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Financial Crisis Report

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Advancing in a Time of Crisis

Words of Wisdom: "You can succeed at anything, as long as you don't care who takes the credit" Ronald Reagan

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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.

Historic Singapore Meeting and its Aftermath



On June 12, President Trump and Kim Jong Un leader of North Korea made history by becoming the first U.S. president and leader of North Korea to ever meet and talk.

What happened?

Trump and Kim's made a joint statement centered on the United States and North Korea committing to several key things: establishing new bilateral relations, making a joint effort to establish lasting peace on the Korean Peninsula, working toward complete denuclearization of the Korean Peninsula, and recovering the remains of U.S. soldiers from the Korean War. Trump also offered unspecified "security guarantees" to North Korea.

According to *Stratfor*, in exchange for North Korea agreeing to what has been referred to as "complete denuclearization," the United States

suggested that it may ease its sanctions on North Korea prior to complete denuclearization and that it will halt U.S.-South Korea military exercises.

By affirming that "mutual confidence building can promote the denuclearization of the Korean Peninsula," the statement indicated that the United States is willing to accept the phased approach to denuclearization that North Korea desires. In a phased approach, both sides would offer incentives along the way to denuclearization, rather than the United States waiting until the process is complete before offering any tradeoffs. For the time being, Trump emphasized that sanctions would remain in effect, but he said they could be removed when North Korea makes a certain degree of progress in its denuclearization.

Trump also said that U.S.-South Korea military exercises would stop, noting both that North Korea would appreciate the move and that it would save the United States a substantial amount of money. The president added, however, that the United States would not be pulling troops out of the Korean Peninsula at this point.

Now What?

What Trump and Kim have agreed to is a basic framework deal that — like the Panmunjom Declaration between North and South Korea — sets in motion a technical dialogue, allowing lower-level officials to hash out concrete points of action that could de-escalate tensions. Indeed, the Trump-Kim joint statement stipulated that U.S. Secretary of State Mike Pompeo



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would next work with a North Korean counterpart to implement the summit agreements.

Trump emphasized in his remarks that the two sides had agreed to more than was included in the document, noting that North Korea said it would dismantle a missile engine testing site. The U.S. president also said that the denuclearization process would begin "very quickly" and that this initial meeting would give way to more. He declared that he "absolutely will" invite the North Korean leader to the White House, and that the two countries would likely need another summit. Kim reportedly accepted the invitation.

For North Korea, this summit has allowed the country to accomplish its goal of engaging with the United States as a peer, also introducing opportunities for North Korea to move toward a Korean War peace deal. Trump emphasized his wish to formally end the war and said he would want to include South Korea and China as signatories to the final treaty.

The next steps for both the United States and North Korea will be crucial, as the two sides work to build trust and sort through thorny technical details. However, even if the process breaks down in the long run, the landmark summit, which allowed North Korea space for a diplomatic breakout, will make it more difficult for the United States to return to a maximum pressure campaign.

Effects on Major Asian Countries

South Korea

Of all the regional players, South Korea has been the most eager to see the United States and North Korea ease away from the warpath. It has been active in leveraging inter-Korean ties to keep the U.S.-North Korea dialogue on track. Now, South Korea will do everything in its power to ensure that the momentum continues. However, it is unclear what the U.S. halt of military exercises would mean specifically and whether South Korea itself was consulted about the decision. Secretary of State Mike Pompeo will travel to Seoul immediately following the summit to convey the details of the outcome in person.

Japan

Japan is still the odd man out in this emerging dynamic. While

Trump said that he did bring up Japanese concerns about Cold War-era abductions of Japanese nationals by North Korea, Pyongyang does not appear to have shifted its stance on this contentious issue. And if the United States and South Korea do in fact halt their war games, this will cause some concern for Japan about the integrity of the U.S.-led defense strategy in Northeast Asia.

China

For China, the symbolic agreement and improved ties between the United States and North Korea are positive developments — at least, as long as they result in a U.S.-North Korea relationship that sits somewhere in between rapid rapprochement and outright failure.

In order to ease immediate concerns over military confrontation, China wants North Korea to make clear progress toward reducing its nuclear capacity and to refrain from further missile and nuclear tests. The U.S. decision to cease military exercises introduces the prospect of a limited U.S. defense posture, and even if it also points to more flexible military adjustments in the region, it is perceived as a net gain for Beijing. Now that the summit has decreased the likelihood of a U.S.-North Korea military confrontation, China's next priority will be to ensure it plays a major role in shaping the Peninsula.

The Issues

According to Ben Shapiro commentator on Fox News, while it was never expected that one meeting would result in total rapprochement the meeting did leave undecided serious issues.

1. Trump Got No Serious Concessions from Kim. According to Trump, Kim said he'll denuclearize. Sure he will. Just as the Kim family has promised verbally to denuclearize for decades. The actual signed agreement between the United States and North Korea is pathetically weak. As Heritage Foundation research fellow for Northeast Asia Bruce Klingner states: "This is very disappointing. Each of the four main points was in previous documents with NK, some in a stronger, more encompassing way. The denuke bullet is weaker than the Six Party Talks language. And no mention of CVID, verification, human rights."

Here's what the document itself says:





Historic Singapore Meeting and its Aftermath

President Donald J Trump of the United States of America and Chairman Kim Jong Un of the State Affairs Commission of the Democratic People's Republic of Korea (DPRK) held first historic summit in Singapore on June 12, 2018.

President Trump and Chairman Kim Jong Un conducted a comprehensive in-depth and sincere exchange of opinions on the issues related to the establishment of new US-DPRK relations and the building of a lasting and robust peace regime on the Korean Peninsula. President Trump committed to provide security guarantees to the DPRK, and Chairman Kim Jong Un reaffirmed his firm and unwavering commitment to complete denuclearization of the Korean peninsula.

Convinced that the establishment of new US-DPRK relations will contribute to the peace and prosperity of the Korean peninsula and of the world, and recognizing that mutual confidence building can promote the denuclearization of the Korean Peninsula, President Trump and Chairman Kim Jong Un state the following:

The United States and the DPRK commit to establish new US-DPRK relations in accordance with the desire of the peoples of the two countries for peace and prosperity

The United States and the DPRK will join their efforts to build a lasting and stable peace regime on the Korean Peninsula

Reaffirming the April 27, 2018 Panmunjom Declaration, the DPRK commits to work toward complete denuclearization of the Korean Peninsula

The United States and the DPRK commit to recovering POW/MIA remains, including the immediate repatriation of those already identified.

Having acknowledged that the US-DPRK summit — the first in history — was an epochal event of great significance in overcoming decades of tensions and hostilities between the two countries and for the opening up of a new future, President Trump and Chairman Kim Jong Un commit to implement the stipulation in this joint statement fully and expeditiously. The United States and the DPRK commit to hold follow-on negotiations, led by the US Secretary of State, Mike Pompeo, and a relevant high-level DPRK official, at the earliest possible date, to implement the outcomes of the US-DPRK summit.

President Donald J Trump of the United States of America and Chairman Kim Jong Un of the State Affairs Commission of the Democratic People's Republic of Korea have committed to cooperate for the development of new US-DPRK relations and

for the promotion of peace, prosperity, and security of the Korean Peninsula and of the world.

There's nothing new here.

The only thing that seemingly changes here is the explicit commitment by the North Korean government to recovering remains from the POW/MIAs of the Korean War. But Korean officials have been promising that same thing for years, and indeed, between 1996 and 2005, US-NK search teams "conducted 33 joint recovery operations and recovered 229 sets of American remains." That program was discontinued because North Korea insisted we pay them for the privilege, a program some Americans referred to as "bones for bucks." But we re-continued it in 2011, then stopped again in 2016.

So, what justifies all of this? Here's Trump's description of what he got in negotiations:

What did they do to justify this meeting? Secured commitment for complete denuclearization. That's the big thing.

But that's precisely what the North Koreans have been promising for the entirety of negotiations stretching back decades. They've always been lying.

2. Trump Legitimized Kim. Trump legitimized Kim. There are no two ways about it. The video of the meeting looked like the preview of an academy award winning movie. Instead of a Nobel Peace Prize, maybe Trump and Kim can get an Oscar.

That video is inappropriate for any meeting with a dictator, let alone a dictator who uses WMD to kill a family member in an airport. If this video had been produced by Kim for propaganda use by his own people, that would have been just as believable.

But that was just the beginning. Trump said it was his "great honor" to meet Kim. He called Kim "very talented" and added that "you can take 1 out of 10,000" and they wouldn't be able to do what Kim has done. He said Kim was "very smart" and a "very good negotiator." He said that it's a "rough situation" in North Korea but it's also "rough in a lot of places." He credited Kim with making the Olympics a "tremendous success by agreeing to participate." Finally, he said, "His country does love him. His people, you see the fervor." That's pathetic. If Obama had said it, conservatives would rightly have gone ballistic. (And by the way, if Obama had said it, the media currently crushing Trump would have praised him to the skies.)



Go West Young Man

3. Trump Delegitimized America's Actions in The Korean Region. Trump said that he would stop a planned military exercise with the South Koreans, and that he wanted to pull American troops off the Korean peninsula:

At some point I have to be honest. I used to say this during my campaign as you know better than most. I want to get our soldiers out. I want to bring our soldiers back home. We have 32,000 soldiers in South Korea. I would like to be able to bring them back home. That's not part of the equation. At some point, I hope it would be. We will stop the war games which will save us a tremendous amount of money. Unless and until we see the future negotiations is not going along like it should. We will be saving a tremendous amount of money. Plus. It is very provocative.

The exercises have reportedly been postponed; there's no reality to the movement of American troops off the peninsula, thank goodness.

Trump even parroted Kim blaming the United States for past North Korean failures to abide by their word:

He said that, you know, there are reasons [Kim Jung Il] didn't [abide by his agreements] because he was let down by the United States, but that's irrelevant. What he's doing, and he very much said that, he said you know over the years -- first of all, they've never gone this far, you know, they've never been at a level like this, and his father never dealt with a president, and a lot of other things. But he said, it's very much on his mind. He said, "We are going to get this done." In the past we've tried, but it never worked out and it never did work out. And it was embarrassing actually to the United States and to our leadership.

Furthermore, Trump signaled that America's military options are off the table – he explained that in a war, "I think you could have lost 20 million people or 30 million people. This is really an honor for me to do this. I think potentially you could have lost 30 million or 40 million people." So much for the threat of force bringing Kim to the table.

Now, perhaps all of this is worth it. Perhaps something real does materialize from this meeting. If so, it will have been a masterstroke – a move of genius. If not, it's a debacle. There's no in-between here. President Trump treated Kim Jung Un with respect unbecoming one of the worst human beings on planet earth, particularly from the leader of the free world. He better get something extraordinary in exchange. After all, he is the most experienced TV president in history so that may help.

In the coming months....and years, we shall see just how historic and meaningful (or disastrous) the Singapore meeting really was.

My fingers are now crossed.

D. Miyoshi

Go West Young Man



American Author Horace Greeley is credited with the famous quote "Go West, young man, and grow up with the country." He probably did not realize how prescient his words would be for both America and the world today.

"America is the greatest engine of innovation that has ever existed, and it can't be duplicated anytime soon, because it is the product of a multitude of factors: extreme freedom of thought, an emphasis on independent thinking, a steady immigration of new minds, a risk-taking culture with no stigma attached to trying and failing, a non-corrupt bureaucracy, and financial markets and a venture capital system that are unrivaled at taking new ideas and turning them into global products."

- Thomas L. Friedman

Despite the political, social and economic challenges besetting it today, America is what president Reagan envisioned as the "shining city on the hill." Black radio commentator Larry Elders likes to say "being born in the U.S. is like hitting the lottery."



Go West Young Man

According to Nicholas Vardy of the investors organization *the Oxford Club*, America is the most innovative place on earth.

Most economists agree that American companies have an unrivaled impact on the rest of the world.

Billions of people use Google and Facebook each day.

Apple is the most valuable and profitable company on the planet.

Close to 120 million Netflix subscribers stream a bit of America into their lives each night.

In short, "the next big thing" almost always comes out of America.

New York Times columnist Thomas Friedman highlights five factors why this is so.

Here's his perspective on each of them...

Extreme Freedom of Thought and Independent Thinking

Whether it's defeating the British in the Revolutionary War...

Or settling the Wild West...

Or Steve Jobs making "a small dent in the universe" by inventing the iPhone...

The concept of the hero who challenges the system and succeeds by forging his own path is deeply ingrained in American culture.

That's mainly because most other countries focus on rote learning.

In contrast, the U.S. education system cultivates independent thinking and allows you to explore your particular strengths.

Friedman hears this from the kids he interviews when they apply to study in the U.S. each year.

They want to go to Stanford and Silicon Valley because they can study what they want, forge their own paths and even start their own companies.

One student Friedman knows started a successful app development company in London.

Today he runs his business - with six employees - out of his Stanford dorm room.

This experience contrasts sharply with studying at, say, Oxford or Cambridge.

In the British system, students commit to a specific course of study when they apply... and they can't change their minds.

That's not exactly a formula for innovation.

Steady Migration of New Minds

Immigration is a hot-button issue in both the U.S. and Europe.

The U.S. attracts undocumented immigrants from "south of the border."

Europe is overwhelmed by refugees from the war-torn Middle East and beyond.

But what's even worse for a country's long-term prospects?

No immigration at all.

Just consider the two greatest rivals of the United States over the past generation: Japan and China.

In the 1980s, Japan was set to take over the world.

U.S. business schools taught Japanese management techniques.

The Japanese stock market made up a larger portion of the global stock market than the U.S.'s.





Go West Young Man

Today China has taken over the mantle of potential global leadership.

What do they both have in common?

Neither Japan nor China welcomes immigrants.

Japan credits its homogeneous culture with its peace and harmony. China has the lowest share of immigrants in the world as a matter of national policy.

This lack of immigration is a demographic time bomb for both economies.

With more than 20% of the country over age 65 and the birthrate hitting record lows, by 2060 Japan's population will plummet by roughly a third compared with today's levels.

By making itself attractive to immigrants, the U.S. avoids this demographic time bomb while simultaneously attracting top global talent.

Risk-Taking Culture

"It is better to fail conventionally than succeed unconventionally."

This quote from John Maynard Keynes epitomizes the difference between the United Kingdom (and more broadly, Europe) and the U.S.

European business culture is risk-averse compared with the U.S.'s.

Yes, European tech hubs like London, Stockholm and Berlin have produced 41 tech "unicorns" - private companies that are worth at least \$1 billion.

But many top companies that start in Europe migrate to the U.S.

A friend of mine was an early investor in Shazam, the music recognition app.

Although Shazam started in London, once it hit critical mass, the firm had to open an office in Silicon Valley.

And now Shazam is in the process of being acquired by Apple, which is right down the road.

Non-corrupt Democracy

Americans love to rail against burdensome government and bureaucracy.

And yes, states like New York and California are a miasma of regulation. So businesses are voting with their feet, moving to Texas and Florida.

However, that kind of regulation pales in comparison with what goes on in the rest of the world.

Try setting up - and running a business - in any of the BRIC countries (Brazil, Russia, India and China).

A classmate of Friedman's from college managed 200 Indian programmers in Bangalore, India, for a publicly traded U.S. company.

As he told Friedman after he returned to the U.S., "Imagine the worst corruption you possibly can. Now multiply it by 100. That's how bad it was."

Financial Markets and Venture Capital

By now, the lesson should be clear: Environment matters.

Now add to that environment the unique financial infrastructure that allows companies to grow and thrive here in the U.S.

It's no accident that the FAANG stocks - Facebook, Amazon, Apple, Netflix and Google - are all based near one another in Silicon Valley (Amazon being the only exception).

Ditto for privately held unicorns like Uber and Airbnb.

The lesson?





A Wedding the IRS Loves

If you're talented and grow up in Estonia, you can invent a service like Skype. But to turn it into a global business, you need to end up on the U.S. West Coast.

Skype became a brand thanks to innovative capacities of a handful of Estonians. But it became a globally recognized verb only after eBay - and then Microsoft - acquired it.

The bottom line?

What Thomas Friedman wrote in 2004 still holds true today...

What would Indian techies give for just one day of America's rule of law: its dependable, regulated financial markets; its efficient, non-corrupt bureaucracy (well, some may take issue on this, especially lately); and its best public schools and universities (no question here)? They'd give a lot.

It's that combination of liberty and wealth that is the key to America's - and your individual - success.

To your good investing in the West,

D. Miyoshi

A Wedding the IRS Loves

Harry and Meghan



The pageantry! The pomp! The ratings!

Like watching a Super Bowl without players at 4:00 AM

Ted Bauman of *the Bauman Letter* reports to us about the Royal Wedding.

There were ladies in hats the size of small towns. There were military men struggling to stand upright with all the medals on their chests. The bride and groom's posh friends.

There were even a few Americans, including the bride.

The cameras sought photogenic attendees, but the invisible guests interested me. They were there if you knew where to look.

My mind's eye spotted one in particular ... uninvited, of course ... sitting in the metaphorical front row.

Another American.

It was the Internal Revenue Service...

Marrying Into Money

The recent royal wedding — between an American and a Brit — offers some lessons about how we Americans are taxed when we live and marry abroad.

Her Royal Highness, the Duchess of Sussex, née Meghan Markle, married a British fellow named Prince Harry. He happens to be sixth in line to the British Crown.

He also happens to be fabulously wealthy.

Not that Harry has to work, of course.

He gets about half a million dollars a year from the trust of his mom, Diana, Princess of Wales. (Diana practiced good estate planning.) He also gets a big clothing and travel allowance from his dad, Charles, the Prince of Wales.

He must get a British army pension as well. He served 10 years'



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active duty and is a captain in the reserves.

And now it's all reportable to the IRS.

A Royal Tax Mess

The British royal family keeps its money under wraps. That isn't easy, because it has a lot of it ... about half a billion dollars.

Thanks to the Panama Papers leak, we know that much of it is in offshore trusts on tropical islands like Bermuda and the Cayman Islands. Presumably many of those trusts name Prince Harry as a beneficiary.

Since Prince Harry is now part of the household of a U.S. taxpayer, his financial affairs — and those of the entire royal family — are now reportable to the IRS:

- As long as she is an American citizen, the Duchess of Sussex will have to file a 1040 tax return to the IRS every year, like everyone else. She must report all her worldwide income, including anything she gets from her husband or the royal family (now doesn't that just suck).
- As a permanent resident of the U.K., Meghan won't have to pay tax on the first \$104,400 of any earned income ... such as her salary as a TV star. But she'll owe U.S. income tax on all her investment income ... including anything she gets from Harry and his royal relatives' trusts.
- Under the Foreign Account Tax Compliance Act (FATCA), she'll have to file a Form 8938, Statement of Foreign Financial Assets. That must state the total value and details of her foreign financial assets — including any joint accounts she has with Harry, or any financial interest she has in his family's trusts. That includes those secretive trusts on tropical islands.
- Also under FATCA, all the banks where Meghan and/or Harry have accounts, and all the administrators of trusts in which either of them have an interest, will have to report those details to the IRS ... no matter where in the world they are.

If Meghan decides to renounce her U.S. citizenship, as tens of thousands of us do every year, she'll have to pay tax on her net worth on the day she does so ... including her foreign wealth. But under U.K. law she can't become a citizen for another five years.

That's five years of IRS reporting ... no ifs, ands or buts!

The U.S. is also the only country that demands that other countries enforce our tax laws ... even if they contradict their own laws. Any bank or trust administrator that fails to report Meghan

and Harry's wealth to the IRS loses access to the U.S. banking system.

But here is one bright spot. The U.S. is a democratic republic. Our laws apply to everyone, royal or commoner.

That includes you and me... and if we should decide to live abroad, everything explained here will apply to us, too.

Who knows? Maybe Meghan can recommend a good tax attorney.

D. Miyoshi

Crypto-Currency, a Geo-Political Weapon



Russia and Iran are looking to launch their own cryptocurrency. Venezuela already has!

Soon, developing nations could be jumping into the act as well.

According to Juan M. Villaverde and Martin D. Weiss, Ph.D, these country-sponsored efforts are being welcomed by some in the cryptocurrency space as proof positive that the technology works, that it could be a stimulus for increased adoption and even as the harbinger of crypto as the new standard form of money for the masses.

But the devil is in the details, and those are scarcer than hen's teeth. So until they're released, count us among the ardent disbelievers and naysayers.

Villaverde and Weiss wonder precisely why these nations in particular are suddenly so interested in borderless, decentralized, permissionless forms of money.



Crypto-Currency, a Geo-Political Weapon

According to the Democracy Index developed by The Economist, Venezuela ranks a lowly 117th in the community of nations. That's lower than permanently impoverished Haiti and war-ravaged Iraq.

Russia's ranking is 135th, lower than Cuba's and Egypt's, both ruled by dictators.

And Iran is the worst among the three, with a ranking of 150th, way below China's and Vietnam's.

The Economist deems all three "authoritarian," which typically includes:

- Major flaws in electoral processes.
- Extremely low political participation.
- A very weak political culture.
- Little to no civil liberties.
- Deeply flawed or largely absent government functions.

In sum, these are some of the most repressive regimes in the world.

So why would they be the first countries interested in giving their people access to a financial system that's designed to be democratic at its core?

We can think of only one reason: Their mission is to create cryptocurrencies that are crypto in name only.

They view cryptocurrencies as a new and improved tool to avoid sanctions by Western nations, better manipulate their economy and control their population more efficiently.

In fact, their first goal — to avoid sanctions — is no secret. These governments have actually been quite open in revealing that's the immediate reason they're getting into the act. So...

What Would State-Backed Cryptos Look Like?

It's hard to imagine any resemblance to the cryptocurrencies we know today — currencies that owe their success to four fundamentally democratic principles. They are...

1. Censorship-resistant — a direct threat to a government that censors most or all media.
2. Permissionless — virtually impossible in a government-controlled economy.
3. Borderless — unthinkable under a regime that wants to restrict the flow of people and money in and out of the country.
4. Decentralized — the polar opposite of authoritarian.

Here's the key: By its very nature, a government — let alone an authoritarian one — cannot issue a cryptocurrency in the pure sense of the word.

That's not only true for Venezuela, Russia and Iran. It's also true (to a lesser degree) for countries that have top rankings for democracy, such as Norway (No. 1), Iceland (No. 2), Sweden (No. 3) and New Zealand (No. 4).

Here's why:

The issuance of any country-sponsored currency would be "backed" by a centralized authority, such as a central bank.

Its major users would be regulated by the government.

Even the choice of international trading partners would probably be scrutinized by regulators.

Sound familiar?

It should. Because, in substance, it would be no different from the financial system we have today in the U.S..

The only thing that might be different about the cryptos created by Venezuela, Iran and Russia is this:

- The current global financial system comes under the auspices of Western-based institutions. These include the Society for Worldwide Interbank Financial Transactions (SWIFT) for money transfers ... the International Monetary Fund (IMF) to secure financial stability and promote trade ... and the Bank for International Settlements (BIS), which acts as the "central bank of central banks."

- In contrast, the ultimate goal of countries like Venezuela, Iran and Russia seems to be to create a parallel financial system under a new alliance of nations: a new system to replace SWIFT ... another international organization to replace the IMF ... another kind of BIS. All presumably under the leadership of the world's largest nation, Russia.

In fact, Russia is rumored to be involved in the creation of the Petro, Venezuela's "oil-backed" cryptocurrency.

But to better understand the irony — and futility — of state-backed cryptocurrencies, let's remember...

Why Distributed Ledger Technology (DLT) Was Invented in the First Place

The time is 2008; the place, the White House.

U.S. Treasury Secretary Henry Paulson bends down on one knee to beg before the most powerful person in the U.S. Congress, Speaker Nancy Pelosi.

His pitch: Unless she supports a \$700 billion bank bailout, the biggest banks in the world will fail, and the entire global financial system will melt down.

That real-life scene — and the doomsday scenario that it implied — is what motivated a group of "cypherpunks" to create a revolutionary new form of money.

Money that would be fully decentralized, free from government control and never subject to repression by any central authority.

This is why blockchain — more broadly termed Distributed Ledger Technology (DLT) — was invented.

It was deliberately and explicitly engineered so that no authority could have a monopoly on its creation, storage and transfer.

It was invented precisely to avoid the authoritarianism that Venezuela, Iran and Russia represent.





Is Harvard Racist Against Asian Americans?

It was created to fully replace functions that, until 2008, were possible only with centralized control.

DLT isn't just a system that tracks all account balances. It also can foster a fair, democratic, predictable and stable monetary policy that no single party can control or bend to their will.

The concept of distributed ledgers existed before 2008. But the early versions were slow, inefficient, difficult to maintain and even harder to upgrade. Despite efforts to create such a system since the 1990s, no one was able to do so in a fully decentralized network that actually worked.

Until, that is, the invention of bitcoin, which achieved the one thing that was previously so elusive...

The Separation of Money and State

The entire idea is to get the control of your personal money out of the hands of government. To deny government the ability to manipulate —or the temptation to trash — its value.

Like the separation of church and state.

"In most democratic societies," argue crypto advocates, "we don't let government tell us how to pray. So why do we allow governments to control how we pay ... or get paid? And why do we allow them to inflate our money, deflating the value of our property and the product of our labor?"

That's the entire point of cryptocurrencies. And it's why state-controlled cryptocurrencies are entirely pointless.

In fact, their so-called cryptocurrencies wouldn't even be a distributed ledger. They'd be little more than a plain-vanilla database.

Consider the Cryptoruble, for example. What would it be in practice? Answer: A database centrally managed by the Russian government. Ditto for Venezuela's Petro and Iran's new crypto.

We repeat: What motivates these nations is very clear:

First, they want to avoid sanctions by Western powers, especially by the United States.

Second, they want to transition to a fully cashless society. They want no transaction to escape their spying eyes, and full control over their national financial system.

Third, they want a new vehicle to help create an airtight system for media censorship, social monitoring and political control.

The Ultimate Irony (and Beauty) of This Story

To the degree that these governments create a cryptocurrency that can actually compete with other advanced cryptocurrencies, their plan will backfire.

Inadvertently and inevitably, they will come to a fork in the road. And if they truly crave success, it may take them in an entirely different direction — away from authoritarianism.

In this scenario, albeit unlikely, the governments would create a true distributed ledger. They would let people own their money

directly. But then, there would be no stopping millions of citizens from:

1. Exiting the system.
2. Moving transactions to decentralized forms of money that are powered by open distributed ledgers, like bitcoin or Ethereum.
3. Undermining the government's control over its domestic financial system.
4. Laying the foundation for a more democratic society.

That would be a good thing. But the more likely result is that state-backed crypto will be nothing more than fiat money 2.0.

Not something for you to invest in. Not even something to worry about. Because it will almost certainly fail.

D. Miyoshi

Is Harvard Racist Against Asian Americans?



In a previous article I wrote that Harvard's motto is "Veritas". That's Latin for "truth". But, what is truth?



At Harvard we were shown the classic academy award winning film *Rashomon* released in 1950 and directed by the renowned Japanese director Akira Kurosawa. The film is known for its plot





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device that involves various characters who were eye witnesses to a rape and in a court ended up providing subjective, alternative, self-serving and contradictory versions of the same rape.

In a court and under oath, we expect eye witnesses to tell the “truth.” But realistically, aside from those who intentionally and knowingly tell a falsehood, the statements of eye witnesses who want to tell the truth arises from both their heart and mind of what they sincerely believe they saw. And yet often when we have multiple eye witnesses, their statements are conflicting.

With that overriding proviso, let’s consider some viewpoints of the recent charge made that Harvard is racist in its admissions policy against Asian Americans.

On June 15, Ben Shapiro, Fox News commentator and Harvard Law graduate and one of the sharpest minds in media published an article entitled *“Harvard Is Institutionally Racist Against Asian-Americans. Here’s The Proof”*

“It is an article of faith on the campus left that institutional discrimination isn’t just real, it’s a powerful force in American life on every level. So it is greatly ironic that the most obvious source of institutional racism in America resides at Harvard University. According to analysis contained in a new lawsuit against the college, Harvard systematically rated Asian-American candidates – who, on average, have the highest test scores and grade point averages and the best extracurricular activities – lower on personality traits including “likability, courage, kindness and being ‘widely respected.’” There is only one reason for such labeling: to minimize the overrepresentation of Asian-Americans in the student population.”

The New York Times reports:

Harvard’s own researchers cited a bias against Asian-American applicants in a series of internal reports in 2013. But Harvard ignored the findings, the court papers said, and never publicly released them... The suit brought by Students for Fair Admissions says that Harvard imposes what is in effect a soft quota of “racial balancing.” This keeps the numbers of Asian-Americans artificially low, while advancing less qualified white, black and Hispanic applicants, the plaintiffs contend.

Harvard claims that it is not discriminating against Asian-

Americans. Instead, it’s just that Harvard was seeking “intangibles” – precisely the sort of language the left accuses racists of using while discriminating against particular groups. Just as in the 1920s and 1930s, Harvard deliberately sought to prevent the admission of Jews from the university in large numbers, now Harvard discriminates against Asians. The goal, according to the plaintiffs in the lawsuit: to prevent Asian-Americans from rising above approximately 20 percent of admissions at the school.

This wouldn’t be a shock. Affirmative action programs all over the country systematically discriminate against Asian-Americans, and have been doing so for decades. According to a 2004 paper from Thomas Espenshade, Chang Chung, and Joan Walling of Princeton University:

“The bonus for African-American applicants is roughly equivalent to an extra 230 SAT points (on a 1600-point scale), to 185 points for Hispanics, 200 points for athletes, and 160 points for children of alumni. The Asian disadvantage is comparable to a loss of 50 SAT points... At the top tier of four-year undergraduate institutions, African-American and Hispanic candidates in the early 1980s were between 8 and 10 percentage points more likely than whites to be admitted (Kane, 1998). This effect was equivalent to two-thirds of a letter grade on the GPA or to 400 SAT points.”

Institutional racism is alive and well at precisely the institutions that proclaim to hate such racism. But so long as the racism cuts against groups that rank lower on the scale of intersectionality, there’s apparently nothing wrong.

On June 12, the president of Harvard University told alumni that the lawsuit accusing Harvard of discriminating against Asian-Americans in admissions sought “to paint an unfamiliar and inaccurate image of our community and our admissions processes. ... These claims will rely on misleading, selectively presented data taken out of context.”

The Wall Street Journal reports, “The lawsuit against Harvard was filed in 2014 by Students for Fair Admissions, a nonprofit whose members include Asian-American students who were denied admission to Harvard. The plaintiffs allege Harvard intentionally discriminates against Asian-Americans by limiting the number of Asian-American students who are admitted and holding them to a higher standard than students of other races.”

President Drew Faust was responding after Harvard had filed





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numerous motions to dismiss, which were denied by the trial judge, leaving the issue in the discovery phase. As John Hinderaker notes at *Powerline*, “Plaintiffs are requesting that files allegedly showing decades of discrimination against Asian-Americans be made public.”

Faust wrote:

“As the case proceeds, an organization called Students for Fair Admissions—formed in part to oppose Harvard’s commitment to diversity—will seek to paint an unfamiliar and inaccurate image of our community and our admissions processes, including by raising allegations of discrimination against Asian-American applicants to Harvard College. These claims will rely on misleading, selectively presented data taken out of context. Their intent is to question the integrity of the undergraduate admissions process and to advance a divisive agenda.”

As Hinderaker writes, “Translation: Harvard’s ‘commitment to diversity’ is realized by discriminating in favor of some ethnic groups, and against others. Further, questioning such discrimination—not engaging in it—represents a ‘divisive agenda.’”

Here is another look at the truth.

The following is an article published in 2014 by Yascha Mounk, a political theorist and a fellow at *New America*, who teaches expository writing at Harvard

NEARLY a century ago, Harvard had a big problem: Too many Jews. By 1922, Jews accounted for 21.5 percent of freshmen, up from 7 percent in 1900 and vastly more than at Yale or Princeton. In the Ivy League, only Columbia and the University of Pennsylvania had a greater proportion of Jews.

Harvard’s president, A. Lawrence Lowell, warned that the “Jewish invasion” would “ruin the college.” He wanted a cap: 15 percent. When faculty members balked, he stacked the admissions process to achieve the same result. Bolstered by the nativism of the time, which led to sharp immigration restrictions, Harvard’s admissions committee began using the euphemistic criteria of “character and fitness” to limit Jewish enrollment. As the sociologist Jerome Karabel has documented, these practices worked for the next three decades to suppress the number of Jewish students.

A similar injustice is at work today, against Asian-Americans. To get into the top schools, they need SAT scores that are about 140 points higher than those of their white peers. In

2008, over half of all applicants to Harvard with exceptionally high SAT scores were Asian, yet they made up only 17 percent of the entering class (now 20 percent). Asians are the fastest-growing racial group in America, but their proportion of Harvard undergraduates has been flat for two decades.

A new lawsuit filed on behalf of Asian-American applicants offers strong evidence that Harvard engages in racial “balancing.” Admissions numbers for each racial and ethnic group have remained strikingly similar, year to year. Damn-ingly, those rare years in which an unusually high number of Asians were admitted were followed by years in which especially few made the cut.

The most common defense of the status quo is that many Asian-American applicants do well on tests but lack intangible qualities like originality or leadership. As early as 1988, William R. Fitzsimmons, Harvard’s dean of admissions, said that they were “slightly less strong on extracurricular criteria.”

Even leaving aside the disturbing parallel with how Jews were characterized, there is little evidence that this is true. A new study of over 100,000 applicants to the University of California, Los Angeles, found no significant correlation between race and extracurricular achievements.

The truth is not that Asians have fewer distinguishing qualities than whites; it’s that — because of a longstanding depiction of Asians as featureless or even interchangeable — they are more likely to be perceived as lacking in individuality. (As one Harvard admissions officer noted on the file of an Asian-American applicant, “He’s quiet and, of course, wants to be a doctor.”)

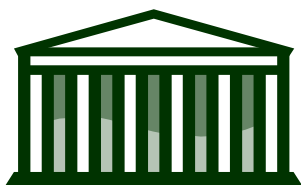
The contribution Jews made to American life in the decades after they were maligned as unoriginal, grasping careerists speaks for itself. There is no reason to believe that today’s Asian-Americans will leave less of a mark.

For all the historical parallels, there’s one big difference. In the days of Lowell, Harvard was a bastion of white Protestant elites. Anti-Semitism was rampant. Today, Harvard is a patchwork of ethnicities and religions; 15 percent of students are the first in their families to attend college. In seven years as a student and teacher at Harvard, I have never heard anyone demean Asian-Americans.

So why is the new discrimination tolerated? For one thing, many academics assume that higher rates of admission for



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Advancing in a Time of Crisis



Financial Crisis Report

Asian-Americans would come at the price of lower rates of admission for African-Americans. Opponents of affirmative action — including the Project on Fair Representation, which helped bring the new suit — like to link the two issues, but they are unrelated.

As recognized by the Supreme Court, schools have an interest in recruiting a “critical mass” of minority students to obtain “the educational benefits that flow from a diverse student body.” This justifies, in my view, admissions standards that look favorably on underrepresented groups, like African-Americans and Latinos. But it can neither explain nor justify why a student of Chinese, Korean or Indian descent is so much less likely to be admitted than a white one.

It’s perfectly fair to consider extra-curriculars as an important factor in admissions. But the current system is so opaque that it is easy to conceal discrimination behind vague criteria like “intangible qualities” or the desire for a “well-rounded class.” These criteria were used to exclude an overachieving minority in the days of Lowell, and they serve the same purpose today. For reasons both legal and moral, the onus is on the schools to make their admissions criteria more transparent — not to use them as fig leaves for excluding some students simply because they happen to be Asian.

Can we now discern if Harvard (as well as all the other schools) are racist in their admissions policies?

Conservatives point to Harvard’s emphasis on enrolling African-Americans (currently 12 percent of freshmen) and Hispanics (13 percent) but overlook preferences for children of alumni (about 12 percent of students) and recruited athletes (around 13 percent). The real problem is that, in a meritocratic system, whites would be a minority — and Harvard just isn’t comfortable with that.

I am an Asian-American and may suffer from the lack of intangible qualities and am less strong on extracurricular criteria. But for what it’s worth, in *Rashomon* style, my biased eye witness account of Harvard’s admissions policy is that it is not racist and moreover the school provides a solid and powerful education to its students.

Admission to elite colleges is a scarce good. Deciding who gets an offer inescapably involves trade-offs among competing values. Do we make excellence the only criterion — and, if so, excellence in what? Should we allocate places to those students who will profit most from them? Or to those who are most likely to give back to the community?

This observation will likely be at odds with the views of other Asian Americans who have different experiences and values from mine. But Akira Kurosawa would probably say this is all part and parcel of what is in essence “veritas.”

D. Miyoshi

There isn’t one right answer. But that does not mean that there aren’t some answers that are unambiguously wrong.



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