PUBLISHED BY **MIYOSHI LAW**

ESTATE & INTERNATIONAL LAW PRACTICE

April 2023

Volume 2, Issue 40

Financial Crisis Report

Written and Edited by David M. Miyoshi

Advancing in a Time of Crisis

Inside this issue:

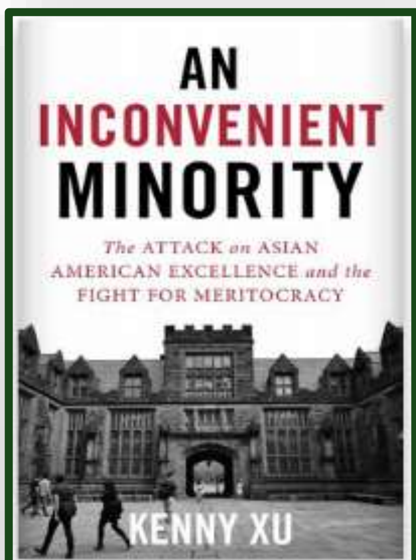
We are experiencing the most economically unstable period and socially erratic period in the history of the modern world. This period is being marked with extreme fluctuations in the stock, commodity and currency markets accompanied by severe and sometimes violent and deadly social disruptions including historic pandemics, conflicts, wars, riots and even regime changing coups. As is typical of such times, many fortunes will be both made and lost during this period. After talking with many business owners, executives, professionals, scholars and government officials from around the world, the writer believes that for the financially astute investor, this is a time of unprecedented opportunity given the global trade unbalances and distortions in the commodity and currency markets that exists. 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 survive and even benefit during this historic time of crisis in the world. 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.

"Never again will one generation of veterans abandon another." Vietnam Veterans of America

Book Review of

An Inconvenient Minority

Written by Kenny Xu



Pub Date: July 13, 2021

ISBN: 978-1-63576-756-8

In June 2023, the U.S. Supreme Court is expected to issue its decision on the case of *Students for Fair Admission v. Harvard* which deals with Harvard discriminating against Asian applicants during the admissions process.

The case has been in process for years and its final decision by the Supreme Court is expected to create waves of discord and consternation within the academic community, whichever way the decision comes down.

In connection with the case, a very compelling bestselling book has been published entitled "*An Inconvenient Minority*" by author Kenney Xu, an accomplished writer for the *Federalist, the Washington Examiner* and several other publications.

I have read the book myself and, in a nutshell, I found it to be an articulate and strident critique of Critical Race Theory, which as generally known, posits that systemic racism victimizes people of color. Xu argues (and I may add very convincingly) that Critical Race Theory focuses on Black and Latinx groups—people considered "minorities" by liberals and the left—while excluding Asian Americans, who, despite being non-White, have achieved upward social mobility because they prize education and aspire to excellence.

In his book, Xu shares anecdotes of Asian immigrants and Asian Americans who, despite stellar academic performance, especially in math and science, were rejected by elite colleges—as he was, by Princeton; or even less prestigious schools, in favor of Black or Latinx students who were not as well prepared but were recruited for the "cosmetic additions they make to the university aesthetic."

In the end, Xu's book serves as a warning about what happens when elite discrimination is legitimized and abetted by the world's most powerful institutions and contributes to the ongoing debate about inequality, injustice, and racism.

An Inconvenient Minority

While I am Asian myself and had the favor or luck of attending Harvard, I have to agree with most of Xu's critiques about Critical Race Theory and its ultimate deleterious effects to America's dominance in science, technology, industry and military hegemony.

Accordingly, I heartily recommend *An Inconvenient Minority* for your own reading consideration.

Below are three review articles, the first written by author Xu himself about the Supreme Court case and his book, published by the *Pacific Legal Foundation* in Jan 2022, followed by a book review by Nandini, an author and publisher herself and the third by Kirkus Reviews. I hope you find these articles about *An Inconvenient Minority* interesting and informative as I had.

D. Miyoshi

The Inconvenient Minority

By Kenny Xu

Pacific Legal Foundation

Historically, there has been a popular image of Asian-Americans that is best described as "nerdy" and "academic." Think Audrey Hepburn's oversized-glasses-wearing-heavily-accented-nerdy neighbor in Breakfast at Tiffany's or the socially awkward Long Duk Dong in Sixteen Candles who is criticized for his foreignness. This stereotype reflects the also-familiar trope that Asian-Americans are overachieving and intelligent. The result of this confluence in perceptions is that people are able to dismiss Asian-American academic achievement as a product of "tasteless" and "sterile" tutoring and grade-grubbing, implying that they are not truly "excellent."

While pop culture is slowly becoming more accepting of Asian-Americans, evidenced in new movies like Crazy Rich Asians and Shang-Chi, one institution has remained stubborn in its perception of them. Ivy League schools are still clinging to these outdated stereotypes about Asian-Americans, and weaponizing the images against them in the admissions process. Look at the Students for Fair Admissions v. Harvard court case, for example: Harvard has a strict quota on Asian students and allows their admissions process to be racially biased in order to maintain their ideal numbers of enrollees. Asian-Americans—who make up nearly 50% of all American SAT scores higher than 1500—have made up 20% or less of Harvard's student body uniformly between 1995 and 2015.

In justification of these actions, Harvard claims that Asian-American applicants rank lower on personality scores and are therefore not the ideal Harvard candidates. Asian-Americans rank lowest of all the races on Harvard's "personal" score, even though they rank highest of all the races in Harvard's corresponding alumni interviews. A paradox? No, deliberate ignorance.

In my latest book, An Inconvenient Minority, I show how Harvard's admissions officers, who never interact firsthand with their applicants, nevertheless attack Asian personalities as being "robotic," "social outcasts," and "test-taking robots with no personality." I show the human consequences of the back-breaking stereotyping of a group of people who study many hours per day more than the average American and work extremely hard to get into college, often to see the fruits of their efforts rot under the gaze of diversity-obsessed admissions officers who see "too many Asians" at their schools. The average Asian-American has to score vastly higher on the SAT to have the same chance of admission as a black person, and higher than a white person to gain an equal chance.

According to Harvard, Asian-Americans are still most accurately represented in films steeped in what were obvious caricatures written in the '70s and '80s. Evidently the years of implicit bias training these admissions officers undergo to screen applicants have had the reverse effect as intended on Asian admissions to the university. Or perhaps they have had the exact effect intended. Perhaps the purpose of implicit bias training and diversity, equity, and inclusion is in fact to exclude populations that school administrators don't want more of.

I've seen the intentional typecasting of Asian-American achievement firsthand. Growing up, I did not fit into Hollywood's traditional description of my culture or race. I do not speak Mandarin, did not attend an Ivy League school, and was not raised in a "typical" Asian household. My mom and dad made an effort to get me integrated in society. Both my church and alma mater are predominantly white, I listen to country music, and I love football. I always felt a little out of place, never quite belonging to either group included in the Asian-American camp.

Once, in college, my hall counselor challenged us to introduce ourselves using three objects that related to our "cultural heritage." In an act of subversion of the entire exercise, I brought my prized Redskins cap, a paper target I had previously shot at a shooting range, and my pocket Constitution—signaling my fealty to the country in which I was born and had lived my entire life—my "culture." Ignoring my hall counselor's jeers, I informed my peers how much football meant to me, how I had met some of the friendliest people I had

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ever encountered at the gun range, and how I was grateful to live in the United States. These three things were a part of me, made me who I was.

At this point, the counselor apparently had had enough. She berated my presentation, claiming that minority values and American values are contradictory and that assuming otherwise was nothing more than ignorant. I disagreed, of course, explaining how I, an Asian-American, believed in American principles as much as any one of my white peers. In response, she simply stated that many people consider Asian-Americans to be in fact white.

The term in critical race theory is called "white-adjacent." These are not meant to be compliments, but denigrations of Asian-Americans as kiss-ups to the white man.

I was not necessarily surprised by her attack, which really says a lot about race narratives in our country. I challenged her perception of Asian-Americans, which was probably based on unrealistic stereotypes, and instead of recognizing that all people are different regardless of race, she wrote me off as "white." I inconvenienced her assumption that my race should be the most important thing about me, and instead of accepting the reality of different presentations even within races, she rejected that I was a "sincere" part of my race in the first place.

For all the virtue-signaling that progressive people do concerning uplifting and supporting minorities, it all falls by the wayside when a minority decides he will stop playing the roles they want minorities to play. This is unfortunate, of course, but is also so deeply ingrained in our culture that I am no longer surprised by it.

After graduating college, I became increasingly interested in conservative politics—a turn, I admit, caused by the very real concern for my fellow Asian-Americans due to the way Ivy League universities like Harvard seem to treat them like trash. As this interest grew, I found that the feelings of ostracization I had felt in my younger years followed me into this new interest. A 2016 study conducted by the National Asian American Survey found that 41% of Asian-Americans identify as Democrats while only 16% consider themselves to be Republicans. Frequently people assume that I vote Democrat or hate the orange man. Once again, I found myself contradicting the way the world perceived my race.

Adhering to strict stereotypes and rejecting any "abnormalities" robs us of truly appreciating the depth of different cultures. Being Asian doesn't imply homogeneousness, just as being white doesn't imply homogeneousness. Race doesn't dictate beliefs or opinions or anything beyond our physical appearances.

Progressives tend to ignore this fact.

But that is the thing: Being Asian-American can mean whatever I want it to mean. I am not limited to Hollywood's portrayal of me, nor am I confined by assumptions or traditions or stereotypes. I am proud of my Chinese heritage, of my parents' willingness to immigrate to the United States so that I could have a better life. But that does not contradict my love of things deemed "white" or "American." The two are not mutually exclusive. Being different from my cultural and racial peers does not separate me from them; instead, it shows depth. All of us are not the same, indistinguishable from one to another. We have different opinions, different perspectives, different experiences. And that is a good thing. We should not want, nor be expected, to be the same.

Our culture, our race, our background—these are just parts of us. In reality, we are made up of so much more; we are made up of things that actually matter. It is progressives who obsess over race who tend to pigeonhole us and try to control the way we present ourselves, which is the epitome of ignorance.

Maybe it is time to remember this. Maybe it is time to embrace our differences. You would not think the left needs to hear this, but not all Asian-Americans are the same. Some of them like football and guns and think America is the greatest nation in the world.

Book Review by Nandini, writer, biographer, publisher, MS in Math

Oct 22, 2021

In author Kenny Xu's telling, Asian Americans are an inconvenient minority because their success, despite having many disadvantages, challenges the dominant narrative about racism as the primary reason for the disparities between outcomes for whites and non-whites. As a result, Asian Americans are increasingly finding their access to opportunities being restricted.

The dictionary defines meritocracy as "a system in which advancement is based on individual ability or achievement."

By this definition, people who are able to perform exceptionally well are recognized and rewarded for their abilities. Xu has assembled a compelling slate of statistics that show that when it comes to Asian Americans, the conventional rules no longer apply.

The opening chapters document how selective high schools and colleges are in the process of changing admissions criteria in order to reduce the proportions of Asian American students. Tactics used include reducing the importance of (or eliminating) standardized test scores and instead using less objective measures like a "personality" score and class rank. With sympathy and insight Xu shows how these attempts to rebalance racial and ethnic representation are an unjust smack-down to hardworking students and their parents.

Presenting relevant data and telling compelling stories, Xu explains

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why these changes are being pursued and why this is happening now.

For example, we learn that, well into the 1990s, selective high schools did manage to admit respectable percentages of black and Hispanic students. Xu then offers possible explanations of why this changed. Similarly, he shows how the 1990s waves of skilled immigration resulted in many more highly competitive applicants to elite schools and colleges in the present.

The book offers an overview of the Asian stereotypes that have been prevalent in the US at various times. Beginning with the arrival of the first Chinese workers and the passage of the Chinese Exclusion Act it covers the efforts of the Chinese American community to procure N95 masks for police officers at the beginning of the pandemic. The travails of Chinese Americans in Hollywood and the lip service paid to representation in movies like “Crazy Rich Asians” make for compelling reading.

Reason for hope amid all the gloom

Xu ends An Inconvenient Minority on a hopeful note. The chapter on the defeat of Prop 16 in the 2020 election in California reads like a fast-paced drama, a test of wills in which David ends up beating Goliath. Even though on the face of it this was pushback against affirmative action, in reality it was a refusal to allow society to be organized around identity-based concessions. Notably, this refusal came, not predominantly from whites, but from the most diverse electorate in the country.

A few quibbles

One weakness of the book is that it needed to be professionally edited. Awkward sentences occur frequently enough to distract and break the narrative flow.

Another weakness is the conflation of Asian American workers with “Chinese-Chinese” [sic] H-1B tech employees in Silicon Valley. Xu notes that well over half the tech workers at companies like Facebook and Google are of Asian origin. However, the proportion of these workers who are Asian Americans is not documented. This is an important difference because H-1B workers are generally not direct employees of the elite tech employers. Also, their employment is understood to be of a temporary nature. By obscuring these differences, Xu weakens his argument about anti-Asian American biases in tech hiring and the lower proportion of Asian Americans in management roles.

Final thoughts

Increasing the participation of black and Hispanic students in elite high schools and colleges is a noble goal. Xu makes the point that it should be possible to pursue this goal without curtailing the opportunities for diligent and talented students of other races/ethnicities. The need to find solutions is more urgent than at any time since the 1950s Sputnik era.

A recent Quillette.com article, penned by three immigrant Math professors, sounds the alarm about how, while the US is focused on diversity and equity, China is emerging as a formidable challenger to America’s STEM supremacy.

The United Negro College Fund asserts that A mind is a terrible thing to waste. This should apply equally to all students, regardless of their race, ethnicity, or socio-economic class.

Opportunities, whether in education or employment, that match an individual’s talents and preparedness are not just a reward for past achievement. They are an investment in the individual’s future as well as of the nation.

Kenny Xu is to be commended for writing An Inconvenient Minority and for building a thoughtful and thought-provoking case for meritocracy and fairness in American education and beyond.

Review by Kirkus Reviews

From a journalist on the frontlines of the Students for Fair Admission (SFFA) v. Harvard case comes a probing examination of affirmative action, the false narrative of American meritocracy, and the attack on Asian American excellence with its far-reaching implications--from seedy test-prep centers to gleaming gifted-and-talented magnet schools, to top colleges and elite business, media, and political positions across America

Even in the midst of a nationwide surge of bias and incidents against them, Asians from coast to coast have quietly assumed mastery of the nation's technical and intellectual machinery and become essential American workers. Yet, they've been forced to do so in the face of policy proposals—written in the name of diversity—excluding them from the upper ranks of the elite.

In An Inconvenient Minority, journalist Kenny Xu traces elite America's longstanding unease about a minority potentially upending them. Leftist agendas, such as eliminating standardized testing, doling out racial advantages to "preferred" minorities, and lumping Asians into "privileged" categories despite their deprived historical experiences have spurred Asian Americans to act.

Going beyond the Students for Fair Admission (SFFA) v. Harvard case, Xu unearths the skewed logic rippling countrywide, from Mayor Bill de Blasio's attempted makeover of New York City's Specialized School programs to the battle over "diversity" quotas in Google's and Facebook's progressive epicenters, to the rise of Asian American activism in response to unfair perceptions and admission practices.

Asian Americans' time is now, as they increase their direct action and amplify their voices in the face of mounting anti-Asian attacks. An Inconvenient Minority chronicles the political and economic repression and renaissance of a long ignored racial identity group—and how they are central to reversing America's cultural decline and preserving the dynamism of the free world.

End of Book Reviews

California is Dying

I love California. I have lived here for most of my life, except for the time I was in Vietnam and attending schools on the East Coast and Japan.

But now, for the first time ever, people are moving out of California. The state is dying.

The following is a direct transcript of a Youtube video that appeared in March of 2023. It is entitled “The Dark Side of California: The Fall from Grace.” The program is about why California is the fastest dying state in the USA. I present it here for your reading considera-tion.

D. Miyoshi

The Dark Side of California: The Fall From Grace

California is a popular state known for its famous landmarks such as the Golden Gate Bridge, Disneyland and Hollywood. The state’s booming economy ranks as the fifth largest in the world and more than 250 million people visited the state in 2022. However, despite its many attractions, California is slowly dying with time.

Over the past few years, thousands of people have left California because of its high cost of living, rising state taxes and high unem-ployment rates. According to data from 2020, nearly 650,000 people left California for other states. California has ranked in the top 10 states people are moving from and according to population estimates California’s population declined by .3% between 2021 and 2022. This is a concerning trend given that California has a larger popula-tion than Canada.

One of the major reasons people are leaving California is the high cost of living. Everything from housing, food and healthcare is sig-nificantly more expensive in California than in any other states. A recent study found that over 60% of Californians can’t afford to buy a home. This has caused many people to seek out more affordable options in other states. Another contributing factor to California’s population decline is the state’s rising taxes and high unemployment rates. The state’s progressive policies on taxes, regulation and social issues can be a turnoff for some residents while the state’s handling of issues like homelessness and crime has also been criticized. Cali-fornia’s housing crisis has become a major issue for residents with cost of homes doubling in the last few years. The median cost of a home in California is an incredible 600 thousand dollars making it unaffordable for a majority of the state’s residents. In higher priced areas like San Francisco, the prices for homes are nearly triple the median price of homes elsewhere in the state making it virtually impossible for anyone to afford a home in these more populous cit-ies.

This lack of affordability and availability has contributed to an even bigger problem. California’s homelessness crisis. With so many people unable to afford homes or apartments many are forced to live on the streets. The homelessness crisis has become a visible problem in many California cities and it’s clear that something needs to be done to address the issue. One of the root causes of the housing cri-sis is the lack of new housing construction. Not enough houses and units have been built to sustain the number of people that once moved to the state creating even larger problems. In order to address the housing crisis there needs to be a concerted effort to build new affordable housing units particularly in high-priced areas like San Francisco.

As if the rising cost of living and the housing crisis wasn't enough California is also facing major problems with its infrastructure and environment. Roads and bridges throughout the state are at risk of falling and deteriorating rapidly making it difficult for people to get from place to place. Not only is it difficult to maintain individual cars but many people also cannot afford public transportation making it even harder for people to travel around.

Furthermore, millions of trees in California are dying due to wildfires and high temperatures which is causing a significant decline in the mountain trees that cover the state. This decline is even affecting plant growth. All the way across the eastern North America as more trees die it also affects carbon storage abilities in the state which is detrimental to the environment. The famous Salton Sea, the largest lake in California, is also dying because of high temperatures and climate change. The lake is shrinking and thousands of fish and birds have been dying in it and is already spewing toxic dust into the air. This poses a significant threat to nearby communities where roughly 650,000 people live. Government is taking some actions to save the sea but the solutions are limited.

The state of California, known for its sunny beaches and laid-back lifestyle has a dark side that's rarely talked about. Its high crime rates. Despite not having the highest number of crimes in the US, California has the highest levels of violent crime making it a dangerous place to live for many people. The state's crime problem is directly linked to economic struggles which have been exacerbated by the high cost of living and housing crisis. With the homelessness crisis on the rise, many people are turning to crime as a way to solve their problems. The crime problem in California is so severe that many people are choosing to leave the state for safer communities. Those who stay are left to deal with the daily realities of a state where crime is rampant.

But there is hope. By addressing the economic struggles that contribute to the high crime rates, California can become a safer and more vibrant place to live. It will take a concerted effort from individuals, communities and policymakers to make this a reality. But by working together we can create a brighter future for the Golden State. California's decreasing population and loss of popularity are causing tech companies to move out of the state. High taxes and strict regulations on hiring processes have caused CEOs to leave and companies to seek states with more benefits and fewer regulations. This trend is contributing to fewer jobs for residents.

End of Transcription

Technology and Teenage Mental Health

Digital technology has caused the biggest changes to teenage life in many decades. Typical American teenagers spend about half of their waking hours on their smartphones. They are on the phones when they are alone at home and when they are hanging out with friends.

When I compare my own teenage years in the 1950s and those of my own kids in the 1980's there wasn't that much difference. But now we look at what has happened in the last 15 year we can see more has transpired than in the last 50 years. My teenage experiences and those of my kinds weren't all that different. We talked on the telephone, drove cars, watched movies, went to parties and so on. But the social rhythms of today's kids are very different.

This transformation has surely had broader consequences. To put it another way, if there have been major swings in teenage well-being over the past 15 years — good or bad — we should assume that the

Technology and Teenage Mental Health

reshaping of life by digital technology has helped cause them.

Well, here is an article by David Leonhardt that appeared in *The New York Times* on Feb 27, 2022 on how technology has affected our young teenagers o today. I present this for your reading consideration.

D. Miyoshi

Good morning. We examine the raging debate about smartphones and teenage mental health.

David Leonhardt is a senior writer for The New York Times. He writes The Morning, The Times's flagship daily newsletter, and also writes for Sunday Review.

Annie Flanagan for The New York Times

The phone in the room

Of course, there have been major swings in teenage well-being. By many measures, teen mental health has deteriorated, especially for girls, since about 2008. The suicide rate for girls and boys began rising around then. Feelings of loneliness and sadness began rising, too. The amount of time teenagers spend socializing in person has declined. So has sleep. "Young people are telling us that they are in crisis," Kathleen Ethier, a top C.D.C. official, said this month when releasing the results of a large survey.

Some other trends have been positive: Teenage deaths in vehicle accidents began falling more rapidly about 15 years ago. Teen pregnancies and bullying are down as well.

The release of the C.D.C. report has led to a raging debate among experts and journalists about whether technology deserves much blame (or credit) for these trends. My own takeaway is that while many uncertainties remain — and technology does have benefits — there is good reason to believe that technology use is the primary cause of the problem.

Even the positive trends in teen health point to technology: Pregnancies, vehicle deaths and bullying are down partly because teenagers are spending more time by themselves and less time together.

The counterarguments defending technology tend to have two big weaknesses. First, they exaggerate the significance of narrow academic studies. Second, nobody has come up with a persuasive alternative theory that fits the timeline of teenagers' struggles. I go into more detail on both points below.

Doomerism isn't new

My colleague Michelle Goldberg devoted her latest Opinion column to explaining why the timeline of the past two decades strongly suggests that technology has harmed mental health. The leading alternate explanation — call it the hellscape theory — argues that teenage misery is a rational response to Covid, Donald Trump, climate change, mass shootings, misogyny and other problems. But, as Michelle notes, the timeline doesn't fit.

The deterioration of teenage mental health predates Covid and Trump — and the deterioration is evident in countries that didn't elect Trump and don't endure mass shootings. The mental health trends line up better with the spread of digital technology, including the introduction of the iPhone (in 2007) and the rise of selfie culture (around 2012).

I'll add one point to Michelle's case. Earlier periods in American history also created grist for teenage angst. Schoolchildren in the 1950s feared nuclear annihilation. The 1960s included the Vietnam War, riots, assassinations and murders of civil rights activists. In the 1970s, popular culture was full of predictions that overpopulation would cause the world to run out of food.

None of this previous doomerism created a teenage mental health crisis like today's.

Carl Sagan's wisdom

As for the academic research, much of it does find that digital technology makes teenagers less happy.

One clever study used the variation in the times when Facebook arrived on college campuses and found that anxiety tended to rise after its introduction. Another paid people to quit Facebook and found that they felt better. By one count, 55 studies have found a correlation between social media use and mental health problems, compared with 11 that found little or none.

Skeptics point out that the magnitude of the effects is often modest. But that's to be expected. The studies are necessarily narrow because they don't eliminate digital technology from their subjects'

Will Biden’s Blundering Get Us into World War III?

lives. People who quit Facebook can still spend hours staring at their phones — experiencing FOMO or wondering why their friends aren’t immediately replying to a message — rather than socializing face-to-face with other human beings.

Overemphasizing the small magnitude of findings from limited academic studies reminds me of a point that the astronomer Carl Sagan liked to make: Absence of evidence is not evidence of absence. Some questions don’t lend themselves to an elegant experiment. Sometimes, the totality of the evidence is stronger than the average correlation across a group of artificial experiments. And people sometimes need to make real-world decisions before academic studies can offer unambiguous conclusions.

Practical advice

With this reality in mind, I called Lisa Damour last week and asked what advice she would give to parents. Damour is a psychologist who has written two best-selling books about girls and just published a new book, “*The Emotional Lives of Teenagers.*” She is no anti-technology zealot. She thinks social media can have benefits for teenagers, including connections with peers. But she also sees reason for concern.

Her first piece of advice is not to blame teenagers. They didn’t invent smartphones, and earlier generations would have used those phones in the same ways that today’s teens are.

Her second piece of advice might be summarized as: less. She believes teenagers should rarely have their phones in their bedrooms, especially not at night. A phone is too disruptive to sleep, and sleep is too important to mental health.

Parents can also introduce digital technology in stages, recognizing that a 13-year-old brain is different from a 17-year-old brain. For younger teens, Damour suggests a phone that can send and receive texts but does not have social media apps.

I know that some people think it’s impossible to deny Instagram or TikTok to a teenager. But it’s not. If you talk to parents who have done so, you will often hear that it is quite possible — and that they have no regrets about having done so.

<u>End of Article</u>

Will Biden’s Blundering Get Us into World War III?

The last (and only other) time the world faced World War III and nuclear annihilation was back in 1962 in the Cuban Missile Crisis. I had just finished high school and was wondering what in the world should I study in college. At that time, I did not realize how close the world came to nuclear annihilation. This time around in 2023 I have a greater appreciation of how close we are to that annihilation. The following is a well-reasoned article by writer Steven Yates, who is younger than me but has a much clearer grasp of what and how close we are now to World War III. I recreate his article (published on Feb 25, 2023) for your reading consideration.

D. Miyoshi

Will Biden's Blundering Get Us Into World War III?

Will Biden's Blundering Get Us into World War III?

Steven Yates

"The first casualty, when war comes, is truth." —Hiram W. Johnson (1866-1945; R-Cal., 1917-1945).

I've no meaningful memories of the Cuban Missile Crisis. I was five years old. What I learned years later: the use of nuclear weapons was on the table as a live option. We avoided Armageddon because President John F. Kennedy, not perfect by any means but overall a man of lucidity and sanity, was able to negotiate with Nikita Khrushchev. The Soviet leader, also not perfect by a long shot but also lucid and sane, agreed to remove Soviet missiles from our backyard: Cuba.

Those watching also saw the difference between lucidity/sanity and psychopathy. Reportedly, Fidel Castro was livid. He told Khrushchev he would have preferred Armageddon to being excluded from the negotiations. Maybe there was a reason both Kennedy and Khrushchev excluded him? Do you think?

Only a psychopath would choose nuclear Armageddon over negotiation and pragmatic de-escalation, even if the latter leads to disempowerment and multipolarity.

According to numerous observers, we're now closer to a nuclear World War III than at any time since 1962. The octogenarian in the White House, moreover, is no John F. Kennedy, despite scripted stunts such as his appearing in Kyiv, Ukraine the other day to the sound of air raid sirens although there were no air raids going on.

Reviewing the relevant history: following the collapse of the Soviet Union, Western powers made agreements with Russia that NATO, a cold war product, would not expand eastward toward Russian territory. These were quickly violated, as Eastern European nations joined, one by one. Russia tolerated this. Until Vladimir Putin came along, the Russians had little choice. Their country was dysfunctional.

Now it isn't, and its restoration to superpower status drives Russophobes nuts. This is the main reason "our" government has military bases in Russia's backyard.

In Ukraine, in February 2014, the U.S. and NATO backed an engineered coup that ousted the democratically elected but pro-Russian Viktor Yanukovich. After three months of violent instability, a new election was held. Petro Poroshenko won. A businessman, Poroshenko was clearly a U.S./NATO puppet.

By this time, Crimea had held a referendum in which voters on the Black Sea peninsula overwhelmingly elected to secede from Ukraine and join the Russian Federation. There was substantial support for a similar move in Ukraine's eastern provinces of Donetsk and Luhansk by majority populations of ethnic Russians. The Poroshenko regime forcibly quashed the effort. Fighting continued off and on for the rest of the decade. The Kyiv government instituted humiliating discriminatory measures against ethnic Russians. These included an injunction against speaking their native language in public.

Russia left Ukraine alone, but President Putin drew lines in the sand. He warned that if Ukraine tried to join NATO, obtain nukes, or retake Crimea, the result would be war.

More recent puppet-president Volodymyr Zelenskyy refused to listen. In 2021, he talked openly about the prospects of Ukraine applying for NATO membership. Then, in mid-February 2022, he attended the Munich Security Conference and publicly announced a plan to go nuclear.

That was the last straw. Less than two weeks later — on February 24, one year ago — Putin invaded, intending to liberate the "breakaway" provinces and send a clear warning that a nuclear Ukraine would not be tolerated. According to the official Western corporate media narrative, this was an "unprovoked attack." The narrative demonized Putin and made the fact-free claim that he planned to reclaim all the countries the Soviet Union had relinquished in his drive to build a new Russian Empire.

More official narrative: Russia is losing in Ukraine, and losing badly. Simultaneously, however: the Russian army is murderous, wantonly killing civilians, bombing hospitals, and committing other atrocities.

The Bidenistas have already sent hundreds of millions to Ukraine, because a Russian victory is "unthinkable." Supporting Ukraine is clearly politically correct, as the multitudes of Ukrainian flags by virtue-signalers all across the West testify.

What the money going to Ukraine won't do is help the growing populations of homeless people in the U.S. as housing, rental costs, and prices for basic food staples skyrocket. It is not going towards repairing our collapsing infrastructure, or cleaning up the messes this has caused. Ask the people of E. Palestine, Ohio, if they could use some of that money right about now.

They can't look to Bidenista Transportation Secretary Pete Buttigieg, who owes his job not to his qualifications — he has none — but to the fact that he's gay. He is serving in an administration that places Diversity, Equity, and Inclusion above public health and safety concerns. The population of E. Palestine is mostly conservative white people who voted overwhelmingly for Trump. As a result, they've been effectively canceled.

Returning to Ukraine, who's really winning? I'll briefly hand my digital mike to Jeff Thomas, writing for Doug Casey's International

Will Biden's Blundering Get Us into World War III?

Man Communiqué:

Kiev has been continually desperate for more from NATO in order to survive, and the U.S. and other countries never seem to be offering enough material, advisors, and funding for Ukraine to win. Eventually, rumors began to leak out of Ukraine. Their casualties are eight to Russia's one. The seasoned Ukrainian troops have been decimated. Kiev is barely surviving with green conscripts, outside contractors and depleting resources. Meanwhile, Russia has built up a force of over 500,000 fresh troops that are well-trained and well-armed with substantial supply lines. A winter campaign is under way that's expected to make short work of the collapsing Ukrainian defense.

This comes from on-the-ground sources, not CNN or MSNBC or The New York Times or The Washington Post.

I wonder how long it will be before a critical mass of Americans realizes that this war is just the latest thing they've been lied to about, and with stakes much higher! With diplomatic relations between Russia and the U.S. deteriorating rapidly over the past year, and Putin just having suspended Russia's participation in the START Treaty signed back in 2010 which caps the number of strategic nuclear warheads the countries can legally deploy, this is now the most dangerous faceoff since 1962.

Behind-the-scenes Bidenista / Deep State conversation seems to suggest that "limited nuclear war" is a live option.

Lunatic arch-neocon globalist Victoria Nuland, Bidenista Undersecretary of State (and a primary architect of the 2014 coup) has stated that Russian facilities in Crimea are "legitimate targets" — one of the very things Putin warned against! Small wonder he has accused the U.S. of trying to escalate the war!

People like that are loons, because they seem oblivious to the fact that Russia is ahead of the U.S. in nuclear technology. This should not surprise us. Russian high schools teach four years of math and science. Russian universities graduate engineers, not gender studies majors. I bet that among Russian faculty you'll not find a single leftist goofball who says math is racist.

Nor is the Russian army headed by a Wokester who wants to understand "white rage."

What are the Russians dead set against? The very thing we were against back in 1962! The establishing of bases capable of firing missiles able to reach Russian cities in a matter of minutes! Who can blame them for that, and for not trusting an international alliance (NATO) that breaks every agreement it makes?

But would Putin allow the present situation to escalate, especially if Ukraine and countries like Finland (which also borders Russia) are admitted into the alliance?

Putin is a pragmatist. He surely sees the consequences of pushing that first button. He's holding a lot of the cards, moreover. The Russian economy is expanding. U.S.-led sanctions backfired, making Russia stronger and more independent. Russia and China are being pushed into an alliance which will control not just far more territory but will have a far larger population than exists in the West. It would constitute the largest economy in the world. Jeff Thomas again:

The U.S. sanctions have caused two-thirds of the world to seek new treaties with Russia and China. The new agreement between China and Saudi Arabia will effectively end the petro dollar. And the U.S. is not only broke but in debt beyond the ability to even pay the interest.

You know who warned that this could happen? Donald Trump, years ago. He may not have been a diplomat, but his geopolitical instincts tended to be sound.

With the Bidenistas in charge and the GOP in disarray — and the EU disintegrating — Putin can bide his time and let the West grow increasingly dysfunctional.

The real danger, though, is Western power elites deciding they have nothing to lose.

Here is an indication of how the results might play out (and remember, as you watch, that members of America's billionaire class have their private bunkers set up in places such as remote corners of New Zealand).

Given the evidence that the U.S., not Russia, destroyed the Nord Stream pipelines (why, after all, would the Russians destroy their own gas-delivery system? Some official narratives are just stupid!), and given the usual denial, it is possible that the U.S./NATO axis will launch a tactical nuke somewhere inside Ukraine and blame Russia. An hysterical corporate media chorus will then call on all of Europe to stand against the insane Russians!

The problem, however: both the U.S. and Russia have pre-programmed missile systems. These computerized systems would take over, and in a matter of a few hours, devastate three regions: Europe, major U.S. cities, and Western Russia. Estimates are that 91.5 million would die immediately in the missile strikes, with added deaths from severe burns and radiation sickness, other injuries sustained in collapsed buildings, and eventual starvation following the loss of critical food supply lines. The death toll would quickly rise to well over 100 million.

It would be the worst catastrophe in human history!

I do not see how Western civilization could recover, especially if you factor in the psychological toll that would be taken on survivors many of whom would soon find themselves in brutal fights with other survivors over fast-dwindling supplies of food and clean water. Mad Max would look like Mother Goose by comparison!

Not to mention the environmental impact. Particulate matter thrown high into the atmosphere could block out sunlight over much of the northern hemisphere for days, with continued disturbances causing a cold wave that could last several years.

Read Cormac McCarthy's horrific, post-apocalyptic The Road (2006), and you'll get the idea.

I do not know what would happen with China, but if the Chinese either backed Russia or invaded Taiwan they would doubtless be pulled into World War III. The death rate would be even higher!

Incidentally, I doubt anywhere in South America would be targeted. The southern hemisphere generally, with its separate atmospheric systems, would suffer far fewer environmental effects. But since southern hemispheric nations such as Chile, Brazil, New Zealand, Australia, South Africa, others, are tied into global commercial networks, and since these would be decimated, all would face sudden economic disruption and probably spiral into a massive depression. No more cheap goods from China. Their peoples would learn to manufacture previously imported goods or do without.

"But none of this can happen!" some will frantically respond. "Surely no one will be so stupid as to fire off that first nuke!"

Go back and read my opening lines. At the start of the 1960s, we had a president of lucidity and common sense. Major institutions were not drowned in Woke lunacy. Crazy existed, but it was under control.

Does any informed person think this is true today?

End of Article

The Benefits of AI

Beneficial Artificial Intelligence

Artificial intelligence (AI) might be the most important technology we ever develop. Ensuring it is safe and used beneficially is one of the best ways we can safeguard the long-term future.

AI is already incredibly powerful: it's used to decide who receives welfare, whether a loan is approved, or whether a job applicant receives an interview (which may even be conducted by an AI.

It's also a research tool. In 2020, an AI system called AlphaFold made a "gargantuan leap" towards solving problems in protein folding, which scientists have been working on for decades.

Despite these impressive accomplishments, AIs don't always do what we want them to. When OpenAI trained an agent to play CoastRunners, they rewarded it for increasing its points, expecting to incentivize it to finish the race as fast as possible. But the AI instead realized it could achieve a higher score by repeatedly hitting the same target, never crossing the finish line.

Unfortunately, unintended consequences like these are not limited to amusing failures in outdated video games.[0] Amazon used an AI to screen resumés, thinking this would increase the fairness and efficiency of their hiring process. Instead, they discovered the AI was biased against women

It penalized resumés containing words like "women's" and "netball," while favoring language more frequently used by men, such as "executed" and "captured." This was not intended, but that may be of little comfort to the women whose applications were rejected because of their gender.

Ensuring AI is used to benefit everyone is already a challenge, and it's critical we get it right. As AI becomes more powerful, so does its scope for affecting

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our economy, politics, and culture. This has the potential to be either extremely good, or extremely bad. On the one hand, AI could help us make advances in science and technology that allow us to tackle the world's most important problems. On the other hand, powerful but out-of-control AI systems ("misaligned AI") could result in disaster for humanity. Given the stakes, working towards beneficial AI is a high-priority cause that we all need to support, especially if we care about safeguarding the long-term future.

Here is a report from the Giving What We Can website that touches on the importance of ensuring society is empowered with "Beneficial" Artificial Intelligence. This article appeared in February 2023.

I found it very informative and I hope you do as well.

D. Miyoshi

Why is ensuring beneficial AI important?

We think ensuring beneficial AI is important for three reasons:

1. AI is a technology that is likely to cause a *transformative* change in our society — and poses some risk of ending it.

2. Relative to the enormous scale of this risk, not enough work is being done to ensure AI is developed safely and in the interests of everyone.

There are things we can do today to make it more likely that AI is beneficial.

What is the potential scale of AI's impact?

In 2019, AI companies attracted roughly $40 billion USD in disclosed investments. This number has increased over the last decade, and is likely to continue growing.

Already the results of these investments are impressive: in 2014, AI was only able to generate blurry, colorless, generic faces. But within just a few years, its synthetic faces became indistinguishable from photographs, as you can see below.

Credit to Brundage et al. (2018)

This rate of progress seems astonishing, and may lead you to think that by following this trend, AI is likely to become even more impressive in the future. Yet, we should be careful to use a measure as subjective as "impressiveness" to predict future AI capabilities, as reasonable people may disagree about what counts as impressive. Also, there are other examples of AIs failing in quite trivial ways. But there are other reasons to think that AI will become increasingly powerful — potentially trans formatively powerful — this century.

Transformative AI

Transformative AI is defined as AI that changes our society by an amount comparable to, or greater than, the Industrial Revolution. This is no small feat — the Industrial Revolution was a big deal.

It massively increased our capacity to produce (and destroy) things we value. Its effects were so significant that you can see roughly when it occurred by looki

ng at historical data of economic output and population:

The Industrial Revolution can be dated to James Watt's patent for the steam engine in 1769, which is about when the massive increase in our economic output and growth in population began. For AI to be *that* significant is a big claim — what could it look like?

One way AI could become transformative is if it becomes

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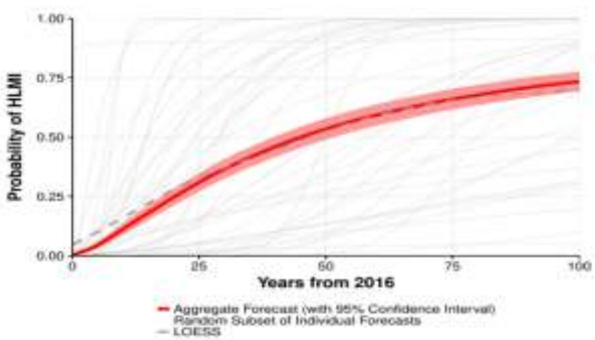
as intelligent as humans — this is often called "artificial general intelligence" (or "AGI"). This may seem very far away, but surveys show that most experts in AI believe that it is more likely than not to happen this century.

The graph below shows experts' probability estimates for when there will be machine intelligence that can accomplish every task better and more cheaply than human workers.[3]



From Grace et al., 2018

This would radically change the world we live in, resulting in explosive economic growth and an abundance of wealth, but with no guarantee that it will be shared equitably. AGI this powerful also has risks, because its interests may become *misaligned* with ours. The problem goes back to the CoastRunners example, where the agent spun a boat around in circles — we have not successfully worked out how to make sure AI behaves in ways we'd want and expect.

AI as an existential risk

According to Toby Ord, one of the leading experts on the risks facing humanity (and a co-founder of *Giving What We Can)*, misaligned AI poses an *existential* risk. An existential risk is something that could lead to the permanent destruction of human potential, and the most notable example of this kind of risk is extinction. Thinking that AI could pose an extinction risk might seem like something from a movie. But if you agree with experts that AI may become as smart (or smarter) than humans this century, there are several reasons to be concerned.

The first reason is quite straightforward: the last time one group became more intelligent than another, it did not go well for the less intelligent group. Human beings have dominated the planet — not because of our size or strength, but because of our intelligence. There are roughly 200,000 people for every chimpanzee, our closest ancestor and one of the next-most intelligent species on Earth. Chimpanzees are currently endangered, and their survival depends on our choices, not theirs. Though an imperfect analogy, the concern is that we may at some point be in the same position as the chimpanzees with respect to powerful AI.

The next concern is that we don't yet know how to make AIs — even highly capable ones — behave as we want them to. One part of this is called the *specification problem*. The idea is that it's difficult to precisely specify what we want an AI to do. Stuart Russell (a computer scientist) explains how this could devastate humanity with the following example.

Suppose we have a highly intelligent AI, and we give it the goal of curing cancer. Diligently, the AI develops its medicine, and promises that it will kill the cancer cells within a matter of hours. We may be horrified to see that the AI was right — but it kills the patients too. The AI reasons that the simplest way of eliminating cancer is to kill the host.

This kind of scenario would be less likely to happen if we could simply investigate the AI's reasoning, asking it how it plans on achieving its goals. This is something AI safety researchers are working on, but have not yet worked out how to do in a robust manner. Unless we make progress on this kind of research, we are likely to face significant — even existential — threats from misaligned AI. Therefore, the potential scale of AI's negative impact in these worst-case scenarios is extremely large.

Is promoting beneficial AI neglected?

Historically, promoting beneficial AI was *severely* neglected. It has been estimated that in 2014, less than $2 million USD was spent on safety-specific AI research. However,

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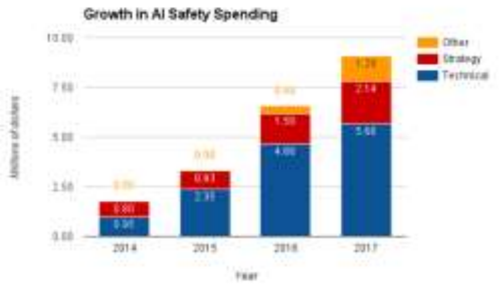
by 2017, this had grown to nearly $10 million USD:



A more recent estimate suggests that in 2019, roughly $40 million USD was provided by donors and grant makers to reduce potential risks from AI. This trend suggests that there is an increasing interest in funding work that promotes beneficial AI. This means that compared to our other high-priority causes, there is a smaller gap between the amount of funding organizations can effectively spend and the total amount of funding available.

But we think that there is still room for additional funding to make a difference. Even with the recent increase in funding, AI receives far less than other causes with comparable scale. More importantly, as the field grows, we expect the amount AI safety organizations can effectively spend will increase. Therefore, promoting beneficial AI is neglected.

Is promoting beneficial AI tractable?

There are different ways to promote beneficial AI (described in the next section). However, given how new this area is, it's too early to confidently say whether these problems are easy, or even possible, to solve. Consider that, as of 2021, the two organizations we recommend donating to are under five years old. Given the substantial scale of the problem, it's worth trying to make progress, even if we aren't sure how fruitful our efforts will be.

How can we promote beneficial AI?

There are two challenges we need to solve to ensure AI is beneficial for everyone:

1. The *technical* challenge: how can we make sure powerful AI systems do what we want them to?

2. The *political* challenge: how can we ensure the wealth created by AI is distributed fairly, and incentivize AI companies to build AI safely?

Technical challenge: Ensuring AI systems are safe

To ensure powerful AI systems benefit us in the future, there are concrete technical problems we need to solve. Some of this has been discussed already, in the CoastRunners example, and the specification problem.

If you think these technical problems are a significant challenge that we could make progress on, we recommend donating to the Center for Human-Compatible Artificial Intelligence (CHAI). Their research agenda is to find a new model of AI in which the AI's objective is to satisfy human preferences. The hope is that by doing so, we can make progress on the specification problem described above. So far, CHAI has produced an extensive amount of published research, developed the field of AI safety by funding and training nearly 30 PhD students, and informed public policy. To read more about CHAI's successes so far, we recommend reading Founders Pledge's report

Political challenge: Promoting beneficial AI governance

Whether we will be able to solve the technical problems discussed above depends, in part, on how successfully we govern AI's development. If AI development only aims to make a profit, there is a risk we will see what Oxford Professor Allan Dafoe calls *value erosion*, where companies are incentivized to progress quickly, rather than safely. This is because they would capture a significant proportion of the rewards of powerful, safe AI systems — whereas if the AI is unsafe, they would only be one of many who pay the price.

Even if AI is safe in the technical sense — meaning it is performing as intended — we still need to make sure it is used to benefit everyone. There is some risk it would not be. Poorly governed but powerful AI systems could result in unprecedented wealth inequality, or lock in the (potentially undesirable) values of a handful of people, with no consultation from the public.

These problems may seem abstract and mainly focused on hypothetical issues of AI systems with capabilities far beyond those that exist today. But as we saw with the gender bias in Amazon's algorithm, ensuring that today's AI is used beneficially is already a major challenge. If you think good governance around powerful AI is important, we recommend donating to the Centre for the Governance of AI.

GovAI's aim is to provide foundational research that can be used to ensure highly advanced AI is developed safely and

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used to everyone's benefit. Already, their research has been published in top journals, referred to on major news outlets such as the BBC and *The New York Times*, and has informed policymakers in the US and in the European Union.

Why might you *not* prioritize promoting beneficial AI?

In addition to reasons you might not prioritize safeguarding the long-term future in general, you may choose to prioritize other causes to improve humanity's long-term trajectory. Though we think there's a strong case for promoting beneficial AI, there has been a (perhaps exaggerated) history of false predictions about the topic.

One reason not to prioritize promoting AI is if you believe transformative AI is unlikely to occur this century. For example, you might not be convinced by the expert surveys cited earlier. Haven't these experts been wrong before? Why should we trust the people working in a field to have accurate views about how promising the field is? Though we think it is reasonable to take the views of experts into account when considering the future of a field, it also makes sense to be skeptical. For example, while these surveys often show that AI experts think transformative AI is likely this century, they also reveal that experts have not put much thought into this prediction. For example, some experts provided inconsistent responses to the same question when worded differently.

Open Philanthropy's worldview investigations team has been looking at what AI's capabilities are likely to be. Though their complete report is not yet published, their cofounder, Holden Karnofsky, has recently provided an overview of their findings. Karnofsky was originally skeptical about whether we should prioritize AI, and now the potential for transformative AI is one of the key reasons he believes we are living in the most important century. If doubting AI's future capabilities was the main reason for being skeptical about prioritizing AI, we recommend checking out his overview of whether we are trending towards transformative AI. While we find it compelling, we also think that other high-priority cause areas we recommend (such as global health and development) have more certain and tested solutions. Depending on your worldview, you may choose to prioritize these kinds of problems over AI.

End of Article

The Dangers of AI

Artificial Intelligence promises new vistas of power and utility for mankind. Conversely AI also poses tremendous risks for that same mankind.

Here are two articles about those risks.

The first article is by Sean Kernan that appeared on Quora on Feb 22, 2023.

The second article lists 8 risks and Dangers about AI. It was written by Mike Thomas and appeared on Built In on Jan 25, 2023

The articles are intriguing and somewhat foreboding. I hope you find them interesting.

D. Miyoshi

What is the scariest thing about AI?

Look at this woman:

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Neither her nor her friends are real. It was generated using Midjourney.

They are completely computer generated—but using known data on people, obviously.

(Although you may notice some wonkiness with her extra fingers above.)

There are already Deepfake sites that are making porn videos that sub in the faces of celebrities.

Someday, AI could make it look like you've participated in porn too. This could be weaponized against you to hurt your career or blackmail you. Like this right here:

Looks a heck of a lot like Natalie Portman, doesn't it? It's not and it's the start of an adult film.

These faces move and look like these celebrities. It's AI mapping sourced video footage to clone people in content.

I'm sure it's jarring for people to see themselves being pimped out online. These cases also present a murky legal area of free speech and expression. Do you police people from using AI imagery to create this content? Is it an overreach and a dangerous precedent?

There are endless questions like this—all caused by the unpredictable and surprising twists AI is taking.

End of Article 1

8 Risks and Dangers of Artificial Intelligence to Know

AI has been hailed as revolutionary and world-changing, but it's not without drawbacks.

Written by Mike Thomas

Image: Shutterstock

As AI grows more sophisticated and widespread, the voices warning against the potential dangers of artificial intelligence grow louder.

"The development of artificial intelligence could spell the end of the human race," according to Stephen Hawking.

The renowned theoretical physicist isn't alone with this thought.

"[AI] scares the hell out of me," Tesla and SpaceX founder Elon Musk once said at the SXSW tech conference. "It's capable of vastly more than almost anyone knows, and the rate of improvement is exponential."

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Whether it's the increasing automation of certain jobs, gender and racially biased algorithms or autonomous weapons that operate without human oversight (to name just a few), unease abounds on a number of fronts. And we're still in the very early stages of what AI is really capable of.

Risks of Artificial Intelligence

- Automation-spurred job loss
- Privacy violations
- Deepfakes
- Algorithmic bias caused by bad data
- Socioeconomic inequality
- Market volatility
- Weapons automatization

8 Dangers of AI

Questions about who's developing AI and for what purposes make it all the more essential to understand its potential downsides. Below we take a closer look at the possible dangers of artificial intelligence and explore how to manage its risks.

Is Artificial Intelligence a Threat?

The tech community has long debated the threats posed by artificial intelligence. Automation of jobs, the spread of fake news and a dangerous arms race of AI-powered weaponry have been mentioned as some of the biggest dangers posed by AI.

1. Job Losses Due to AI Automation

AI-powered job automation is a pressing concern as the technology is adopted in industries like marketing, manufacturing and healthcare. Eighty-five million jobs are expected to be lost to automation between 2020 and 2025, with Black and Latino employees left especially vulnerable.

"The reason we have a low unemployment rate, which doesn't actually capture people that aren't looking for work, is largely that lower-wage service sector jobs have been pretty robustly created by this economy," futurist Martin Ford told Built In. "I don't think that's going to continue."

As AI robots become smarter and more dexterous, the same tasks will require fewer humans. And while it's true that AI will create 97 million new jobs by 2025, many employees won't have the skills needed for these technical roles and could get left behind if companies don't upskill their workforces.

"If you're flipping burgers at McDonald's and more automation comes in, is one of these new jobs going to be a good match for you?" Ford said. "Or is it likely that the new job requires lots of education or training or maybe even intrinsic talents — really strong interpersonal skills or creativity — that you might not have? Because those are the things that, at least so far, computers are not very good at."

Even professions that require graduate degrees and additional post-college training aren't immune to AI displacement.

As technology strategist Chris Messina has pointed out, fields like law and accounting are primed for an AI takeover. In fact, Messina said, some of them may well be decimated. AI already is having a significant impact on medicine. Law and accounting are next, Messina said, the former being poised for "a massive shakeup."

"Think about the complexity of contracts, and really diving in and understanding what it takes to create a perfect deal structure," he said in regards to the legal field. "It's a lot of attorneys reading through a lot of information — hundreds or thousands of pages of data and documents. It's really easy to miss things. So AI that has the ability to comb through and comprehensively deliver the best possible contract for the outcome you're trying to achieve is probably going to replace a lot of corporate attorneys."

2. Social Manipulation Through AI Algorithms

A 2018 report on the potential abuses of AI lists social manipulation as one of the top dangers of artificial intelligence. This fear has become a reality as politicians rely on platforms to promote their viewpoints, with a recent example being Ferdinand Marcos, Jr., wielding a TikTok troll army to capture the votes of younger Filipinos during the 2022 election.

TikTok runs on an AI algorithm that saturates a user's feed with content related to previous media they've viewed on the platform. Criticism of the app targets this process and the algorithm's failure to filter out harmful and inaccurate content, raising doubts over TikTok's ability to protect its users from dangerous and misleading media.

Online media and news have become even murkier in light of deepfakes infiltrating political and social spheres. The technology makes it easy to replace the image of one figure with another in a picture or video. As a result, bad actors have another avenue for sharing misinformation and war

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propaganda, creating a nightmare scenario where it can be nearly impossible to distinguish between creditable and faulty news.

“No one knows what’s real and what’s not,” said Ford. “So it really leads to a situation where you literally cannot believe your own eyes and ears; you can’t rely on what, historically, we’ve considered to be the best possible evidence… That’s going to be a huge issue.”

3. Social Surveillance With AI Technology

In addition to its more existential threat, Ford is focused on the way AI will adversely affect privacy and security. A prime example is China’s use of facial recognition technology in offices, schools and other venues. Besides tracking a person’s movements, the Chinese government may be able to gather enough data to monitor a person’s activities, relationships and political views.

Another example is U.S. police departments embracing predictive policing algorithms to anticipate where crimes will occur. The problem is that these algorithms are influenced by arrest rates, which disproportionately impact Black communities. Police departments then double down on these communities, leading to over-policing and questions over whether self-proclaimed democracies can resist turning AI into an authoritarian weapon.

“Authoritarian regimes use or are going to use it,” Ford said. “The question is, How much does it invade Western countries, democracies, and what constraints do we put on it?”

4. Biases Due to Artificial Intelligence

Various forms of AI bias are detrimental too. Speaking to the *New York Times*, Princeton computer science professor Olga Russakovsky said AI bias goes well beyond gender and race. In addition to data and algorithmic bias (the latter of which can “amplify” the former), AI is developed by humans — and humans are inherently biased.

“A.I. researchers are primarily people who are male, who come from certain racial demographics, who grew up in high socioeconomic areas, primarily people without disabilities,” Russakovsky said. “We’re a fairly homogeneous population, so it’s a challenge to think broadly about world issues.”

The limited experiences of AI creators may explain why speech-recognition AI often fails to understand certain dialects and accents, or why companies fail to consider the consequences of a chatbot impersonating notorious figures in human history. Developers and businesses should exercise greater care to avoid recreating powerful biases and prejudices that put minority populations at risk.

5. Widening Socioeconomic Inequality as a Result of AI

If companies refuse to acknowledge the inherent biases baked into AI algorithms, they may compromise their DEI initiatives through AI-powered recruiting. The idea that AI can measure the traits of a candidate through facial and voice analyses is still tainted by racial biases, reproducing the same discriminatory hiring practices businesses claim to be eliminating.

Widening socioeconomic inequality sparked by AI-driven job loss is another cause for concern, revealing the class biases of how AI is applied. Blue-collar workers who perform more manual, repetitive tasks have experienced wage declines as high as 70 percent because of automation. Meanwhile, white-collar workers have remained largely untouched, with some even enjoying higher wages.

Sweeping claims that AI has somehow overcome social boundaries or created more jobs fail to paint a complete picture of its effects. It’s crucial to account for differences based on race, class and other categories. Otherwise, discerning how AI and automation benefit certain individuals and groups at the expense of others becomes more difficult.

6. Weakening Ethics and Goodwill Because of AI

Along with technologists, journalists and political figures, even religious leaders are sounding the alarm on AI’s potential socio-economic pitfalls. In a 2019 Vatican meeting titled, “The Common Good in the Digital Age,” Pope Francis warned against AI’s ability to “circulate tendentious opinions and false data” and stressed the far-reaching consequences of letting this technology develop without proper oversight or restraint.

“If mankind’s so-called technological progress were to become an enemy of the common good,” he added, “this would lead to an unfortunate regression to a form of barbarism dictated by the law of the strongest.”

The rapid rise of the conversational AI tool ChatGPT gives these concerns more substance. Many users have applied the technology to get out of writing assignments, threatening academic integrity and creativity. And even in attempts to make the tool less toxic, OpenAI exploited underpaid Kenyan laborers to perform the work.

Some fear that, no matter how many powerful figures point out the dangers of artificial intelligence, we’re going to keep pushing the envelope with it if there’s money to be made.

“The mentality is, ‘If we can do it, we should try it; let’s see what happens,” Messina said. “‘And if we can make

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money off it, we'll do a whole bunch of it.' But that's not unique to technology. That's been happening forever.'"

7. Autonomous Weapons Powered by Artificial Intelligence

As is too often the case, technological advancements have been harnessed for the purpose of warfare. When it comes to AI, some are keen to do something about it before it's too late: In a 2016 open letter, over 30,000 individuals, including AI and robotics researchers, pushed back against the investment in AI-fueled autonomous weapons.

"The key question for humanity today is whether to start a global AI arms race or to prevent it from starting," they wrote. "If any major military power pushes ahead with AI weapon development, a global arms race is virtually inevitable, and the endpoint of this technological trajectory is obvious: autonomous weapons will become the Kalashnikovs of tomorrow."

This prediction has come to fruition in the form of Lethal Autonomous Weapon Systems, which locate and destroy targets on their own while abiding by few regulations. Because of the proliferation of potent and complex weapons, some of the world's most powerful nations have given in to anxieties and contributed to a tech cold war.

Many of these new weapons pose major risks to civilians on the ground, but the danger becomes amplified when autonomous weapons fall into the wrong hands. Hackers have mastered various types of cyber attacks, so it's not hard to imagine a malicious actor infiltrating autonomous weapons and instigating absolute armageddon.

If political rivalries and warmongering tendencies are not kept in check, artificial intelligence could end up being applied with the worst intentions.

8. Financial Crises Brought About by AI Algorithms

The financial industry has become more receptive to AI technology's involvement in everyday finance and trading processes. As a result, algorithmic trading could be responsible for our next major financial crisis in the markets.

While AI algorithms aren't clouded by human judgment or emotions, they also don't take into account contexts, the interconnectedness of markets and factors like human trust and fear. These algorithms then make thousands of trades at a blistering pace with the goal of selling a few seconds later for small profits. Selling off thousands of trades could scare investors into doing the same thing, leading to sudden crashes and extreme market volatility.

Instances like the 2010 Flash Crash and the Knight Capital Flash Crash serve as reminders of what could happen when trade-happy algorithms go berserk, regardless of whether rapid and massive trading is intentional.

This isn't to say that AI has nothing to offer to the finance world. In fact, AI algorithms can help investors make smarter and more informed decisions on the market. But finance organizations need to make sure they understand their AI algorithms and how those algorithms make decisions. Companies should consider whether AI raises or lowers their confidence before introducing the technology to avoid stoking fears among investors and creating financial chaos.

Litigating the Risks of AI

AI still has numerous benefits, like organizing health data and powering self-driving cars. To get the most out of this promising technology, though, some argue that plenty of regulation is necessary.

Ways to Mitigate Risks of Artificial Intelligence

1. Develop national and international regulations.
2. Create organizational standards for applying AI.
3. Make AI a part of company culture and discussions.

Inform tech with humanities perspectives.

"I am not normally an advocate of regulation and oversight — I think one should generally err on the side of minimizing those things — but this is a case where you have a very serious danger to the public," Musk said during his 2018 SXSW talk. "It needs to be a public body that has insight and then oversight to confirm that everyone is developing AI safely. This is extremely important."

AI regulation has been a main focus for dozens of countries, and now the U.S. and European Union are creating more clear-cut measures to manage the spread of artificial intelligence. Although this means certain AI technologies could be banned, it doesn't prevent societies from exploring the field. Preserving a spirit of experimentation is vital for Ford, who believes AI is essential for countries looking to innovate and keep up with the rest of the world.

"You regulate the way AI is used, but you don't hold back progress in basic technology. I think that would be wrong-headed and potentially dangerous," Ford said. "We decide where we want AI and where we don't; where it's acceptable and where it's not. And different countries are going to make different choices."

Why are most Blacks Democrat?

The key then is deciding how to apply AI in an ethical manner. On a company level, there are many steps businesses can take when integrating AI into their operations. Organizations can develop processes for monitoring algorithms, compiling high-quality data and explaining the findings of AI algorithms. Leaders could even make AI a part of their company culture, establishing standards to determine acceptable AI technologies.

But when it comes to society as a whole, there should be a greater push for tech to embrace the diverse perspectives of the humanities. Stanford University AI researchers Fei-Fei Li and John Etchemendy make this argument in a 2019 blog post that calls for national and global leadership in regulating artificial intelligence:

"The creators of AI must seek the insights, experiences and concerns of people across ethnicities, genders, cultures and socio-economic groups, as well as those from other fields, such as economics, law, medicine, philosophy, history, sociology, communications, human-computer-interaction, psychology, and Science and Technology Studies (STS)."

Balancing high-tech innovation with human-centered thinking is an ideal method for producing responsible technology and ensuring the future of AI remains hopeful for the next generation. The dangers of artificial intelligence should always be a topic of discussion, so leaders can figure out ways to wield the technology for noble purposes.

"I think we can talk about all these risks, and they're very real," Ford said. "But AI is also going to be the most important tool in our toolbox for solving the biggest challenges we face."

End of Article 2

Why are most Blacks Democrat?

Let's look at how Democrats have treated blacks in the past.

We find that it was Democrats who have historically suppressed blacks, all over the country, not just in the South.

Consider that it was Democrats who…

- Owned all slaves by 1860, the year of the Civil War;
- Started the KKK (Klu Klux Klan) to terrorize blacks;
- Wrote the Jim Crow laws of the South, post-Civil War;
- Wrote the Poll Tax laws (which suppressed minority votes), post-Civil War, ended by the 24th Amendment in 1966;
- In Congress, fought passage of the 1965 Civil Rights Act (by holding its longest-to-date filibuster of 75 continuous days), but the Republican bill passed anyway.

It was the first Republican President, Abraham Lincoln who freed the slaves with the Emancipation Proclamation.

Also, the first black members of Congress were all Republicans…

Why are most Blacks Democrat?

Democrats did not elect a black member of Congress until 1935.

So why are most Blacks Democrat today?

To answer that, I present the following article published by the Princeton University Press on February 25, 2020. The reasons set forth in the article are both intuitive and logical answers to the question. The underlines in the article are mine.

D. Miyoshi

Steadfast Democrats: How Social Forces Shape Black Political Behavior

By Ismail K. White and Chryl N. Laird

February 25, 2020

Steadfast Democrats is a groundbreaking look at how group expectations unify black Americans in their support of the Democratic party. In this essay, authors Chryl Laird and Ismail White explore African Americans' long, complicated history with party politics, and the roots of their political unity. Listen to a related interview with the authors on the Princeton University Press Ideas Podcast.

African Americans are Democrats. Since 1968 no Republican presidential candidate has received more than 13% of the African American vote and surveys of African Americans regularly show that upwards of 80% of African Americans self-identify as Democrats. However, understanding why African Americans are such steadfast supporters of the Democratic Party is not as straightforward as it seems. Although committed to the Democratic Party, African Americans are actually one of the most conservative blocs of Democratic supporters. As political scientist Tasha Philpot's 2017 book title suggests, African Americans are "Conservative but Not Republican." Understanding how it is that African Americans have been able to maintain such strong support for the Democratic Party despite their increasingly diverging interest with the party is the subject of our new book, *Steadfast Democrats: How Social Forces Shape Black Political Behavior.*

In the book we show that African Americans have a long, complicated history with party politics. Historically, blacks have been part of both major parties. When African American men first obtained the right to vote after the passage of the 15th Amendment in 1870 they nearly all identified and supported the Republican Party and its candidates; rewarding the Party of Lincoln for its commitment to ending slavery and expanding black civil rights. However, as political power was gradually returned to Southern Democrats, in part through the 1877 compromise which resolved the disputed 1876 presidential election, African Americans, who at this time nearly all resided in Southern states, were once again stripped of their voting rights.

It would not be until the early 20th century, following the large-scale migration of African Americans to Northern cities in search of employment and refuge from the repressive Jim Crow policies of the South, that we would see African Americans reengaging in party politics. In the North, the Democratic Party, through its commitment to organized labor would for the first time begin making inroads with black voters. Despite this, many African Americans both North and South maintained commitments to the Republican Party. It was only when the Democratic Party took up the mantle of Civil Rights in the mid to late 1960's that black support for the Party coalesced into the reliable Democratic voting bloc we know today.

While the historical antecedents of black Democratic party support are rather straight forward, understanding how it is that, for nearly 50 years, black Americans have been able to remain unified in their support for the Democratic Party, is a more complicated question, especially given the growing economic and political diversity of African Americans over this time period. For example, since the 1960's there has been significant growth in both the black middle and upper classes and perhaps even more interesting, substantial diversification of black political views. Since the 1960's blacks have become increasingly more moderate and even conservative on a number of important political issues including certain racial policies. Why haven't these changes resulted in an opportunity for Republicans to gain support from African Americans?

In the book we argue that in an effort to leverage their political strength as a minority group in a majority based political system, black Americans have come to prioritize group solidarity in party politics. This partisan loyalty is maintained through a strategic social process that we call racialized social constraint, where by support for the Democratic Party has come to be defined as a norm of group behavior. In other words, supporting the Democratic Party has come to be understood as just something you do as a black person, an expectation of behavior meant to empower the racial group.

Adherence with this norm of Democratic Party support is insured through a set of social rewards and penalties which recognize compliance and punish defection of racial group members. Interestingly, it is the social and spatial segregation of black Americans that makes all this work. It is through racially segregated spaces that blacks become aware of the importance of the party norm for the racial group. And it is within these segregated spaces that social rewards for compliance and penalties for defection can come to define an individual's social status within the group. The result of all this is that to the extent that any individual black American values their relationship with other black Americans, they will continue to act in accordance with the group norm of party support lest they find themselves socially isolated.

This decision to ensure collective action for the larger group interest is an effective strategy for leveraging political power, especially in a two-party system. A divided group minimizes the likelihood of responsiveness by either party, but as a partisan voting bloc, blacks are positioned to push their issues onto the party agenda. If the Democrats fail to be responsive blacks can threaten to withhold their vote by not turning out. This is how racialized social constraint maintains both black party loyalty and black political power.

Ismail K. White is associate professor of political science at Duke University. White is the coeditor of African-American Political Psychology: Identity, Opinion, and Action in the Post-Civil Rights Era. Chryl N. Laird is assistant professor of government and legal studies at Bowdoin College. Twitter @chryllaird

End of Article

Inequity of the Silicon Valley Bank Bailout

On March 10, 2023 Silicon Valley Bank (SVB) collapsed. It was the 16th largest bank in the U.S. Soon after Signature Bank collapsed. Many have asked were these just "one off cases" or is this the beginning of a series of bank collapses. We know that SVB's asset and liability composition was such that rapid interest changes in the market could seriously impact the banks net worth. That is what happened and it's fair to say banks with similar balance sheet compositions now face the possibility of similar fates.

Balance Sheet Composition Problem

Noted economist and financial expert John Maulden explains how SVB collapsed.

SVB had problems on both sides of the balance sheet. When you deposit money in a bank account, you aren't simply giving it to the bank for safekeeping. You are lending your cash to the bank. It is a loan transaction, with you as lender and the bank as borrower. Therefore, your deposit appears as a liability on the bank's balance sheet.

This is how modern banking works. In simple terms, the bank borrows money from you then lends it to someone else. If all goes well, the bank profits from the difference between its cost of funds (the interest it pays depositors) and interest received on the loans it makes.

Those loans support small businesses and help consumers buy cars, mortgages, etc. Banks also loan money to the government by purchasing Treasury securities. They don't

Inequity of the Silicon Valley Bank Bailout

yield as much but are also lower risk. But they aren't zero risk, as we'll see below.

Running a bank is a balancing act because the assets (loans) and liabilities (deposits) have different maturities. People can demand their cash any time but the bank can't call in its loans, at least not quickly. It works only because most people leave their balances in place most of the time. Having a loyal, diversified depositor base helps, too.

This became a problem for SVB. Most of its deposits came from a relatively small group of venture capital firms that "recommended" the startup companies they funded keep cash at SVB. When that small number of firms decided to leave, SVB didn't have the liquidity to pay them all.

What SVB did have was a pile of longer-term Treasury and mortgage bonds it had bought when deposits ballooned in 2020–2021, before the Fed started raising interest rates in early 2022. When interest rates rise the market value of bonds falls. That's not a problem if you hold the bonds to maturity. But it can be a big problem if you need to sell.

These higher rates put SVB in a tough spot, which got tougher as deposits shrank in recent weeks. When the miniature bank run intensified in the week of March 6, it became clear SVB couldn't operate. FDIC had to jump in.

The bulk of SVB's customers were tech startups. Everyone including the government knows that tech startups are important for our economy. In a phrase they are "systemically important." The FDIC gave SVB customers full access to their deposits, so they made payrolls and life went on. And, unlike 2008, they wiped out shareholders and fired senior bank management. In graduate business school, the fundamental lesson the students are taught is you must always assess and manage the risk. SVB's senior bank management forgot that lesson.

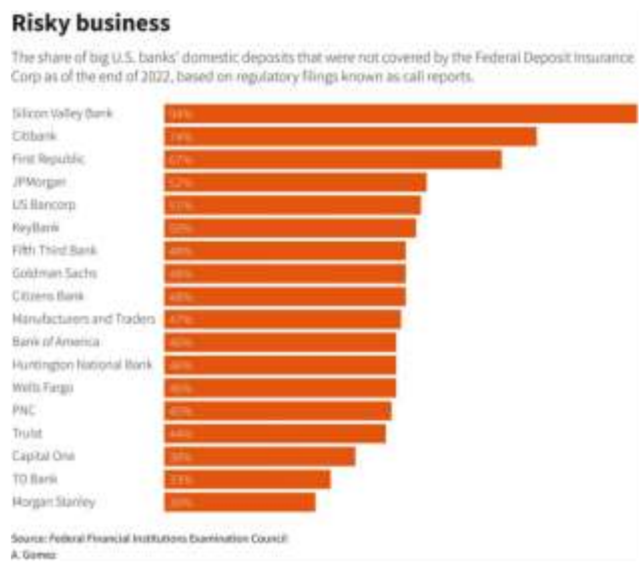
Systemically Unfair

Mauldin points out a very troubling finding in the SVB fiasco. And that is almost all (94%!) of SVB's deposits were above the $250,000 FDIC coverage limit, and therefore uninsured.

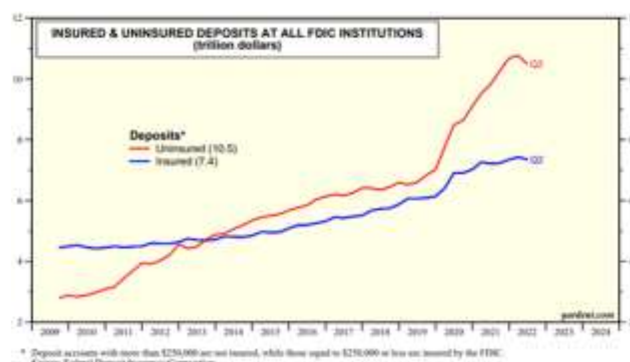
That limit is no secret. It is displayed on bank walls and appears on almost every account document anyone signs. It should be crystal clear that larger balances are vulnerable if the bank fails. SVB depositors didn't seem to care, or believed that it didn't apply to them. As it turned out, it didn't.

Thus, keeping millions in the same bank just makes no sense. Yet it was common at SVB.

Nor is it just SVB. Even much larger banks can have more uninsured than insured deposits.



This hasn't always been the case. Here is a chart Ed Yardeni compiled comparing insured and uninsured deposits for all US banks.



Source: Yardeni QuickTakes

At a $250,000 limit, US banks had $10.5 trillion in uninsured deposits as of mid-2022, and only $7.4 trillion insured. A majority of deposits have been uninsured for 10

Is the SVB Failure the Beginning of the Economic Collapse?

years now but notice how the line bent sharply upward in 2020. Why? It coincides with Fed stimulus and the various COVID fiscal programs… but nothing required people to keep all that money in banks.

This seems like a problem. In the SVB case, regulators used a “systemic risk” emergency clause to cover otherwise uninsured deposits. FDIC was able to do this without breaking its own finances because SVB had good assets in its Treasury portfolio. They were just illiquid.

The Unfair FDIC System

Would the FED cover uninsured deposits at any other bank? It didn’t in the past. Browse the FDIC’s failed bank database and you’ll see depositors in smaller failed banks often lose half or more of their uninsured balances. Even the partial recoveries they get can take years. Those banks and their depositors aren’t “systemically important,” you see.

The government is giving a handful of megabanks a privilege that community banks clearly don’t get. And this may ultimately produce more systemic risk, not less. Depositors in community banks may now take their funds out and deposit them into “safe” megabanks. We will see.

It’s also unfair to the small local banks that are often community pillars in places the megabanks don’t serve. According to the FDIC’s 2020 Community Bank Survey, community banks held 30% of all CRE loans despite having only 12% of the banking industry’s total assets. Not to mention all sorts of loans to locals that large banks don’t make. They are needed but unfortunately are not appreciated.

This also introduces uncertainty. Is your balance above $250,000 protected? If it’s one of the top dozen or so largest banks, certainly yes. They either won’t be allowed to fail or depositors will get full coverage under that systemic importance provision.

How about the small community banks? If yours fails, your uninsured deposit is supposed to take a haircut, perhaps a big one. Who knows?

Then there’s a giant gray area of medium-sized banks that may or may not be systemically important. SVB wasn’t systemically important until it was. No one knows what to expect.

This is just untenable. No one wants to see anyone hurt but at some point, people have to bear the consequence of their decisions. If a company decides to hold $50 million or more in uninsured bank deposits—as several SVB customers did—should they be made whole when the bank fails? Is that fair to other businesses who manage their cash prudently? What incentives does it create?

Congress, the Fed, and the administration need to take a hard look at the deposit insurance system. I don’t have an answer, but the present structure no longer works.

D. Miyoshi

Is the SVB Failure the Beginning of the Economic Collapse?

By now we have all heard or read that on March 10, 2023, Silicon Valley Bank (SVB) failed after a bank run, causing the largest bank failure since the 2008 financial crisis and the second-largest in U.S. history (both in nominal and inflation-adjusted terms). The collapse of SVB has had a significant impact on startups from the US and abroad, with many unable to withdraw money from the bank. Other large technology companies, media companies, and wineries were also impacted.

Many question, is this just a one off loss or is it the first of

Is the SVB Failure the Beginning of the Economic Collapse?

a series of bank failures that eventually lead to a total economic collapse.

To answer that, I present to you a blog that appeared in *The Economic Truth* Magazine on March 11, 2023 by John Sneisen, a world leading economic analyst, writer, speaker and two times Bestselling Author, Monetary History Expert. Mr. Sneisen has the credentials to make as accurate an economic assessment of what will likely be the outcome of the economic quandary we in the U.S. are currently in.

I think you will find Mr. Sneisen's blog very informative and credible in his conclusion.

D. Miyoshi

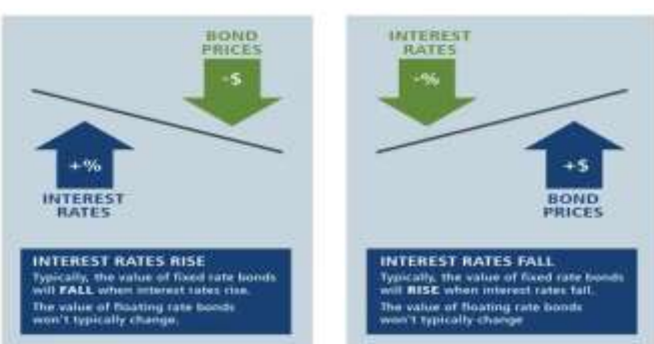
SVB the Iceberg in the Global Financial Meltdown Coming!

In this article, we will look at the SVB Meltdown and see if this is just a nothing burger or a part of an underlying systemic issue created by the central banks.

So, we've all heard that Silicon Valley Bank has failed, and it's put into FDIC receivership. The FDIC holds about $129B in assets in their insurance fund. SVB, as per their December 2022, held $173B on their balance sheet. The issues started with a bank run where they had to sell their treasuries to cover asset flight from bank deposits. The problem is that the treasuries are being sold at a loss due to rising bond rates. Most likely, Bail ins are coming to SVB.

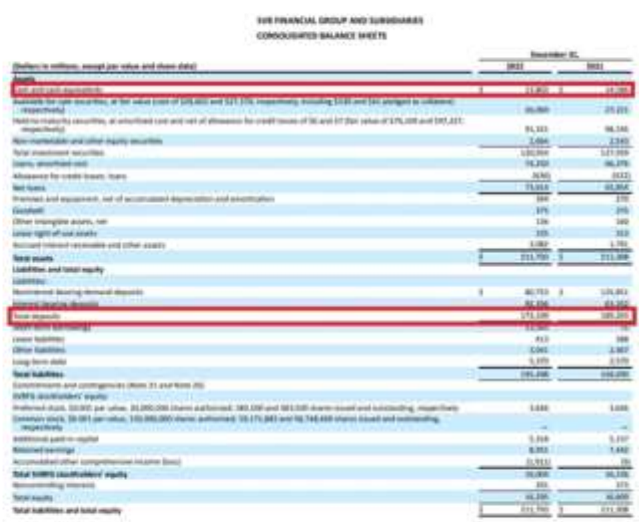
SVB Stock is down 60% overnight.

How bonds lose value:



So showing the above, SVB had an influx of deposits during covid from PPP and other cash stimulus programs from the US Treasury. When SVB got a deposit, they needed a bond to cover as an asset to the deposit liability on the bank balance sheet. What happened was that interest rates rose from when they had bought the term bonds, and the value, as explained above, had fallen on their bonds. So when the deposit exodus started, they had to sell their bonds and get a lesser value back than what they paid. What this does is that when the depositors move away, they have to sell their bonds and then give the bank reserve, which is the bank that had the deposit transfer "cash." Now with a loss in the value of bonds, they want to have enough cash to cover the transfer to another bank.

That is the digital deposit transfer. Their Cash and Equivalents are only at $13.8B, so if the deposits didn't digitally transfer hands and people wanted cash, only 7.98% of depositors would withdraw cash, and it would go bankrupt. The reality is that cash and equivalents are not cash only. It's also digital deposits at other banks. This means that a physical cash withdrawal would probably collapse the bank at a 2% or even less physical cash withdrawal rate.



To make a long story short, SVB did not have enough assets to cover withdrawals from the bank, cash or digital!

When this happens to banks like JPMorgan, Goldman Sachs, Wells Fargo, Citibank and other banks in the US that have access to reserve accounts at the Federal Reserve, they would have their assets bought by Quantitative Easing by the FED, creating reserves in the Banks FED account

Is the SVB Failure the Beginning of the Economic Collapse?

and taking their bad assets like MBS and Treasuries and leaving them on their balance sheets.


Exhibit 1 – Deposits Less than $250k as a Percentage of Total Deposits

Looking at the chart above, you can see that many banks have fewer FDIC-insured assets. Still, my worry is the bigger banks with an insane amount of assets under $250k will be pretty insane. The FDIC is a minnow about to get eaten by a shark when even a bottom 20 bank fails. Also, deposits other banks had with SVB can cause massive contagion and many investment banks and fund-owned shares in SVB. Many Venture Capitalists from Silicon Valley had deposited there and are now crying. They want all their assets back from the bank. They had no clue they could fail!

Thousands of banks have failed throughout history, and this will not be the last, as it seems the crash and collapse have barely started!

Here is the list of banks that would be bailed out overnight by the US Central Bank. Here you can find the banks that will get bailed out when the above happens!

LIST OF PRIMARY DEALERS

CURRENT LIST, ADDITIONS, REMOVALS & NAME CHANGES

PRIMARY DEALERS | ADDITIONS AND REMOVALS | NAME CHANGES

Primary Dealers

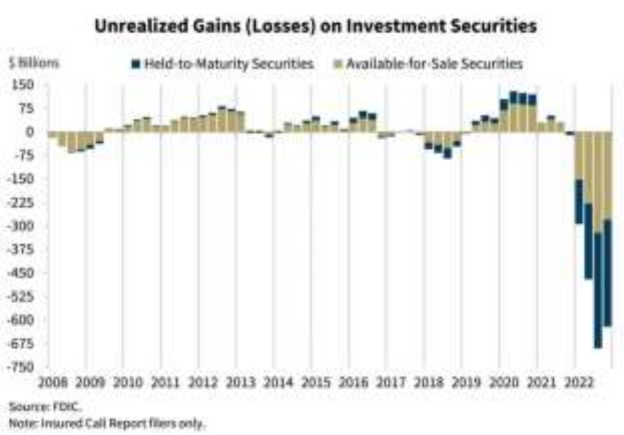
ASL Capital Markets Inc.
Bank of Montreal, Chicago Branch
Bank of Nova Scotia, New York Agency
BNP Paribas Securities Corp.
Barclays Capital Inc.
BofA Securities, Inc.
Cantor Fitzgerald & Co.
Citigroup Global Markets Inc.
Credit Suisse AG, New York Branch
Daiwa Capital Markets America Inc.
Deutsche Bank Securities Inc.
Goldman Sachs & Co. LLC
HSBC Securities (USA) Inc.
Jefferies LLC
J.P. Morgan Securities LLC
Mizuho Securities USA LLC
Morgan Stanley & Co. LLC
NatWest Markets Securities Inc.
Nomura Securities International, Inc.
RBC Capital Markets, LLC
Santander US Capital Markets LLC
Societe Generale, New York Branch
TD Securities (USA) LLC
UBS Securities LLC.
Wells Fargo Securities, LLC

New primary dealers will begin reporting and transacting with the New York Fed upon completion of legal, operational and technical setup.

Most banks listed above don't even care about depositors as they can have money sitting at the Federal Reserve overnight at the current 4.55%. There are currently, as of today, 100 institutions doing this. This is called Reverse REPO, and the list is extended to GSE Government Sponsored Entities, ETFs and Money Market Funds. Currently, the 100 Entities that are using this hold $2.188T. Before 2008 this market manipulation wanted to be used or exist. No actual economic activity is created by sitting in this account, and it is highly destructive for our society!

Is the SVB Failure the Beginning of the Economic Collapse?

Let's get back to the losses that SVB has faced. Is only Silicon Valley Bank having this issue, or is it a massive contagion about to happen? A recent post from the FDIC gives a little context to this issue, and it's not only banks facing losses like this. It is the Central Banks themselves! Here is the FDIC's article and chart that shows the bank's Unrealized Gains or Losses.



How about the central banks?

As of the third quarter of 2022, the Bank of Canada had lost CAD 522M. The FED, as per Q3, was down about $720B on their portfolio. Bank of England is down £200B. Hungary's Central bank has lost about 200B Hungarian Forints. The Swiss National Bank has lost about 18% of the Swiss GDP at $143B Swiss Francs. These are just examples of a few central banks that did what SVB did. Buy bonds when they are low, but not sell them. What the FED and others have done is instead of selling them at a loss, they are just letting the bonds run out as they are the ones owning them and don't care about losses. The reason is that they can create a supply out of thin air to buy these assets. The problem becomes their long portfolio of 20Y,30Y or longer bonds.

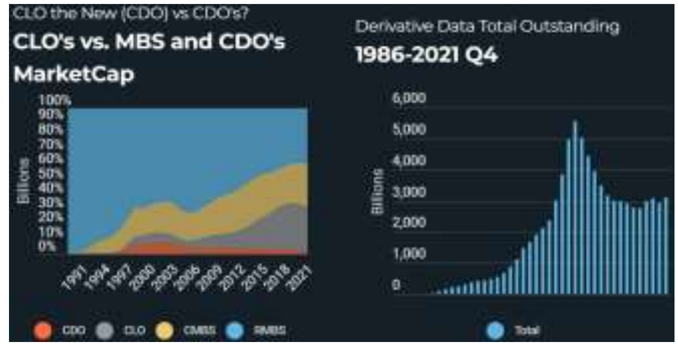
Now that we've seen the cause of loss from government debt let's look at losses caused by consumer and corporate debt and private debt.

In banking, debt is an asset. A Deposit is a liability. The bank's reasoning for being an asset is that it is technically prudent and protects itself against a drop in an "assets" price. For example, a house the bank would lend you 80% of the purchase value of your home, and you will have to put up 20% of the home's value. The bank now has a loan-to-value on your home, sitting at 80% loan-to-value. So even if the home dropped 20%, the bank would still be 100% loans to value, and it's an asset. The debt is still worth the same as the value of the home. The problem came when people borrowed cash from places that gave them more debt to the house's value. After 20%, banks will start to have an issue as people's homes value would drop below what they owe on the home. Let's say the home's value collapsed down 40%. Now the loan to value would be 125%. So if the bank's loan was $80k, the house value was $100k and dropped to 60%, the new loan to value is 133.33% or what banks call negative equity.

When this happens, many people see no hope in their future to pay their mortgage and might walk away and declare bankruptcy. This will hurt the bank, and if enough people do this, the bank might have insane losses on its balance sheet. It will most likely get a bailout if they have a seat on the Federal Reserve Primary Dealer list and will have that debt purchased. Now that debts aren't directly purchased, banks issue derivatives on top of that debt, mostly in mortgage terms called Mortgage Backed Securities. A GSE like Fannie Mae or Freddie Mac insures many mortgages. The FED will buy the MBS from these institutions to prevent the insurer from collapsing. An MBS is 1000's mortgages packaged together in a corporation, an LLC called a Special Purpose Vehicle, used by banks to hide their assets off their balance sheets to look better.

Is the SVB Failure the Beginning of the Economic Collapse?

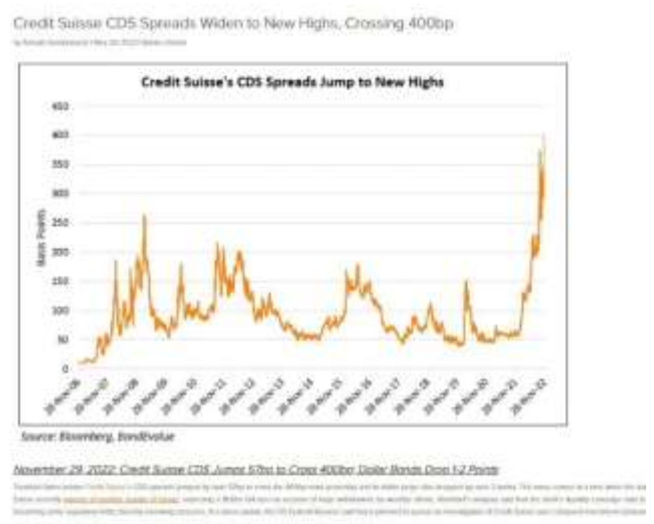
Now, that's housing. The same could happen to cars it will happen to cars, but lenders hope that the loans on cars keep track of the value of the car. If demand for cars collapses, the value of the car purchased when demand was high could drop faster than the debt owed to the bank, and if the person cannot afford this debt due to he lost his job or the person sees selling his car as useless that person could give up and walk away. The car then gets repossessed by the bank, and they try to sell it, but if there is no demand, the bank faces losses. As with MBS, there is another derivative for this type of consumer debt called Asset-Backed Securities. Now in this class, there is secured and unsecured debt. A car, camper, boat or motorcycle would be an example of secured debt as an "asset" exists. Unsecured debt is a personal line of credit not attached to the value of a home or the mentioned consumer credit card. But all of this debt gets packaged the same way and collapse similarly. Then there is corporate debt and corporate real estate. They are similar to consumer debt but are called CMBS, CRE CLO or CLO. Commercial Mortgage Backed Securities, Commercial Real Estate Collateralized Loan Obligation or Collateralized Loan Obligation. The latter is corporate debt. The two first is real estate debt.



So that said, rising debt levels of all kinds and interest rates mean the cost of servicing this debt will skyrocket. This means their savings and income will get eaten up, and their possibility to buy things will dwindle. Viola demand shrinks, layoffs happen, defaults on debt happen, and we have a recession or depression.

But the reaction to this since 2008 has been the solution of central banks, by creating reserves and buying assets—derivatives off the bank's balance sheet to save them.

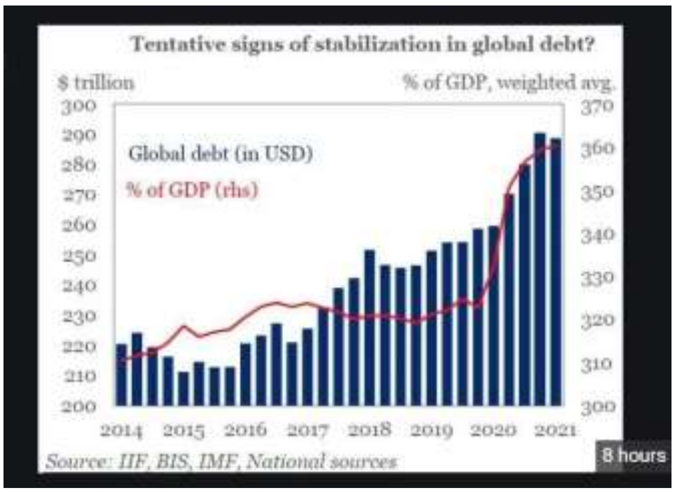
Derivatives are smaller than in 2008. But what has happened is that corporate derivatives have taken over private derivatives as a part of the economy.



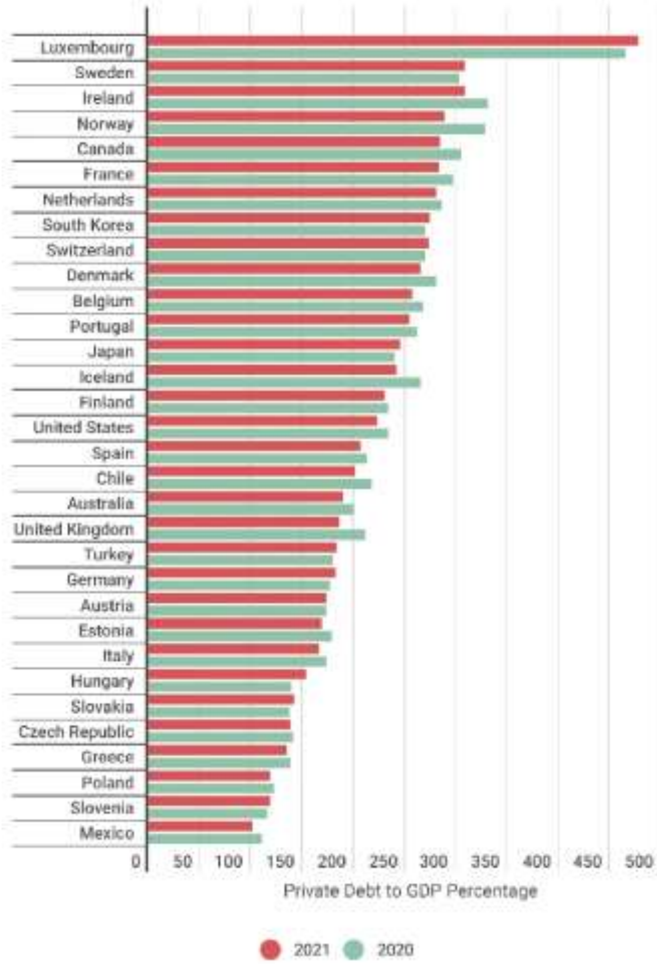
When derivatives fail or debt defaults, we have a new but old kid called a CDS, Credit Default Swap. They are insurance policies, but it doesn't have insurance in their name because Blythe Masters, the inventor, didn't want them to

Is the SVB Failure the Beginning of the Economic Collapse?

be governed under insurance legislation which is a lot stricter than the derivative world. But don't be fooled. It is an insurance policy, but 100 or 1000s can insure the same thing instead of individual insurance. In simple terms, your house would be insured by 1000 people, and when your house burns down, not the person who owns the asset gets paid but 1000s that don't even own the asset. This is why AIG, the world's biggest insurer, failed in 2008 and got bailed out.



So with all the derivatives, if the underlying debt fails, that might not be the most significant trigger. The insurance on the fake asset could be the massive trigger!



My last thoughts are that governments worldwide will react by "printing" currency through direct "cash" injections through helicopters, bombers or even monetary nukes to stop the deflation of debt from taking hold and destroy the monetary Ponzi scheme we have on a global scale now. Like Ben Shalom Bernanke described in his 2002 FED speech Deflation: Making Sure "It" Doesn't Happen Here. "The Printing Presses always win over deflationary pressures." He also described that the FED might have to buy a more comprehensive array of assets. Other central banks like the Japanese, European, Chinese and Norwegian central banks did this by buying commercial real estate, corporate debt, stocks and other government debt.

So we are in a global debt bubble in all private, corporate and public sectors. We have a global Ponzi scheme that is only held together by the glue of trust in its value. When that break, so will our current monetary structure! We'll all end up like poor serfs on the monetary plantation if we don't get off the monetary grid!

Why EV's Will Not Dominate for a While

John Sneisen

End of Blog

Why EV's Will Not Dominate for a While

I like driving sports cars because they are easy to drive and maneuver. But after my friend Chris took me for a ride in his Tesla Model 3 and showed me how fast it was, it got me thinking about getting an EV myself. After another friend Ray took me to a local Lucid dealer to show me how luxuriant the cars were, I was even more impressed. I then did some research on what is the expected impact EV's will have in the near term on our roads and to our economy. Essentially, what I found was that while EV's hold the unquestionable leading technological edge in automobile manufacturing, they will not dominate the automobile industry for a long time into the future. There are three fundamental reasons why.

The government, not the people, is pushing for EV's

Governments can push for the country to adopt EV's but if the driving public has any hesitation to buy them, EV's will not take over the roads for a while.

President Biden made the policy decision to make EVs the standard for all American vehicles by 2030. To meet the expected surge in electric "refills" demand, he is spending billions on tax dollars to build half a million EV charging points across the country.

Federal tax credits can be used to hide the fact that EVs are still very expensive and still have relatively poor reliability and maintenance records. And despite the pressure on consumers to purchase EVs, only seven percent of new-vehicle sales are EV's.

Ford, GM and Toyota are rushing to include EVs in their models. But this is not a response to consumers demand. It is a response to government policies.

The elites of government, media, academia and entertainment are trying to sell EVs but the overwhelming majority of Americans still are hesitant to buy them.

Let me give you 6 issues in the minds of consumers that hold them back from getting an EV. These issues were taken from an article appearing in the website "Howstuffwo?ks" written by Chrerise Threewitt. In the article the issues are called "myths."

Issue 1. EVs Are Too Hard to Charge

Charging an EV isn't as simple as filling up a car with gas or diesel. That takes just minutes, and charging and EV takes time — and you need a charging station. The most convenient place to charge is at home, but if you live somewhere like a townhouse or condo where that's not possible, you have to plan to charge elsewhere. That's not always convenient, but it's not impossible.

That's because if you live near a major metro area, it's easy to find EV chargers. There are currently more than 160,000 chargers in the United States — that number increased more in 2022 than in the three previous years combined. Tesla has more than 1,400 Supercharger stations in the United States and Mercedes-Benz just announced it is creating a network of charging hubs with 2,500 usable plug-in chargers throughout North America.

Still, the U.S. needs more, especially in rural areas where charging infrastructure can be hard to find. But it will get better, says Sam Abuelsamid, a principal research analyst at Guidehouse Insights and an expert on the EV industry.

"The charging infrastructure situation is improving both from an availability and reliability perspective, but it's still not as good as it should be," Abuelsamid says via email. "Five hundred thousand new public chargers will be added over the next several [years] through funding from the infrastructure bill." Abuelsamid is referring to the Bipartisan Infrastructure Law that will spend $5 billion over the next five years on EV charging infrastructure across the country.

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Issue 2. The Range Is Too Short on Full Charge

The 2023 Hyundai KONA Electric has a long range and a relatively low MSRP. Hyundai Motors

A big deterrent for buyers is the range on EVs is too short on a single battery charge. That was true when EVs first hit the market, but there have been major advancements in battery life since.

For instance, the 2023 Hyundai Kona Electric has a range of about 258 miles (415 kilometers). The 2023 Hyundai Ioniq 5, which has an MSRP of $42,785, can go even further: about 303 miles (487.6 kilometers).

The Tesla Model S still has one of the longest ranges on the market at 396 miles (637 kilometers). But the longest range, luxury electric car on the market, though, is the Lucid Air. When fully charged, it can drive 516 miles (830 kilometers), but that comes with an impressive price tag of $138,000. I saw this model at a local dealer my friend took me to. It’s impressive.

The ultimate luxury Lucid Air Touring has the longest range of any electric vehicle on the market, but it comes with a hefty price tag.

Issue 3. Dealers Don't Have EVs

The coronavirus pandemic has shown us a lot about how people buy cars — namely that they want more options. Even though some consumers have responded positively to the car-buying process online, Jenni Newman, editor-in-chief at Cars.com says Cars.com's research found 73 percent of consumers want to test drive and purchase EVs at local dealerships.

That means car salespersons and dealerships need to have EVs on the lots. And they do, technically speaking, but people like the author Threewitt say they don't really sell or market them. The reality is that dealerships don't do enough to help educate potential buyers about EVs, and the cars tend to be few and far between in dealer showrooms, even when they make up a growing part of a brands' lineups. Sometimes it's hard for consumers to even find an EV to test drive.

Abuelsamid says that car shortages of the past few years haven't always been the fault of dealerships, but they can do more to promote EVs.

"The attitude of many dealers that seem reluctant to push EVs is also a challenge," Abuelsamid says. "With many new EVs coming to market over the next couple of years and production volume ramping up dramatically, automakers are pushing dealers to make substantial investments in EV training, support and equipment, which hopefully will in turn lead to better attitudes from dealers hoping to sell EVs."

Issue 4. Electric Cars Are Boring to Drive

“Whoever said driving an EV was boring has definitely never driven a Mustang Mach-E. The GT Performance Edition has 480 horsepower and a zero to 60 time of 3.5 seconds. Boring? No way.” Wes Duenkel/Ford Motors

For me, I don’t see how an EV is boring to drive. But this is listed as one of the barriers to consumers buying an EV so I am listing it here.

Threewitt says if you haven't driven an EV, go drive one then get back to us before you say they're boring. Because in a zero to 60 mph (zero to 96.5 kph) race, an electric Mustang Mach-E will smoke a gas-powered Mustang every time. That's because EVs have instant torque power and therefore are quicker on the start than their gas-powered counterparts.

"Giving people the opportunity to actually test drive an EV has been shown to be the most impactful thing that converts consum-

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ers from EV doubters to intenders," Abuelsamid says. "It's very hard to verbally communicate the way that EVs feel when you step on the accelerator, but [getting] butts in seats works virtually every time." After experiencing the ride in my friend Chris' Tesla Model 3, I will say amen to that.

Of course, not all EVs are as lightning fast as a Mach-E or Tesla Model 3 or Model S, but they're all peppier than most doubters expect. And if it's powerful towing capacity you're looking for, EV trucks like the 2023 Ford F-150 Lightning, 2023 All-Electric Chevrolet Silverado and 2023 Rivian R1T, all pack a mighty punch, too.

Issue 5. EV Tax Credits and Rebates Are Too Much Hassle

It is true, the available tax credits, rebates and incentives for buying an EV can and are complicated. But they're improving. In some states, for example, dealerships process rebates during the time of sale, so buyers save on the purchase price immediately instead of when they file at tax time. This will become the standard process starting in 2024 thanks to the Inflation Reduction Act, passed in August 2022.

But the Inflation Reduction Act made other changes, too. Some provisions will eliminate many EVs that previously qualified for tax credits. The Act also restricts where their battery components can be sourced.

There's sound reasoning behind these decisions, but they don't make it easier for consumers to figure out how to collect federal and state tax credits and rebates. In the meantime, the U.S. Department of Energy's Alternative Fuels Data Center website lists all available incentives by state to make it easier until 2024.

But it's still a hassle to deal with all of the paperwork.

Issue 6. A High Price

There is no argument here. Almost 60 percent of those surveyed by *Consumer Reports* said purchase prices were what prevented them from buying an EV. Part of the reason for this is because many EVs are produced by luxury brands like Tesla, Audi and Mercedes-Benz. But some EVs are affordable, including the 2023 Hyundai Kona Electric, which has a starting MSRP of $33,550.

Requiring Zero Emissions

The government requires that all vehicles sold by 2035 must be "zero emission vehicles" (ZEV).

We assume that means 100 percent of sales of vehicles by 2035 must be ZEV.

But that's easier said than done.

If average vehicle sales and scrappage rates are taken into account, and if ZEV sales reach 100 percent market share at an average annual rate of ZEV sales growth, then a 2035 ZEV mandate would convert 16.5 percent to the fleet by 2035 and 60% by 2050. This would mean that 83.5 percent of vehicles will still be powered primarily by liquid fuels in 2035.

This is a staggering number. Even if we can achieve a 100% market share in annual vehicle sales within the next 12 years, less than one-fifth will be electric vehicles. This means that more than 83% of vehicles will still need gasoline or diesel to drive their cars and trucks.

John Eichberger (executive director of Fuels Institute) a research group supported by a coalition from transportation and energy companies said that his calculation achieved a 50% sales target by 2030 and maintained ZEV sales growth at the same rate beyond that date. This resulted in a 6.6 percent conversion of the fleet by 2030, 100% sales by 2035 and 21 percent conversion of the fleet by 2035. Even with the most optimistic figures, we are still a long way off.

Or, put another way, elected officials or bureaucrats who believe they can just wave their regulatory magic wands and achieve their policy goals might as well command the sun and moon to stop circulating.

Government edicts can dictate what should be done, but not what can be done.

Lack of Lithium

A recent study published by Climate +Community Project, an environmental advocacy group claims:

The new demand for metals is a key aspect of electrified transport. Lithium, the most valuable metal for EV batteries, is a crucial component. But the US EV market in 2050 will require three times the amount of lithium produced globally. The expansion of mining would need to meet this surge in demand.

But large-scale mining can cause social and environmental damage, often irreversibly destroying landscapes without consent from affected communities. Some mining is required as societies attempt to transform their energy systems and build new zero-emissions ones. However, the amount of mining is not an abso-

What is a Fire Sale?

lute. It is not clear where the mining takes place, who is responsible for the environmental and social impacts, nor how it is managed.

And researchers acknowledge that the explosive demand for EV batteries will lead to an increase in the mining of lithium. If lithium demand is not controlled, the increased mining activity will cause more environmental damage.

However, the researchers recommend a way to limit lithium demand.

The report shows that the United States can have zero emission transportation and minimize the need for lithium mining. This is possible by decreasing car dependency, decreasing the size of electric vehicle batteries, maximizing lithium recycling, and reducing its dependence on the transportation system.

The US transportation system can be reorganized through spending and policy shifts to prioritize active and public transit, while decreasing car dependency. This will ensure transit equity, preserve ecosystems, respect Indigenous Rights, and meet the demands for global justice (I sound like a real woke player here).

But this prescription does not mention consumer choice. Researchers want to achieve their desired goal through government force, also known as “federal regulation”, to make us all elite.

To put it another way, in order for the elitists to pursue their EV policy goals, all Americans will have to give up the enormous freedoms that every American has to drive a car or truck and go wherever they want. The bottom line seems to indicate that in order to reduce “car dependency”, it is necessary to end private ownership of cars or trucks.

Conclusion

So, in the end, for us to buy an EV to satisfy the government’s edict for zero emissions, may actually require that ultimately, we will not be able to buy any EV’s to satisfy the governments edict.

Go figure.

D. Miyoshi

What is a Fire Sale?

A fire sale is the sale of goods at extremely low prices, typically when the seller faces bankruptcy or other impending distress. The term may originally have been based on the sale of goods at a heavy discount due to fire damage.

So, here is an example of a recent fire sale that boggles the mind.

We have all heard about the economic travails of Credit Suisse Bank and their struggles to survive. Well, the United Bank of Switzerland has agreed to come to their rescue…bless their hearts.

Here are the terms of the purchase.

The current value of Credit Suisse stock is $6.72 Billion

Credit Suisse has under its management, assets worth $1.29 Trillion (a Trillion is a 1,000 Billion)

Credit Suisse has total assets of $500.3 Billion

And the price United Bank of Switzerland will pay for all of this is ………..$3.2 Billion

That’s a Fire Sale!

D. Miyoshi

The End of Dollar Supremacy

The American economy is gravely ill. And from all indications, it looks like it will become more ill before it becomes better……….. that is, if it becomes better.

During our lifetimes the US economy has been at the center of world finance. But like all good things, that economy, and the international system based on it, cannot last forever. Anyone willing to face the reality of America's impossibly enormous debt can see that this is an economy that is seriously ailing. Other nations recognize this and seek to protect themselves—and to take advantage.

The system set up after World War II sought to stabilize international finance around the victor, using the U.S. dollar as the main currency for international transactions. This status brought a high demand for U.S. dollars. It also means that the U.S. has been able to print or electronically create enormous amounts of dollars without the value of those dollars decreasing nearly as much as it normally would have. Adding this asset to the nation's large population, abundant natural resources, advanced industry, dominant military, geographic advantages and other blessings has helped make America the wealthiest nation in world history.

But with these advantages, came a reckless disregard for financial and economic prudence and restraint. In the last few years, it has printed trillions of dollars. Its exorbitant debt has doubled since 2010 and tripled since 2008, surpassing $31 trillion last year. The American government now owes 123 percent of what the entire nation can produce in a year, and still it refuses to make any meaningful cuts to its spending.

The US has long been warned that its reckless financial spending will have consequences, but those warnings have been ignored. As it continues to make financial decisions that are mathematically impossible to sustain, as its government and society become increasingly self-destructive, as its interests clash with those of other nations, and as it uses the dollar-dominated financial system to impose sanctions on its adversaries, the dollar becomes less and less attractive, and alternative currencies and systems become more and more so.

The dollar is facing several threats, any one of which could prove fatal to an already ailing currency. It's possible that more than one of these factors could strike at the same time. Americans should recognize that their economic system and the corresponding prosperity could collapse almost overnight.

But just how close are we to the moment that the global financial system will turn against America?

Beyond Its Means

Following WWII, Americans have enjoyed extraordinary prosperity, and with America's rise, other nations were lifted out of poverty as well. Over the years, however, America has also grown increasingly materialistic.

This spirit of excess and selfishness, financed largely by debt, is one of the main morbidities killing the American economy. And when the economy collapses, so too will the society.

The average consumer credit card balance in 2022 was $5,589, according to Experian. Individuals have responded to rising costs and uncertainty by continuing to live beyond their means. The credit bureau TransUnion stated that total U.S. consumer credit card balances reached a record high of $930 billion in the last quarter of 2022, $145 billion higher than the previous year.

At the same time, the US has unabatedly continued to consume goods and services in a way that feeds its already massive trade deficit. In 2021, America imported $845 billion more in goods and services than it exported. Last year, its chronic deficit rose to a new record high: $948 billion.

What happens when US government institutions can no longer pay their debts to the American public ($24.5 trillion), to other US government institutions ($24.5 trillion) and to foreign nations ($4.5 trillion)? What happens when trillions in imports stop flowing? Financial calamity would result.

Other nations know this and have already begun decoupling from the US economy.

The Decoupling Has Begun

The US dollar was set up as the dominant currency for international transactions in 1944, when world leaders met in Bretton Woods, New Hampshire, as World War II was nearing its close. The Bretton Woods Agreement tied major currencies to the dollar at a fixed exchange rate backed by gold held in vaults. However, the US backed the dollar with less and less gold until 1971, when it abandoned the gold standard completely.

The End of Dollar Supremacy

Today, central banks around the world are again accumulating gold at a rate not seen in more than 50 years. Last year marked a 152 percent increase in acquisition of gold by governments compared to the previous year, which the World Gold Council attributed to geopolitical turmoil and high inflation.

Leading the rush for gold were Turkey, China, India, Egypt, Qatar, Iraq, the United Arab Emirates and Oman. Many of these countries have also expressed interest in joining the BRICS alliance currently linking Brazil, Russia, India, China and South Africa. The alliance controls an increasing amount of gold and roughly a quarter of the world's gross domestic product. And one of its goals is to abandon the dollar.

At the same time, these nations are uniting against US sanctions.

The US has dominated international finance through its currency and its influence in the Society for Worldwide Interbank Financial Telecommunication (SWIFT) and other systems. But US sanctions appear to be losing some of their power.

The US blocked Russia from access to some of these systems due to its invasion of Ukraine, yet in its 2023 forecast, the International Monetary Fund expects that Russia will be economically better off than Germany and the United Kingdom. The report added that sanctions against Russia have failed. Why? *EuroIntelligence* wrote: "Our blunt answer is this: A large part of the world hates us [America] more than it hates [Russian President Vladimir] Putin" (February 2).

Even during a full-scale invasion of a neighboring country, Russia appears to have more friends than enemies. And even its supposed enemies seem halfhearted. Large economies such as Brazil, China and India have remained neutral and have not imposed strict sanctions on Russia. "The world is almost united in condemnation of the war. But when it comes to sanctions, large parts of the world are united in their opposition to the West."

Meanwhile, Iran and Russia signed an agreement in early 2023 to decouple from the US-dominated system and create a system to connect their banks directly and free them from US financial pressure.

Even other Western nations that depend on the US financial system worked to prevent the sanctions early on. Germany, for example, has been accused of preventing serious sanctions—such as cutting Russia off from SWIFT, the main payment method used by businesses around the world.

US enemies—and allies—around the world can see these major signs that US financial dominance is waning.

Since January 2016, the Asian Infrastructure Investment Bank (AIIB), a multilateral development bank, has financed infrastructure projects in the Asia-Pacific region. Headquartered in Beijing, China, the AIIB connects members from over 100 countries and works to undermine the use of the dollar.

The European euro and the Chinese renminbi currencies have been nibbling at the dollar's dominance.

The formation of the eurozone in 1999 greatly reduced the use of the US dollar in Europe. 2023 is seeing a similar trend in Latin America. In January, Brazil and Argentina announced early talks in the creation of a common currency and plans to invite others to join the bloc in the future. Brazilian President Luiz Inácio Lula da Silva promised while campaigning last year, "We are going to create a currency in Latin America because we can't keep depending on the dollar."

Brazil and Argentina are the largest and third-largest economies in Latin America. If this currency is successful, Paraguay, Uruguay and Venezuela (the other members of the MERCOSUR trade bloc) are likely to adopt it as well.

The Bank for International Settlements, called the "bank for central banks," claims that the US system is flawed and needs to be replaced. It started the mBridge technology to connect digital currencies of central banks with one another. Between Aug. 15 and Sept. 23, 2022, Hong Kong, Thailand, China and the United Arab Emirates tested mBridge, which works independently of US-connected international financial systems.

Competing Petro-currencies

Another major factor that has upheld the strength of the dollar is its connection to oil. Most countries use the US dollar as the currency for international oil trade. The foundation for the so-called petrodollar was laid in 1945, when US President Franklin Delano Roosevelt met Saudi King Abdul Aziz Ibn Saud. At the time, trust in the US economy and military was high.

A lot has changed since 1945. "It was the beginning of one of the most important geopolitical alliances of the past 70 years, in which US security in the Middle East was bartered for oil pegged in dollars," the *Financial Times* wrote. "But times change, and 2023 may be remembered as the year that this grand bargain began to shift, as a new world energy order between China and the Middle East took shape."

On Dec. 8, 2022, Chinese General Secretary Xi Jinping signed a strategic partnership agreement with Saudi Arabia, the largest producer of crude oil in the world.

Rules are Made to be Broken

"China wants to rewrite the rules of the global energy market," Credit Suisse analyst Zoltan Pozsar told the Financial Times. He said we may be seeing "the birth of the petroyuan.".

National Interest noted on January 3 that Xi's trip "set off a storm of anxiety in Washington." Saudi Arabia helped strengthen the US dollar. Now it may turn to strengthen the Chinese renminbi instead.

On January 17, Saudi Finance Minister Mohammed al-Jadaan invited other countries to hold discussions for trade in their respective currencies. "Saudi Arabia's recent announcement that the government is open to accepting payment for oil in currencies other than the dollar is a major announcement ignored by the presstitutes," economist Paul Craig Roberts wrote on January 30. "The end of the petrodollar would have severe adverse effects on the value of the dollar and on US inflation and interest rates."

If oil is no longer sold in dollars, then a gigantic and critical chunk of international trade will begin functioning according to the interests of other nations. Demand for the dollar will drop, as will its value.

Europe's Response

The resulting economic upheaval would affect not only the US but also Europe.

"The 2008 financial meltdown was fueled primarily by America's outrageous debt," *Trumpet* editor in chief Gerald Flurry wrote. "Yet what has the US done to correct that problem? Absolutely nothing" (Trumpet, October 2015). Again, the gross national debt that reached a staggering $10.3 trillion in 2008 has since tripled to $31 trillion.

The writing is on the wall. If a debt crisis explodes, the shock waves will once again be felt in Europe.

<u>How will Europe respond this time?</u>

<u>It will respond like most nations do in a severe economic crisis. They will unite together under some form of authoritarian rule.</u>

<u>The mounting pressures on the American economy and the US dollar raise the question: How close are we to witnessing this very crisis?</u>

<u>Maybe very close now. In any case the rise of such a united European power will be only the beginning of trouble for the US.</u>

More on this later.

D. Miyoshi

Rules are Made to be Broken

(or a Competent Board of Directors makes a difference)

All through college and graduate school, I (and everyone else) were taught that when you establish a company or bank, you raise the needed funds to operate from investors and lenders. The investors are the stock holders and the lenders are the bond holders. And, if ever the poop hits the fan for the company or bank, the shareholders are supposed to lose everything and the lenders would divey up anything that is left.

On March 19, Credit Suisse, one of the largest and most influential banks in the world founded in 1856 was taken over and dissolved by the United Bank of Switzerland (UBS). In the process the shareholders were paid their investments in full while the bondholders lost all the money they loaned. This result is counter to everything business students have been taught for the last 150 years or so. Certainly, the Credit Suisse case will become a case study for graduate business schools everywhere.

But after reviewing the UBS buy-out and dissolution process, I realized the result was more of a matter of the application of the adage "rules are made to be broken." The details of what happened are a bit wonky and granular lending themselves to be quite boring to review. But to satisfy those who are interested, allow me to do that.

It all begins with the Basel Accords.

The Basel Accords are the greatest example of bureaucratic "make-work" in human history.

Since The Basel Committee on Banking Supervision (BCBS) was created in 1974, absolutely zero of our myriad financial crises has been prevented.

Rules are Made to be Broken

The BCBS is a part of the Bank of International Settlements (BIS), the central banks' central bank.

Settlement risk was an afterthought in foreign exchange (FX) trading until the Bankhaus Herstatt debacle in 1974.

Essentially, the bank failed to send its USDs to New York in exchange for the DEMs (these are Deutsche Marks because there were no Euros at the time).

As a result, many trades, along with the bank itself, failed. To fix this, the G-10 formed the BCBS.

The BCBS sat around doing nothing until 1988.

As it turned out, the US stock market crashed in October 1987 and the BCBS gained renewed vigor.

The Basel Capital Accords (Basel I) were released in 1988 and concentrated on credit risk. This is because many in the international bureaucracy felt that credit risk, not market risk, caused the '87 Crash.

In January 1996, following two consultative processes, the Committee issued the Market Risk Amendment to take effect at the end of 1997.

In June 1999, the Committee proposed a new "capital adequacy framework" to replace the 1988 Accord.

This led to releasing a revised capital framework in June 2004 called "Basel II." The revised framework comprised three pillars:

- minimum capital requirements
- supervisory review of an institution's capital adequacy and internal assessment process
- effective use of disclosure as a lever to strengthen market discipline and encourage sound banking practices

As we saw later in 2008, none of this stuff worked.

Then Basel III was hatched in 2010 after the abject failure of Basel II.

Then, Basel IV came into effect on January 1, 2023.

<ins>The pattern of all these boring events becomes evident: you write rules; the rules don't work; you take no responsibility; you write new rules.</ins>

So how does this affects banks?

Much of this part is new to me. I guess it wasn't taught back in the 20th century in American business and law schools.

A Bank's "Cap Stack"

A bank's capital stack, or "cap stack," differs from the common stock makeup of a regular company.

Cash is your asset, but to a bank, that's a demand deposit and, therefore, a liability.

Your mortgage is probably your biggest monthly payment but to a bank, that's likely its most important asset.

What regulators make banks do is hold reserves against "risk-weighted assets."

Essentially, a risk-weighted asset (RWA) measures the level of risk a bank's assets pose to its solvency.

A bank's cap stack looks like this:

Credit: Pearson

Rules are Made to be Broken

Common Equity Tier 1 capital is your common shares, retained earnings, and other comprehensive income. If you're a perfect bank, your CET1 would be 12% (everything above the AT1 and Tier 2 capital).

So here is where the problem arose.

The market was very worried about Credit Suisse's Additional Tier 1 component near the bottom.

Additional Tier 1 Capital: What are CoCos?

To get their banks liquid again, the Europeans - who love bonds - came up with the idea of contingent convertible bonds (CoCos).

It's an idea only a financial nerd can love.

Here are three common types of CoCos:

- Trigger CoCos: Trigger CoCos convert into equity when a specific trigger event occurs, such as the bank's capital ratio falling below a certain threshold. These trigger events are usually set by regulators and are designed to ensure that the bank maintains a certain capital adequacy level.
- Mandatory CoCos: Mandatory CoCos have a fixed maturity date and convert into equity when this date is reached. They can also convert into equity if the bank's capital ratio falls below a certain threshold. Mandatory CoCos provide investors with more certainty about the timing of the conversion, but they may not be as effective at absorbing losses during times of financial stress.
- Optional CoCos: Optional CoCos allow the bank to convert the bonds into equity under certain conditions. This gives the bank more flexibility in managing its capital structure but may also make the conversion less certain for investors.

<u>Credit Suisse issued a type of CoCo known as a "principal write-down" CoCo. That means the holder could lose their investment immediately, which is exactly what happened to Credit Suisse CoCo holders.</u>

Writing Down the CoCos to Zero

This is from The Wall Street Journal:

On March 19, UBS agreed to lift its offer and pay a little over $3 billion—less than half Credit Suisse's market value on March 17. Crucially, Swiss regulators would write off $17 billion on the riskiest type of Credit Suisse bonds. The market for these bonds, commonly issued by European banks, was severely hit March 13. UBS would also get a more than $200 billion liquidity line from the central bank, and a government guarantee of over $9 billion against some potential losses.

To get the deal done, the government waived antitrust laws on the grounds that "financial stability" was at stake.

The upshot of all this is the following:

- The Swiss government rewrote its rule book to get this deal done.
- The Swiss regulators buried the CoCo holders with a write-off.
- The CoCo bond market was hammered after this announcement.
- Equity holders got something, though it was meager.
- In an ordinary "order of liquidation," bondholders get paid before equity holders. But because these were principal write-down CoCos, bondholders got nothing, while equity holders got something. That's why the word "lawsuit" is now being heard.
- The backstop UBS was given to buy CS is nothing short of astonishing. If things go as planned, it will be a huge windfall for UBS.

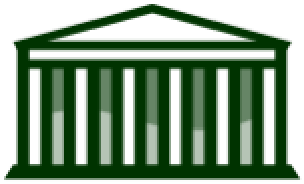
<u>The Swiss are simply making it up as they go. They pass rules and if they become inconvenient, they make new rules more to their liking. I wonder are there any other governments that do that?</u>

Is there a bottom line (balance sheet or otherwise) that can't be changed by the rules?.

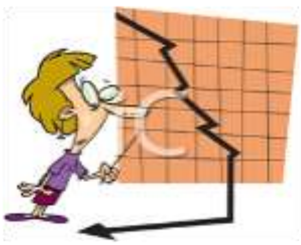
<u>The Natural Way to Regulate Banks</u>

The Basel Accords are nowhere to be seen and because

Rules are Made to be Broken



Advancing in a Time of Crisis



Financial Crisis Report

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

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

they are merely rules, they will be changed.

Credit Suisse wasn't an unhealthy bank. It just made terrible decisions.

The only way to regulate banks is to let them fail.

Of course, the Swiss authorities thought a full-blown financial crisis would ensue, but truthfully, this should have happened years ago. That's when a bankruptcy would have been manageable.

Silvergate, Silicon Valley, Signature, and now Credit Suisse Bank. Different reasons for their bailouts, but it comes down to one thing:

Inattentive, or worse, incompetent boards of directors.

I guess the lesson of this case study is - don't have an incompetent board of directors running your bank (this answer is at least a C grade on a business school test).

D. Miyoshi

Trust and Estate Corner

Often my clients, friends and associates inquire about trusts, wills and estate planning. Therefore, each publication of *Financial Crisis Report* at the end will feature a simple factoid on Trusts and Estate Planning. For more information you may consult my website at www.miyoshilaw.com

Protect against mishandling.

If your beneficiaries don't have the capability or desire to manage the assets you'll be giving them, having trustees manage those assets can solve the problem. A trust will allow access or control those heirs have over their inherited property to be limited.