, it isn't fair for retail investors (i.e. you and me) to take the other side of the trade and screw up a perfectly good naked short sell.

So how bad did it get?

Melvin Capital, a hedge fund that took a massive short position in GameStop, lost 30% of its funds just this month of January. The run-up in GameStop's share price forced Melvin Capital to close out its short position at a massive loss.

The damage was so bad that two other famous hedge funds, Citadel and Point72, had to step up with $2.75 billion in capital to save Melvin Capital from collapsing.

Retail investors are joining together. They're sharing investment ideas and beating hedge funds at their own game.

This is not to support or even condone pure speculation (gambling). But there is nothing wrong with discussing investment ideas and buying a stock with the potential for a short squeeze.

And banning or censoring opinions about stocks on the basis of "misinformation" is not at all right. Any recommendation by an advisor can and often is disputed by another advisor. Which side is the "misinformation"?

We think back about the recommendation by some analysts to buy Tesla two and a half years ago. Many others disputed that call. There were many experts on Wall Street who even shorted the stock.

Was the recommendation for Tesla misinformation? Should it be banned because many disagreed with it?

Just because an opinion is different from the prevailing discourse does not mean that it should be censored or banned. It also does not mean that it is misinformation.

And for what it's worth, Tesla is now up more than 15x since that first recommendation. Not bad for relying on some misinformation.

D. Miyoshi

Big Government is Destroying Our Country

In his first inaugural address, which president Ronald Reagan himself wrote, he addressed the country's economic malaise arguing: "In this present crisis, government is not the solution to our problems; government is the problem."

And his words never rang truer than today.

Recently Trish Regan of American Consequences reported that that in January, the height of the flu season, the coronavirus is still running rampant, with more infections and deaths every day. There are two new highly contagious strains out of South Africa and the U.K. that officials fear may not be responsive to the current vaccine. The CDC is predicting the U.S. death toll may reach 500,000 by mid-February.

And yet, states around the nation are suddenly, miraculously, opening up...

Could it be because those in the government who support the new president and vice president won the election and are now in control of the Oval Office?

Did these politicians use this virus as a way to influence the election?

The short answer is yes. And it's one of the most dreadful, selfish, and destructive things ever done to the people of this great

Big Government is Destroying Our Country

country.

Paralyzed with Fear

In March 2020, fear gripped the nation. Lockdowns were instituted across the country as people huddled in their homes, hoarding canned soup and other staples in their basements.

Basic items like toilet paper and cleaning products were sold out and back-ordered for months.

Amazon made tons of money... Netflix as well. Democrats insisted on the importance of mail-in ballots because of the virus. And regular Americans struggled.

This draconian lockdown order continued for months on end.

Increasingly, politicians ignored their own orders while still demanding the people in their communities follow the rules...

- In Michigan, people were not allowed to travel even intrastate to another property they owned.
- In New York, local barbershops couldn't open their doors.
- In Pennsylvania, residents were told they must wear masks in their own homes.
- In California, group gatherings were vehemently discouraged... (though that didn't stop the Democrat state governor, Gavin Newsom, from attending a meal at the now infamous $400-a-head French Laundry restaurant with multiple friends.)
- In Los Angeles, a local lawmaker voted to shutter outdoor dining... then celebrated by having dinner outdoors before the order took effect.

Yet now, suddenly... just a week into the new presidency... the country began opening up.

That’s great. It's the right thing to do...

But really what is so different about now... other than the fact that we have a new president?

COVID Is Real

Yes, we know COVID-19 kills and we must take it very seriously. We need to do everything we can to protect ourselves and our loved ones from this virus.

But that doesn't mean you need to completely shutter an economy.

What we need is a strong economy to fight this virus. And we need to be smarter.

Not only did New York Gov. Andrew Cuomo send thousands of people with the virus into assisted living facilities and nursing homes to recover – as his administration was doing as late as mid-April 2020 at a time when everyone knew better – he mugged for the TV cameras in multi-hour-long press conferences (for which he got an Emmy Award) while thousands of New Yorkers were left to die.

It seems Cuomo's administration effectively enabled the rapid spread of the virus among our most vulnerable members of the population, while he completely shuttered the state's economy, including the once-thriving New York City.

And now it's time to reopen?

In fact, Cuomo recently tweeted,

“We simply cannot stay closed until the vaccine hits critical mass. The cost is too high. We will have nothing left to open.”

Politics Is Breaking Our Nation

It is good that we are reopening... But the problem which many do not seem to either notice or mind is the power that government has yielded over us during the last ten months.

We can now see that politicians used the health crisis in a detestable, political way. They proved they were willing to destroy Americans' livelihoods so they could improve their chances politically...

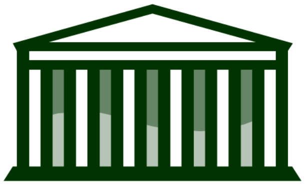
So the big problem is how can we ever trust them again? Knowing that they were willing to shut us down... only to immediately reopen as soon as their candidate took charge?

Consider the reality...

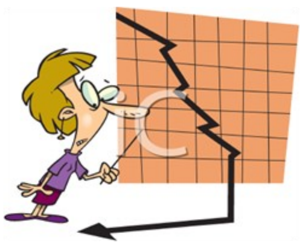
- On Friday Jan 22, just two days after President Joe Biden took office, Michigan announced that restaurants could reopen for indoor dining on February 1 (albeit, at just 25% capacity).
- The next day Jan 23, Chicago also permitted bars and restaurants to partially open.
- And in the last week of January, Newsom lifted California's stay-at-home orders.

What this really tells you is that our country is broken...

Big Government is Destroying Our Country



Advancing in a Time of Crisis



Financial Crisis Report

David M. Miyoshi is a California attorney at law with a Martindale-Hubbell AV Preeminent Rating for Attorneys. He earned his Bachelor of Science degree from the University of Southern California, a Juris Doctor degree from the University of California, an MBA degree from Harvard University and an International Graduate degree from Waseda University in Tokyo.

He is Managing Attorney of Miyoshi Law, an International Law Firm where he approaches legal issues through a commercial lens and is a trusted legal and business advisor to his corporate and estate clients. In military service in Vietnam, he led a Combined Action Platoon as an officer in the U.S. Marine Corps and received the Naval Commendation Medal with "Combat V".

He appears in 14 Who's Who publications throughout the world and is listed as a specialist in international business, real estate and estate planning.

Rabid, power-hungry politicians paralyzed Americans, forcing them to shutter their businesses and locking down their communities for almost a year...

Only to reopen America, in the middle of the flu season and at the height of COVID-19's worst months yet... just after their team (most of the Democrats and all of the Deep State) took over.

They used the news of coronavirus... they used every one of us... to ensure mail-in ballots... to ensure a sense of chaos and hysteria... in order to gain control. And now that they have their control, they're willing to open back up.

How can we ever trust our leaders, knowing that they stomped their feet and locked down our country for selfish political reasons?

This is the big government, that president Reagan warned us about, gone wild.

Consider what's happening in my state California, where Gov. Newsom is no longer sharing data about reopening efforts with the public. Is this to save face? Despite maintaining nearly the highest rates of infections in the country and struggling with ICU capacity, California is no longer disclosing data on how it determines whether a community's stay-at-home order should be lifted.

Because the data is apparently now "too complicated" for people to understand. They apparently are running out of excuses.

The local television station KGO-TV, an ABC affiliate in San Francisco, says "state health officials rely on a very complex set of measurements that would confuse and potentially mislead the public if they were made public."

I venture to guess, the real data suggested there was no way the state was close to reopening (assuming the goals on infection rates and ICU beds previously in place). So rather than share it, they tell us they can't because it's too confusing and we might not understand it.

This is the government deciding for itself who can and cannot open, no matter what science and data tell us.

They have destroyed peoples' lives. As the economist Stephen Moore rightly pointed out in a recent podcast in American Consequences– government is effectively attempting to destroy our right to survive.

Instead of protecting people with proper safety protocols, they shut it all down... But now, Biden assumes the presidency and they open it.

Just think about the curious timing of all this. What do you think big government is up to? To get more power and more control?

We are left with the words of former president Ronald Reagan.

"The most terrifying words in the English language are: I'm from the government and I'm here to help."

We need to keep our government small... and on a very short leash. Like the U.S. Marine Corps. They are small in number yet they do the job.

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