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Except for the Great Depression, we are experiencing the most economically unstable period in the history of the modern world. This period will be marked with extreme fluctuations in the stock, commodity and currency markets accompanied by severe and sometimes violent social disruptions. As is typical of such times, many fortunes will be made and lost during this period. After talking with many business owners, executives, professionals 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 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 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.

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Written and Edited by David M. Miyoshi

Advancing in a Time of Crisis

Words of Wisdom: "It's better to say well done than well said"

Benjamin Franklin



**HAVE A VERY MERRY
CHRISTMAS!**

A Clash of Cultures



I am a Japanese-American (yes, one of those hyphenated Americans) and my wife is Japanese or Japanese-Japanese (one of those hyphenated Japanese). Most of our arguments center around what an American male would do in a given situation and what a Japanese female would do in the same situation. The conflicts engendered by our genders are

usually readily discernable. Such as why I like meat and potatoes while she prefers organic fruits and vegetables or why watching the fluid execution of a well devised flea flicker play in college football can be so exciting to me compared to the fervent thrill she has when she finds a once in a year bargain at Gucci. But except for the anticipated aberrations of the LGBT movement, these gender proclivities usually reside across all cultures.

However, it is this difference in cultures that is at the root of the majority of conflicts we are experiencing in our world today. And a culture can be that of a particular country, a certain tribe or even a political party.

The clash of cultures could be readily discerned in a recent sports event that was globally televised. This was the final of the U.S. Open Tennis match between Naomi Osaka and Serena Williams. It was the clash between an American and a Japanese champion. The game and its aftermath displayed the mindset of an American player on one side and a Japanese on the other.

Forgetting for a moment how Williams addressed the umpire and went on and on with her rant, the American tennis player embodies some of the typical characteristics that Western society admires in their leaders and winners: charisma, passion, determination, and ability to inspire others

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and communicate in an eloquent but direct manner.

Osaka, with her gentle, shy, delicate and respectful behavior doesn't reflect the Western idea of a "winner." In the final Osaka won the game on the field, but she disappeared after the match, not solely because of Williams' history and drama. She disappeared mostly because of her non-Western behavioral style. If another woman with a character similar to Williams would have been the winner standing by the American player, the post-game festivities would have gone a very different way. Osaka would have had the greater celebration that she fully deserved – when receiving the trophy and later on in the media debate – and for sure she wouldn't have felt that she had to apologize for being the unexpected winner.

Osaka's mother said of her: "Her soul is Japanese. She doesn't display her joy so excessively. Her playing style is aggressive, but she is always humble in interviews. I like that." In Japanese culture, leadership positions adhere to the traditional Japanese ideal of a "strong, silent, stoicism." Explicit displays of passion or emotion are generally perceived "as indicating immaturity or a lack of seriousness." Japanese culture is all about the group and collaboration within the community, and traditionally against self-expression.

But Osaka is truly a winner. And an incredible one—at 20 years of age. No matter if she lacks the typical traits of a Western leader and winner, the ones Williams embodies so well.

For sure we can find Western champions with the character of Osaka and Japanese ones with the approach of Williams. And we are mindful that Osaka was born in Japan but raised in America - and it confuses the issue when her mother defines her as a real "Japanese soul." But the message still comes through. There are two different cultural manifestations of leadership in Japan and in America.

And, as it is in the sports world, so it is in the business world.

In past years, working with American, European and Japa-

nese corporations and start-ups, and interacting with many others around me, I have witnessed the same situation over and over again. The Western standards of leadership are the ones that prevail, and often the consequence is that people of great talent that do not show all the expected characteristics are not leveraged and grown in the most effective way. And with this we risk losing or - even worse - destroying potential leaders and champions.

How many Osaka's with extraordinary abilities and incredible creative minds get lost in the Western business world because they are viewed as less than brilliant in the way they communicate, and as having less charisma or less visible passion? Even the admissions committees of our most prestigious schools may be committing the same oversight. And this doesn't apply only to the non-Western talents we have in our organizations, but to all professionals – no matter where they were born – that simply have a different style than the typical Type A talent we expect in specific positions.

Let's ask ourselves a simple question: are there other leadership styles that we should nurture, celebrate and protect in our society? Are there other kind of winners and champions that we risk disregarding if we apply the typical Western filters when searching for them? Especially considering that diversity in the American world is so cherished and sponsored, how can we support not only the diversity of gender, religion, race, sexual orientation and political views, but also a diversity in leadership style, behavior, and culture?

How can we be sure that we give the opportunity to the Osaka's of the world in our Design or Marketing or R&D or other management teams to choose the right career path and visibility so they can win the Grand Slam of the business world, for themselves and for us? How can we make sure that they don't get crushed by the Williams of the business world in those meeting rooms and reviews, just because they are less aggressive in their communication style or less outgoing in their behavior? How do we empower their incredible talents so that they have the best possibility of being expressed and leveraged?

As a Japanese American I confess that I am conflicted at

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times as to what is the appropriate behavior in situations involving leading negotiations between American and Japanese companies. I personally saw this conflict play out in classes at Harvard Business School. The students from Japan were all very intelligent, experienced graduates of the most prestigious schools in Japan but were reserved and reticent in the traditional Japanese business executive mold. All of the students from America and Europe were equally intelligent, experienced graduates of the most prestigious schools in their own countries. But, in general they were also more outgoing and outspoken because their respective cultures engendered these qualities. And because our grades were based 60% on class participation and 40% on written tests, the western students by and large excelled due to their dominant performance in oral exchanges in class.

But these were the days when Japanese corporations and companies led the world in economics, trade and finance. This is a compelling argument that there is a need to keep finding and leveraging diverse talents, without overlooking phenomenal people just because they have a different style or come from a different culture.

Let Naomi Osaka's incredible win and more incredible manners serve as a reminder to us all that winners and leaders take all forms, and often they may hide behind a style that is not the one we associate with the caliber of champions. Let's search for those champions and give them the stage they deserve. Let's foster their victories for them and for us. We as the dominant global power will be better for it.

D. Miyoshi

Our Need for Myths



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Recall last month's article about what would we do without Fake News. Things could get very boring without it. Just ask president Trump. But did you know that myths are at the heart of fake news?

We asked Bill Bonner, economist, philosopher and partner of the consulting firm Bonner and Partners what do we need myths for? His answer is somewhat illuminating.

Bonner says myths are not only at the heart of fake news, they are essential to civilization as well.

According to Bonner, without myths to filter and shape incoming data, life is incomprehensible... meaningless... and chaotic.

The headlines make no sense. The "news" is mindless babble. And people have to kill each other for no good reason!

Myths provide simple structure; they are accommodating... and comforting. The truth, on the other hand, is infinitely complicated – hard as a park bench and often unbearable.

Myths are what keep our voters, our soldiers, and our Fed governors in business. Majority rule; minority rights! Fight terrorism! Stimulate the economy!

How about the wisdom embedded in aphorisms, proverbs, and traditions. Those are myths, too.

"A penny saved is a penny earned." "A stitch in time saves nine." "Those who do not work shall not eat." We are surrounded by them – things that we believe, but cannot prove. At least, not scientifically.

Old Truths

At a popular bar downtown, the barman explained the chemical process that makes Guinness:

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You see, you put grain in the vat. You add a little pure water. Then, you let it ferment. And out comes Guinness.

Over time, beer-making knowledge improves. Material progress continues as new things are discovered. But there are no new discoveries in social, political, or economic matters.

Instead, we simply discover the old truths over and over.

But how can you tell the difference between useful myths – those that bring us the time-tested, distilled wisdom of hundreds of generations – and the convenient lies that we tell ourselves to avoid facing the truth?

In his great novel, *Crime and Punishment*, Dostoevsky explored the subject. The protagonist, Raskolnikov, is convinced that he is above and beyond the restrictions that other civilized people obey.

He challenges the most widely held taboo in Christendom:
Thou shalt not kill.

Murder used to be much more common than it is today. Archeological studies (looking at injuries on ancient bones) have found staggeringly high murder rates, higher than even those of modern Baltimore.

Researchers found a tribe in California, for example, with a murder rate estimated as being 14 times higher than Baltimore's today.

Myth of Morality

"Thou shalt not kill" is apparently a fairly new idea. Humans had already been around for about 200,000 years before Moses came down from Mt. Sinai with the Ten Commandments.

Today, most people believe that murder is not only illegal, but immoral; you shouldn't do it even if you are sure you can get away with it.

But morality is a kind of myth, too. There's no way to prove that it is a bad idea to kill, for example, or that something bad will happen to you if you do.

And there's no way to know if the Republic would be a better – or worse – place if you take out one or two of its Democrats. At the very least, it would likely liberate a parking space!

Dostoevsky's lead character, however, discovers that there is more to these prohibitions than just the law or just "what-we-want-now."

There is conscience, for example – a residual feeling, or a kind of hard-wired sense of right and wrong. That's the whole idea of morality... that there are consequences, often unseen and unexpected.

You can tell yourself that "deficits don't matter," in other words... But that won't stop you from going broke!

"I don't really believe, you know... about cutting down the holly trees," Ronan continued. "But why take the chance?"

The hollies are still there.

Myths Rule the World

So how do myths rule the world? First there are the helpful myths such as a penny saved is still a penny earned. Or a fool and his money are soon parted. And nobody wants to eat at a restaurant with a skinny chef.

But on the other side there are unhelpful sort of myths: "fake news" and lies.

Making the world "safe for democracy" was a monumental lie when President Woodrow Wilson used it as an excuse to drag the U.S. into World War I.

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Sorcery had no more truth in it than an act of Congress. And stimulating the economy with fake money was a scam from the get-go.

Some myths are useful. Others are lies. And today we pose the critical question: How can you tell the difference?

End of The World

Maybe this is the most important question ever posed: How do we know if a public policy makes the world better... or worse?

How do we know if what we are doing is good... or bad? How do we know if our actions will get us to Heaven... or Hell?

A question of that magnitude is going to take some time.... Give us another 24 hours to think about it.

In the meantime, we turn to the end of the world.

Mr. BJ Campbell, writing on an open-source publishing platform called Medium, pens an essay and uses statistical analysis to calculate the odds of a society-altering event like a flood or armed revolution.

Illustrating his approach – and keeping in mind that there are relatively few data points – he figures, for example, that the odds of a New Orleans-style flood disaster during the life of a typical 30-year mortgage is about one-in-four.

That, of course, will only affect people who live in or near the flooded area.

But what about the kind of upheaval that will affect nearly everyone – a revolution or a civil war, for example?

There have been two in the U.S. since it was colonized by Europeans (not to mention Indian wars... fights with the French and Spanish... and even a battle fought between

Catholics and Protestants near Annapolis, Maryland in 1655).

Campbell uses 1678 as his start date, avoiding some of this confusion.

Calculating the odds based on just two events (the American Revolution and the War Between the States), he concludes that you have about a one-in-three chance of experiencing a major insurrection during your lifetime.

But those odds are probably far too low. Just look around, says Campbell:

Since our 1678 benchmark, Russia has had two world wars, a civil war, a revolution, and at least half a dozen uprisings, depending on how you want to count them. Depending on when you start the clock, France had a 30-year war, a 7-year war, a particularly nasty revolution, a counter-revolution, this Napoleon thing, and a couple of world wars tacked on the end. China, North Korea, Vietnam, and basically most of the Pacific Rim has had some flavor of violent revolution in the last 100 years, sometimes more than one.

But even those “facts” don’t do justice to the risk you face. Campbell goes on:

Since the fall of Constantinople in 1453, there have been 465 sovereign nations which no longer exist, and that doesn’t even count colonies, secessionist states, or annexed countries. Even if we presume that half of these nation state transitions were peaceful, which is probably a vast overestimation, that’s still an average of one violent state transition every 2.43 years.

If we just look at raw dialectic alone we reach dismal conclusions. “Do you think the United States will exist forever and until the end of time?” Clearly any reasonable answer must be “no.” So at that point, we’re not talking “if,” but “when.”

Based on his numbers, Mr. Campbell believes you should prepare – by stocking, food, water, and firearms.

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Vanishing Mist

But the disasters that he imagines are only a small part of the dangers you face. There are also risks of bugs, mutant viruses, crop failures, solar flares, electronic meltdowns, volcanic eruptions, years without summers, and, of course, nuclear wars.

Any one of those things could bring chaos, looting, and death. (Imagine West Baltimore when the power goes off.)

But the most likely threat comes from neither rising water, nor war, nor zombie apocalypse. Instead, the main risk is financial. And it too is not a question of "if" but "when." Such possibility forms the central thesis of this very newsletter *The Financial Crisis Report*.

And here we find our question, laying on the treacherous ground in front of us, like an unexploded bomb in a playground. Sayeth Proverbs 21:6:

Wealth created by a lying tongue is a vanishing mist and a deadly trap.

Why so?

Because the fundamentals still apply; actions still have consequences. You never know exactly what those consequences will be or when and how they will show up. (This isn't science!)

But when you spend too much money you don't have... and go too far into debt... you eventually find out.

More of the Same

So we looked at the odds of a major disaster happening and according to mathematician BJ Campbell they are greater than we think. But he was only talking about floods and revolutions.

Get a bolthole, he suggested, and stock it with food, water, and firearms.

But financial risks are much more imminent.

Markets and economies move in cycles. It's not up... up... up all the time. And the downcycle is always painful.

But when you've got \$68 trillion in debt (the current U.S. total)... it is also very risky.

People have spent their savings. They've gambled their retirements. They've bought houses... cars... stocks... and college educations – counting on "more of the same."

"More of the same" is what you get for a while. Then you get "something different." And then, the people who need "more of the same" just to survive are in big trouble.

A new study conducted by the United Way shows far more Americans are suffering from financial hardship than official numbers would suggest.

As of the end of 2017 – the most recent data available – 34.7 million U.S. households were living above the poverty line but unable to afford "ordinary expenses," such as rent, transportation, child care, and a cellphone.

These are households with adults who are working but still make too little to make ends meet. And they represent more than double the 16.1 million households that officially live in poverty today.

All told, it means nearly 51 million households – or more than 40% of all U.S. households – can't afford even the basics of a middle-class lifestyle.

Given these shocking statistics, is it any wonder the poorest Americans now hold debts in excess of 250% of their incomes? While these debts surely include plenty of irresponsible borrowing, the data suggest a substantial number

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of these folks have been taking on debt to simply get by.

Worse, this is happening despite an officially growing economy, record-low unemployment, and the federal government spending more on welfare and "safety net" programs than ever before.

This reminds us of an old proverb: What goes up must come down.

Important Landmark

We've just passed an important landmark. The U.S. economy has been going up for 106 months, edging into second place among the longest-lasting expansions of all time.

Since 1879, there have been 28 recessions and (obviously) 29 recoveries. The average recovery lasted 41 months. So we're driving way over the legal limit.

What are the odds of an accident? We're not a mathematician, but let's say we put them at approximately 100% sometime during the next three years.

The economy will go into recession. Jobs will be lost. Cars and houses will be repossessed. Some people will be desperate.

Like the economy, the stock and bond markets are also cyclical... and driving severely impaired. We are now in the tenth year of a bull market that has taken prices higher than we've ever seen them.

At these levels, according to market folk wisdom, logic, and the studies of Nobel Laureate economist Robert Shiller, the next 10 years will be a bad time to be in stocks.

Prices go up and down, say the old timers.

When do they go down? After they've gone up!

Myth Explorer

What are the odds of a major stock market decline sometime in the next three years? Again, we don't trust numbers, but we put them at about 90% (allowing for a 10% margin because, after all, nobody knows).

How about the bond market? Bonds move in long cycles... about a generation in length. The last time bonds were this high was about when we were born – after World War II.

They fell for the next 30-plus years... bottoming in 1980. Since then, it's been up... up... up.

But as Carl Jung – a myth explorer extraordinaire – put it: "No tree can grow to heaven."

Now, after 38 years, it looks as though the tree has reached its maximum height. The cycle has turned.

In fact, we believe the top was reached about two years ago in July 2016, three years after the start of this newsletter. So obviously, our timing was a little premature. Anyway, since then, yields have been going up (and prices have been going down). Already, the yield on the 10-year U.S. Treasury note has almost doubled.

Remember the old Bible saying that "the debtor is slave to the lender." As long as interest rates are falling, the debtor can refinance... at lower rates.

But when rates move up, the lender gets out the chains and the lash. That's when the going gets tough.

What are the odds that things will get tough in the next three years?

We don't know.

But as with death itself, there is no escape. The question is not "if" it is "when" – and only the gods know the answer.

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And what kind of disaster do you get when stocks, bonds, and the economy all go down together?

We don't know. But before it is over, we might wish we'd taken Mr. Campbell's advice.

Convenient, Pernicious Myths

Here is the question that disturbed Nietzsche's sleep, drove Kant into seclusion, and got Socrates killed: How can you tell the difference between convenient, pernicious myths... and those that are useful and true?

How can you tell blue skies from pain or Heaven from Hell?

Here are four tests to help you answer that.

Time. How long has the myth survived? Generally, the older, the better. It proves that they are useful. Myths survive when they tell us something important that we don't have to learn for ourselves – often some enduring truth that would be painful or impossible to learn on our own.

The idea of saving is ubiquitous and as old as the hills. "If you don't save for your retirement, you could end your days in misery," say the old timers.

But you only live once. If you reach retirement age and haven't saved, it's too late to say: "Okay... I won't do that again."

That is a lesson best learned from others... by following the myths, old wives' tales, and moral lessons of the past.

Creating New Myths

Economists used to call themselves "moral philosophers." They realized that actions have consequences... and that the "moral to the story" – eternal and ineluctable – was what they were looking for.

But those economists are dead. And moral lessons are regarded as "mere myths" by the modern quacks. The old rules felt like a curfew or a stiff collar limiting their movements. So they invented new myths.

The idea that "deficits don't matter" dates only from 1998, when Dick Cheney used the expression to excuse the runaway deficits of the Reagan era.

But which is likely to be most useful? The idea that you should save your money or that deficits don't matter? Which is likely to be true? Which is likely to help you manage your financial life... and which is likely to get you into a peck of trouble?

Scale. Generally, the more personal... individual... and down-to-earth the myth, the more helpful and reliable it is. "A bird in the hand is worth two in the bush" tells us something important: Beware of promises.

Betting one bird in the hand today against two possible birds tomorrow implies a 100% interest rate – daily. Maybe an investor would take that bet. Maybe he wouldn't.

But imagine \$10 trillion of sovereign debt trading at negative interest rates. That depends on a new myth... and a big one: that today's bird in the hand is worth less than a single bird in the bush tomorrow.

No small-scale, private lender – in an honest market – would take that bet.

Likewise, "deficits don't matter," is huge, impersonal, and abstract.

Every fool knows it won't work on an individual basis. But he imagines that it might be different on a large scale.

And yes, of course, the feds can get away with more foolishness for longer – and on a much larger scale – than you can. But nature doesn't change just because you get bigger. The fundamental things still apply.

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Backed by Violence

Violence. The surest test is this: Is the myth backed by the feds?

Remember, anyone can make a mistake. But if you want to make a real mess of things, you need the government.

Only the feds claim a monopoly on the use of violence... and only they can use violence to enforce a large-scale, uncorrected myth.

Private, small-scale myths are corrected all the time. You think you are a genius; your wife sets you straight. You think you can drink and drive safely; a telephone pole settles that. You think deficits don't matter... until the repo man shows up for your car.

But the feds? No myth is too loony, too murderous, or too counterproductive to be cherished for centuries.

They burn witches at the stake... break enemies on the wheel... hang Irishmen, Catholics, and blacks... send Jews and gypsies to the gas chambers... put the guillotine to work on the necks of aristocrats in Paris... and shoot the counterrevolutionaries in St. Petersburg.

Tax, regulate, control, fix prices, pay off cronies... all of it is backed by large-scale violence and myths so absurd as to make gods chuckle...

Later, even humans despise them.

A shortcut to myth-testing: If it is backed by the feds, it is almost surely a convenient lie and not a useful myth.

Favorite Test

Is it win-win? Ah yes... our favorite test.

Useful myths benefit anyone who takes them seriously... The saver. The hard worker. The generous spirit. The car-

ing parent. The good neighbor.

And they do so without harming anyone else. The saver is better off. But so is the borrower; he has more funds available.

The hard worker adds to the world's wealth, not just his own. The generous spirit helps others... and himself.

The caring parent spares his children the crippling effect of too much money and too little affection. The good neighbor builds a good fence.

The convenient lie, on the other hand, is win-lose. It only benefits some people – at others' expense.

Mexicans, terrorists, Muslims, Catholics, drug dealers – you can choose any of "them" you want. Someone will find a way to make them pay.

Everybody else loses.

Imagine that your neighbor says that he likes the color blue... and he believes he has the right to tell you to repaint your house so it will be more pleasing to him.

On this scale, the myth/delusion is easily dismissed. You tell him to get lost.

But then, the neighbor rallies all of the nation's half-wits and meddlers. They say that people whose houses aren't blue are traitors. They pass a law. Patriot Act II, they call it. Everyone must paint their house blue!

Now, the myth – that he has the right to tell you what color to paint your house – is the law of the land. Same myth, larger scale. Harmless on a small scale. Great for makers of blue paint on a large one.

The myth that deficits don't matter pays off for some people, too. Bankers, cronies, speculators, zombies... and, of course, millions of other people who get the crumbs that fall from the table.

Stock Market Risk Dead Ahead

But it comes at a cost. Every penny of borrowed money must sooner or later be reckoned with. No one knows how, when, or by whom.

Win-lose deals, imposed by the feds, enforced with violence, and justified by some cockamamie lie, are always expensive. And generally, the bigger myth, the more expensive it is.

The war on drugs is thought to have cost the feds \$1.5 trillion so far. The war on terror has a price tag estimated at \$7 trillion. Even more has been spent on the war on poverty – \$22 trillion. As for the fake-money system... how much in real growth, real savings, real capital, and real resources has it squandered?

We can only guess.

But when it blows up, there will be Hell to pay.

That's for sure.

D. Miyoshi

Stock Market Risk Dead Ahead



When Nassim Taleb speaks, people listen. Taleb is best known for his best-selling book, *The Black Swan*. It was published in April 2007 - months before the global economy began to crash. And it argued that the risk models used by financial institutions and lenders were faulty and would result in a crash. The stock market crash of 2007 proved him right. Wall Street's risk models were horribly flawed. They severely underestimated the chances of house prices falling. And they gave everyone a false sense of security. Taleb did very well on his bearish financial bets. He has traded his way to wealth through options and derivatives. And his book has changed the way millions of people think about risk, fragility and probability.

Today, Taleb is one of the few voices warning of another, larger debt crisis to come. In a recent interview with Bloomberg, he explained why more chaos is inevitable. Adam Sharp of *Early Investing* summarized Taleb's comments from the interview. I took some of Sharp's points and present them here.

Where is the vulnerability? Is the world more fragile today than it was in 2007?

Of course it is. The problem today is absolutely the same disease [debt]. If you put novacaine on cancer, what happens? The patient won't get better. He'll feel better, but he won't get better.

What was 2007? A debt crisis. We have more debt today... You don't get a free lunch.

Taleb notes that since the last crisis, debt has surged at the consumer, corporate and, especially, governmental levels. We papered over a debt crisis with more debt.

He points out that the U.S. government will pay more than \$300 billion in interest on its debt this year. And rising interest rates will only increase those payments as the government rolls over its debt.

The United States Treasury issued \$1 trillion of debt just

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this year... And the already bloated deficit grew by 17% in the last fiscal year.

Taleb compares it to a giant Ponzi scheme:

It's like a [Bernie] Madoff scheme, when you have to borrow more and more to pay interest. A Madoff scheme is when you have to borrow to pay off creditors. The minute you enter that phase, there's nothing healthy about it from an economic standpoint.

Taleb's not saying anything earth-shattering here. It's a cold analysis of an ugly situation created by out-of-control government spending and corruption. He's just one of the few prominent voices with the intestinal fortitude to say it.

Taleb says that real estate could be the first shoe to drop, particularly high-end real estate. Its already started in China, Australia and LA. And indeed, real estate is vulnerable to higher interest rates.

He hints that one of the "miracles" that could save us is significant inflation, which somehow doesn't adversely affect the economy too much. But he sort of laughed when he said it. Sustained inflation is never pleasant.

Taleb is especially concerned that debt is becoming a problem while we're still in a very low interest rate environment.

I am too. And I continue to believe the Fed will eventually need to send interest rates even lower, possibly to negative territory. Nobody wants a housing downturn or falling stocks. And if the Fed keeps hiking rates as it has been (and is supposed to do) recently, that's almost certain to happen.

The Fed's admitted interest rate strategy has been to create a "wealth effect" by keeping rates low, which pushes stocks and other assets up. Everyone feels wealthier, so they spend more.

Will it abandon that strategy now and let the wealth effect

fade and reverse? I don't see it. The pressure on it to loosen rates up again will be tremendous, especially now that the stock market is coming down....fast.

If equity and real estate markets get hit hard - which will probably happen if rates get back to 5% - everyone will be begging the Fed to lower rates and eventually restart quantitative easing. CNBC's Jim Cramer is already screaming at the Fed to pause rate hikes so stocks don't continue to go down. So is President Trump.

At some point, I suspect inflation will be welcomed by the Fed, at least privately. Sustained inflation would start to erase the debt by devaluing the currency. I think inflation may be viewed as the "least bad" option.

You know we've got to get rid of the debt somehow. This is just one of the ways it could play out, and it may take 10 or even 30 years to do so. But debt crises are pretty much inevitable with a trajectory like this.

I'm sure the Fed will be very creative in trying to save the situation, but it's not a wizard. The Fed's toolbox is very limited. I think the eventual solution will involve a lot of money printing, debt monetization and, ultimately, inflation.

It's not pretty, but it's how I see it over the long term.

This is the ultimate reason to own - and learn about - decentralized currencies like bitcoin. This is why people are building alternative financial systems. Many of us think the global debt bubble will eventually spiral out of control. If it happens, a lot of people will be looking for alternatives to fiat money.

It sounds crazy, but in the near future these issues are going to come to a head. We'll be paying more than \$1 trillion in interest per year before too long. It's utterly unsustainable.

Now is a good time to start thinking about hedges - like crypto-currencies - against the traditional monetary system. Also, part of our assets should be in gold, precious metals and commodities.

Have We Reached Peak Soros?

While most of us who are alive today have never experienced a depression, history says it ain't fun.

Let's be prepared.

D. Miyoshi

Have We Reached Peak Soros?



This article written by Tom Luongo appeared in the November edition of the *Gold, Goats n' Guns* Newsletter

George Soros is losing. He still thinks he's winning. But, in reality, he's losing.

All around you, if you look closely enough, you will see the spectre of George Soros lurking behind the headlines. The caravan, net neutrality, regulating Facebook, the de-platforming of independent media, color revolutions and election meddling, refugee creation and manipulation, the trolls on Twitter, your blog and YouTube, etc.

All of these things we see in the headlines today are a product of George Soros' money and his singular obsession with re-creating the world in his image.

Soros himself is a product of the times. A multi-billionaire who could only exist in an era of unprecedented corruption of the basic foundations of society. An age where the dan-

gerous mix of Marxist ideology governs the somewhat unfettered free flow of capital has resulted in the mother of all bubbles in making money on money.

Mo' Money Mo' Time

A primary thesis of this blog is that corrupt money begets a corrupt society. Corrupting the prices we pay for the things we buy dissociates us from their true cost of ownership and the opportunity costs of making different choices.

It has given rise to a seemingly all-powerful class of money-changers who manipulate policy to arrogate unearned wealth to themselves, known as *rent*, and then use that new wealth to fund their next scheme to fleece people of their time.

Because the aphorism is true, time truly is money. Time is the only true scarce natural resource. Everything else is, ultimately, recyclable, just ask Einstein.

And men like Soros understand that filling your time with distractions keeps you poorer than you would be otherwise. This is the main mechanism by which they steal your wealth.

The process of political and ideological radicalization that his NGO's excel in are part of this scheme. Get the people outraged over irrelevancies, emotionally charge them up and then set them against each other until the political system breaks.

Even when it fails ultimately, like in Armenia, it succeeds in wasting a year of millions of people's lives. Time lost to the machinations of a madman.

How much time to we as Americans spend worrying about the issues du jour concocted by Soros and his cohort Tom Steyer? And the sad truth is that we need to worry about these issues, even though the costs are high.

Why?

Because Soros' goal is the destruction of the United States and what it stands for. He is chaos incarnate continually

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using his money to stoke conflict which ends in a Hobson's Choice for us, damned if we do, damned if we don't.

The Face of Hobson's Choice

That choice today is one between a Facebook and Silicon Valley that has way too much power over governing our speech, hiding behind broadly-worded EULA's or accepting regulation of them for abusing their power.

Think about how egregious the treatment of conservatives and alternative press is at the moment. It's completely one-sided. Now ask yourself the obvious question.

Why?

Why would they do this knowing it will result in people getting angry and calling for something to be done?

Because, lightbulb, that was the plan all along.

Notice how today Jack Dorsey of Twitter and Mark Zuckerberg of Facebook are being set up to be the fall guys for this situation. If you can't see at this point the man behind the curtain pulling the strings on this to achieve this very goal then you aren't *woke* or *red-pilled*. You are part of the problem.

You are just another of George Soros' useful idiots.

Governments on both sides of the Atlantic are lining up now to make Zuckerberg into the villain for not answering the their concerns over Facebook's data handling.

Zuckerberg is the patsy.

And Soros will get what he wants: compliant, paid-for, bureaucrats and politicians ramming through legislation that gives them oversight into social media platforms to regulate not only their behavior but yours.

Game. Set. Match.

If that's the case then why do I think we've reached Peak Soros?

Lies Are Expensive

Because none of this is working anymore. Look around you. Just this week, out of nowhere, Soros' Open Society Foundation packed its bags and left Turkey after its founder was arrested for fomenting dissent.

Last month OSF and his Central European University pissed off out of Hungary where Viktor Orban put his foot down against Soros' malign influence on Hungarian culture.

The Russians threw him out years ago and there's an arrest warrant out for him there.

He fought these latter two countries for years before finally leaving.

And OSF pulls out in a day?

Reason? They are guilty and Soros is losing his cover. Everywhere where opposition to globalists is hardening Soros is pulling up his tents and running away.

Bullies are weak. Soros hides behind the venal and the vane. He's never built anything of value, only won a rigged version of a zero-sum game, i.e. currency trading.

He's not an entrepreneur, he's a vampire. And vampires don't build things, they destroy things other people love while being unloved themselves.

The overthrow of the government in Armenia didn't go as planned either, as Nikol Pashinyan failed to form a government even after he gave lip service to remaining a friend to Russia. No one bought that line and Pashinyan's people's revolt has left a a vacuum in its wake, but one that won't be filled with a Eurocratic stooge under Soros and NATO's control.

But most importantly, fewer and fewer people are falling for the Hobson's Choice I described earlier that Soros gins up to move the political ball in his direction.

Now, instead, he is resorting to openly backing voter fraud in Broward County and Georgia. He's paying protesters to harass Senators over a Supreme Court nominee and organ-

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izing a violent storming of the U.S. southern border which is quickly becoming a political albatross around the Democrats' neck.

Lies are expensive. That's why men like Soros need so much money.

It's why they continue to also manipulate markets, sow discord and volatility at the same time that they push open conflicts which rightly scare rational people half to death — like Ukraine's ham-fisted attempt to draw Russia into a shooting war in the Kerch Strait.

Their lies are being debunked in real time. I've said before. These men may be the smartest men in the room but they are not smarter than the room itself. From here on out for George Soros and his ilk in *The Davos Crowd* victories will get more expensive and losses harder to overcome.

This is why control over the flow of information, control of *The Wire*, as I talked about recently is so very important. It's why decentralized platforms are so important and why personal connections we make here in the cyber-world need to be anti-fragile.

It's also why we've reached Peak Soros.
End of Article

Does Big Tech = Big Brother?



We are all familiar with the classic novel written in 1948 by George Orwell titled *Nineteen Eighty-Four* about a dystopian future set in the year 1984 where critical thought is suppressed under a totalitarian regime that is represented by its omniscient and omnipresent leader "Big Brother." In the novel, the protagonist Winston Smith feels frustrated by the oppression and rigid control of the party, which prohibits free thought, sex and any expression of individuality.

Now fast forward to the current year 2018, wherein we were informed that *Google* threatened to ban all ads from the independent publishing companies that make up the *Legacy Research* alliance – *Bonner & Partners*, *Casey Research*, *Palm Beach Research Group*, and *Jeff Clark's Delta Report* (these are conservative and independent financial publications that we use to obtain data for this newsletter).

Google said it would de-platform the publications unless they changed their ideas and how they expressed them. (They refused and were blacklisted.)

Also, *Facebook* is also deciding what you can and cannot read online. In October, it purged the accounts and pages of 800 independent media outlets. It even shut down business accounts related to these organizations...

One of the examples given by the *Legacy Research* is a coffee company that donates 10% of its profits to vets, Military Grade Coffee. It's run by Brian Kolfage, a vet who lost both legs and his right hand in an attack on a U.S. airbase in Iraq. Military Grade Coffee is the primary source of income for Kolfage and his family. His crime? Kolfage was also the administrator of an independent news outlet called *Right Wing News*.

And Big Tech has taken on more high-profile voices, too...

Facebook and *Twitter* recently de-platformed Vice magazine co-founder and conservative pundit Gavin McInnes.

This led McInnes to accuse Big Tech of waging an "all-out war on conservative free speech."

It's tempting to look at this through a left-right political

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lens...

Partisan politics is all the rage these days – blue vs. red, liberal vs. conservative, us vs. them.

And McInnes could be right.

In response to accusations during a recent CNN interview that *Twitter* smothers conservative voices, CEO Jack Dorsey said he fully admitted a “left-leaning” bias exists.

And according to *OpenSecrets*, a nonprofit political spending database by the *Center for Responsive Politics*, more than 96% of political donations for the midterms from employees at *Google*, *Facebook*, and *Twitter* went to Democrats.

But it’s not that neat and tidy. Many of the folks *Facebook* blacklisted were alternative news outlets with left-leaning, libertarian, and anti-establishment views.

Others were organizations that “watch the watchers,” such as Police the Police and Filming Cops.

You see, Silicon Valley isn’t targeting the left or the right...

It’s targeting any form of dissent.

When you boil it down, this is a struggle between those who want to decide what’s acceptable for other people to think... and those who prefer to think for themselves.

Consider the secret *Google* briefing that recently leaked to the press.

It’s titled the “The Good Censor.” It’s 85 pages long. And if you value the most sacred of American rights – freedom of speech – it will make your skin crawl.

Members of Google can download it. But here’s what set off the loudest alarm bells for *Legacy Research*...

It goes after the very idea of free speech, which it claims has become a “social, economic, and political weapon.”

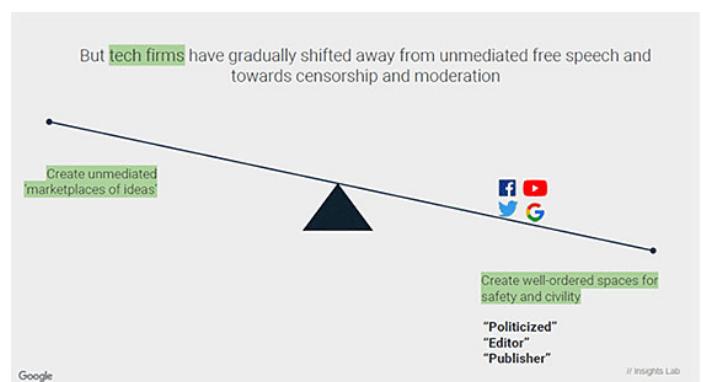
And it fully admits that *Google* and other tech platforms have undertaken a “shift towards censorship” in response to political events around the world.

The internet promised to be a place where free speech could thrive...

“This free speech ideal,” according to the briefing, “was instilled in the DNA” of these Silicon Valley firms when they were startups.

But the briefing goes on to argue that Big Tech is stuck between two opposing ideals of what the internet should be – an “unmediated marketplace of ideas” versus a “well-ordered space for safety and civility.”

And it says that *Google*, *Facebook*, and *Twitter* are all moving away from the ideal of free speech... and toward the ideal of making the internet a “safe space.” Here’s the leaked slide that illustrates that point...



Google MUST censor ideas if it wants to “expand globally”... After all, ITS AN ECONOMIC THING presented under the guise of protecting “civility”.

Google’s push to censor its platforms isn’t just the result of muddle-headed philosophizing.

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Advancing in a Time of Crisis



Financial Crisis Report

It fits with the company's plans to expand into foreign markets where strict government censorship is already in place.

A separate set of leaked documents reveals that *Google* is working on a censored version of its search engine for the Chinese market.

Codenamed Dragonfly, it will suppress search terms about free speech, human rights, democracy, and peaceful protest – all of which Party bosses have made vanish from the Chinese web.

It will also suppress references to literature about the dangers of totalitarianism such as George Orwell's novels *Animal Farm* and *1984*.

It's why having a real alternative press is so important right now...

The mainstream press is full of... well... mainstream ideas.

For instance, when the mainstream media was building hysteria over Soviet plans to take over the world... *Legacy Research* told readers that it was all just a house of cards ready to collapse.

When they cheered the Afghan "freedom fighters" against the Russians... *Legacy Research* cautioned that Islamic extremists would become a major problem in years to come.

And when the mainstream crowed about the booming U.S. housing market... *Legacy Research* was there to warn readers that the mortgage bubble would pop and lead to catastrophic results.

As *Legacy Research* co-founder Bill Bonner puts it, that's what makes independent publishers critical right now.

Unlike the mainstream press, which has to be loyal to its sponsors, independent publishers are loyal only to their own readers. That's because their readers pay them directly. If the readers don't like their ideas, they can stop reading.

And unlike the tech giants, independent publishers have no government contracts and no government support. There's no tax credits for buying their newsletters. While their advice and recommendations are not always right, they're always independent. And that sets them apart. That is why I will continue to rely on them to provide the data I use for the *Financial Crisis Report*.

Like *Legacy Research*, we are not always right, but we are independent and have no allegiance to any sponsor. Maybe we are not always civil but we do try and be truthful.

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