

The Solari Report presents the Year End Wrap-Up

2010: THE ROAD TURNS EAST



“If you look at the competition for resources globally, the shift of investment eastward means the military has to shift to enforce. Nobody puts money where they can’t enforce. That means as the money moves globally, so the military must; it’s simply the nature of the investment model.” — *Catherine Austin Fitts*



The Solari Report

2010 Year End Wrap-Up

This is our year-end review. This is the time that I like to look back and ask “What happened over the last year?” We are looking for the deeper news, particularly those events and trends that are important to what’s happening going forward in 2011. This is not just the end of the year, but it’s the end of a decade; in fact the first decade of the 21st century, and it’s interesting to think about how much has happened.

The center of economic and financial gravity shifted eastward in 2010. The decade began with North America and Europe leading the planet economically and culturally. It ended with them branded by aging populations, fraudulent financial sectors, and expensive military. The emerging markets, particularly Asia, flowered in no small part thanks to first world investment over the last two decades while Eurasia emerged as the hot spot reflecting the competition of the US, China and Russia for resources.

What was on our minds in 2010? It was the economy, the economy and then the economy. As predicted in last years wrap-up, the Slow Burn continued and unemployment grew. The value of tangibles exploded, including precious metals and agricultural commodities. Silver and gold prices ended the year up 80+% and 27+%. By comparison, returns for the S&P 500 and 30 Year Bond were 12.9% and 5.6%.. A deeper look at the securities market continues to reflect the shift of capital and investment returns to the emerging markets and eastward.

The big surprise in 2010 was the Gulf Oil Spill, a devastating blow to the Southern states and their extraordinary life and environmental resources, not to mention one of the richest sources of economic animal protein in the world. Combined with price increases, changes in US food regulation in the US, continued efforts by the WTO to industrialize farming world wide, and ongoing adoption of genetically modified seed, the centralization of the food system continued at breathtaking speed.

The deeper story is, of course, that geography & demographics rule. They always have, but it was easy to pretend otherwise during the bubble.

The good news is that those of you who took to heart the risks and opportunities we discussed during the last year did a good job of protecting and growing your assets during 2010. You were energized by the opportunities and not drained by events. I have been heartened throughout the year by your efforts and success stories. Our goal is to help you continue to thrive in these changing times. Indeed, the more who do, the greater the opportunity for us all.

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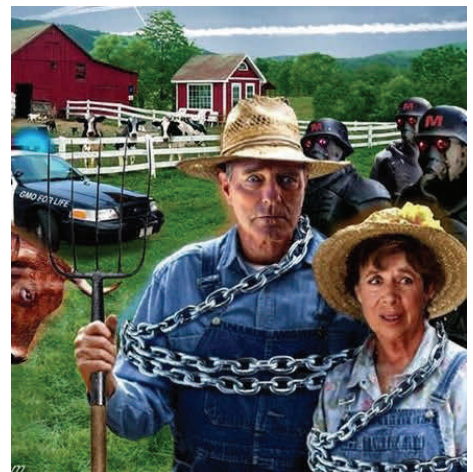
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The Popsicle Index



The Gulf Oil Spill



Food Fascism

The First Decade of the 21st Century

For many of us, the world looked very different when we started this decade. Part of it was that we were in a bubble. I remember I had an acquaintance who had been very successful on Wall Street having going to a top Ivy League school, and I remember her saying right at the turn of the century, “why would anybody care about the Popsicle Index?” She said, “I don’t get that, I don’t understand why anybody would care about it.” Towards the end of the decade she came to me and apologized and said, “now I understand.”

We don’t have the bubble and the bubble income protecting us from facing the deeper trends. We started the decade with computers and courts picking the new US President, and then 911 paving the way for a major global military expansion, including wars in Eurasia, including the war in Iraq and the war in Afghanistan.

One of the reasons we continue to hear and see so much effort to bring transparency to the events of 911 was that it was such an important pivot in terms of swinging the global legal, financial and military policies. Those changes in combination as they played out through the decade have had a dramatic impact on the governance systems on Planet Earth. We are watching the creation of a permanent global war economy marked by day to day control that’s exercised by banks and corporations, rather than sovereign governments.

Financially, we’ve experienced during this period an explosion of derivatives and financial fraud. It’s really the full blossoming of a

profound separation of the financial economy from the real economy. The whole process came to a fore with the failure of Lehman Brothers and the bailouts. People around the world who just assumed that the central banks would make good discovered that they wouldn’t always, and that the value of their assets was subject to this great game of economic warfare going on around the planet.

What has happened during that period of the 90’s and through the bailouts, as an economic matter, is the equivalent of the entire retirement savings of a generation of Baby Boomers in Europe and North America literally has been shifted out of government, out of institutions, and into a select group of private interests. Now the manner in which this is done has been complex, but the essence of it is simple and that picture is starting to emerge.

We call 2010 the year that that the roads shift eastward. That’s because a lot of that money was re-invested in the emerging market with an enormous concentration



The Popsicle Index

To help people understand how the global financial system affects their well being, I came up with a very simple quality-of-life index based on one question: what percentage of the people in your place believe that a child can leave their home, go to the nearest place to buy a popsicle or other snack, and return home alone safely?

Your answer gives you the Popsicle Index or Solari Index of your place.

The Popsicle Index is the percent of people who believe that a child can leave their home, go to the nearest place to buy a popsicle or snack, and come home alone safely. For example, if you feel that 50% of your neighbors believe a child in your neighborhood would be safe, then your Popsicle Index is 50%. The Popsicle Index is based on gut level feelings of the people who have intimate knowledge of a place, rather than facts and figures.

The purpose of the Popsicle Index is to inspire continuous conversation and learning in every neighborhood and village on earth about what it means to feel safe and secure where you live and work, to be physically free to wander and roam without concern and to identify and shift the people and things that contribute or drain that feeling.

“The Main economic policy of the Administrations has been subsidies for capital, and not for labor.” - Lawrence

on Asia. We’ve seen two decades with big financial bets on Asia by capital coming out of Europe and North America. As a result, we’re starting to see the real shift in economic power move. A lot of people in North America had not understood what the World Trade Organization and the trade agreements of the 1990’s were going to mean to the middle classes in the First World. The impact became apparent in 2010. A lot of the response that we’re seeing from the Tea Party movement and a growing anger at the grass roots reflects now that the facts are becoming apparent.

2010 was also a time when we saw the BRIC nations as part of the G-20 leadership outside of the G-eight nations really flex their muscles vis.-a-vies the US, and real expression globally of the frustration of the collective nations being called on to finance the US military and global empire through the federal financial mechanism of currency and sovereign debt.

We heard a word a lot in 2010 that we’re going to hear a lot in 2011, and that was “re-balancing”. It’s sort of a nice word to tell the US consumers that the corporate infrastructure intends to replace First World labor and consumers with emerging market labor and consumers, and that’s what’s happening.

As a result, the unemployment is growing - and its growing world-wide. It is a fundamental shift in the relationship between labor and capital, which is one of the deeper trends. A great quote that we had up on the blog this year came from Larry Lindsay, former Governor of the Federal Reserve, booted out with the Secretary of Treasury from the second Bush administration. Larry said in September:

“The main economic policy of the Administrations has been subsidies for capital, and not for labor.”

And that’s a fact; what the bail outs have been is a tremendous subsidy for capital and not for labor, and what the Trade Organization agreements have done is the same thing. They have completely reengineered the rules between capital and labor.

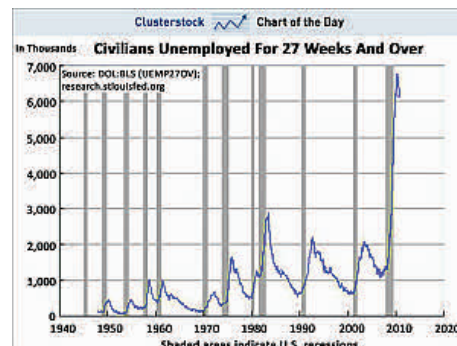
The emerging markets, particularly Asia, have flowered in no small part thanks to some of those developments. At the same time, as we move the money eastward we also move the military to protect those investments. And so, given the boom, it is not surprising we see major action in competition for resources globally and particularly in Eurasia. If our money is going to trend eastward, then the military is going to trend eastward to protect it.



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We are watching the creation of a permanent global war economy marked by day to day control that’s exercised by banks and corporations...



The corporate infrastructure intends to replace First World labor and consumers with emerging market labor ...



As we move the money eastward, we also move those investments.

Top Trends and Events of 2010

These fourteen trends and events define 2010 and are critical for understanding what's going to be happening in the upcoming year.

#1: The Economy

New poll surveys from Rasmussen's of likely US voters shows the economy listed as the most important issue. The economy is considered "very important" by 87% - that's up from 82% in October. As predicted in last year's wrap-up, the *Slow Burn* continued and unemployment

grew. Expect all of those to continue in 2011.

The economy is going to be at the top of everybody's concerns and this is not going to be an issue that's going to be simple or easy. It's going to be a major topic of discussion, and its not going to go away.



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#2: Financial Coup d'état: Hey Ho, the Status Quo

What came out in full force in 2010 is that - after all of the financial fraud and corruption that was brought to the fore in 2008 and 2009 by the takedown of Bear Stearns and Lehman Brothers and massive losses by investors from fraudulent paper - it was clear that the mortgage bubble had involved a great deal of fraud. The Fed and the Treasury literally papered over the problems, shifting all of the losses to the taxpayers. Then after twelve trillion dollars in bailouts, there were essentially no indictments, and no meaningful recaptures.

Now we're seeing record 2010 bonuses for Wall Street and the game goes on. As I said after Iran Contra, "crime that pays is

crime that stays." What we're watching is crime that paid and is continuing.

We saw in 2010, the development of what everybody now knows as the Flash Crash. Speculation by Max Kaiser and others was that Wall Street had blackmailed Washington in the middle of the final round of negotiation on the Financial Reform Bill (wouldn't surprise me if that's true). The Financial Reform Bill ended up with no real teeth - just scores of make work for a lot of financial institutions big and small, as well as plenty of companies big and small. But the Flash Crash left a very bad taste with investors because, ultimately, financial markets depend on the rule of law. You're left

with a real feeling of a lawless situation.

The foreclosure fraud and servicing fraud turned out to be the new game on housing even after the Fed and Treasury took the banks out in an amount greater than the principal balance of 100% of all the residential mortgages in the country. That wasn't enough, the banks and their servicers continued to engage in significant foreclosure fraud (a big story in the fourth quarter). Again we see the financial coup d'état continuing and the financial fraud as a major business continuing.

One of the most prescient comments of the year in a major trial balloon was Bill Clinton when

asked what he thought of the efforts by the SEC to enforce against Goldman Saks (who got off, I would say with a tiny slap on the wrist, given the real issues at hand). “The problem with the Goldman deals is not that they were illegal,” and he didn’t address whether they were or not, “but that that much money and time and talent had gone into doing something that added absolutely no value to the real economy”, and then pointed out that a lot of this was happening because we got away from a gold standard, which I thought was quite an important trial balloon. His comment was right.

We are supporting an enormous and very expensive financial sector that is not adding to the real economy; in fact, one of the big-

gest tensions this year in the G-20 was we have real economies; growing economies (Brazil, is a perfect example) that need currencies and different financial arrangements to trade and conduct a real economy. Their efforts to conduct a real economy are being hamstrung and hiccupped by the desire of a variety of financial speculators to use those vehicles for financial speculation and economic warfare.

There's a real tension ultimately that impacts every nation and every institution, and that is - “Is our financial system designed to engage in basically running a lottery and engaging in warfare, or is it designed to facilitate markets and trade?” So far the speculation and the economic warfare is winning.



“The problem with the Goldman deals is not that they were illegal,” but that that much money and time and talent had gone into doing something that added absolutely no value to the real economy.”

-Bill Clinton

#3: Tangibles Explode

You’ve often heard me quote Jimmy Rogers at the New Orleans Gold Conference. Somebody asked him if he was worried about peak oil, and he looked at them over with his little pink bow tie and said, “forget peak oil, it’s peak everything.”

Well what we saw this last year as the central banks and the Federal Reserve engaged in another round of quantitative easing and tremendous debasement of the currencies, was an explosion in the price of tangibles that really delivered that message that we’re

in peak everything and that bubble economics is not going to paper it over.

We saw silver and gold up 80% and 27% respectively. If you look at the price of gold and silver in hundreds of currencies around the globe, it’s the same story over and over again. If you look at any one of those hundreds of currencies, what you are seeing is that this is a global movement and it’s against all paper currencies.

An even bigger explosion came in agricultural commodities. We

saw cotton and soy beans up tremendously, in combination with the efforts to control the food supply, it’s painting a very serious picture for people around the world because the price of food obviously has a profound impact on quality of life everywhere. We are going to talk more about that when we get to food.

A lot of action we saw on gold supports my contention that the suppression of the gold price has been part of the process of privatizing gold stores on the way to returning to a system with gold at the heart of a new global

#3: Tangibles Explode *(continued)*

currency system.

One of you up on the Teleseminar software, where again you can post questions said, “could the drop in the gold price be a last ditch attached to discredit gold.” I don’t think so, I had predicted that gold would end at 1350 (it ended the year slightly above 1400). I thought the central banks would hold to a 25% price rise, instead they appear to have held the line at 30%. I think there is a desire to see gold rise, but in a managed process, and so they’re letting gold rise but trying to keep it from accelerating too quickly. What’s interesting is if you watch the patterns of rise and consolidation in the precious metals market over the last ten years, what we’re now seeing is a much more broad based market. It’s a much deeper market, there are a lot more players; you have

interests around the globe, and that’s the basis of a more significant global long-term market, which is what Franklin and I have talked about the Precious Metals Market Report on the Solari Report all year long.

We had an interesting blog post by Paul Ferguson; he’s noticing the same thing happening in the junior miners when the Canadian markets weren’t trading; watching significantly more volume in the junior miners, again indicating much more global interest in precious metals. So no, I don’t think the price drop is a last ditch effort, I think that the powers that be anticipate a rise in gold price, but they want a managed process, and they understand that there’s a lot more that they can do with managing the currency; there’s a lot more value to be gathered there.

We did twelve (12) Precious Metals Markets Report on the Solari Report in 2010 with Franklin Sanders; we had James Turk on as well. We expect to do the same next year. Precious metals is at the heart of repositioning your assets, and its going to be at the heart of what happens with the currency system, so its important to building family wealth and to our wider community and networks.

We also did three (3) special written Solari Reports: one on the gold and silver ETFs, one on Storage Options (when we tell people to make sure to stay out of the ETF’s; we wanted to make sure they had plenty of options at their fingertips), and finally we did a Special Report on the US tax issues for moving positions from unallocated to allocated positions because more and



more is that people are worried about the integrity of their depository arrangements and, consequently, looking to move to an allocated position.

I made a bet with one of the investment advisors that I work with on the S&P 500 and long bond, as well as precious metals. He won the precious metals, I was too low, and to my amazement, I won the long bond and the S&P 500, both because they reflected my belief in the Slow Burn. Compared to tangibles, the S&P 500 and the 30-year bond had investment returns of 12.9% and 5.6%.

Those numbers can be misleading, as a deeper look at the securities market continues to reflect that shift of capital and investment returns to the emerging markets and eastward. Gold looks great until you compare it to the Indonesia stock market. Then you're reminded that significant enterprise and making real things of course adds more economic value than putting metal in a vault. Expect this year more big splits in stock market performance between those areas that reflect aging demographics and those that reflect young populations.



Precious metals are at the heart of repositioning your assets,...



Expect this year more big splits in stock market performance ...

#4: The Weather Gets Weirder

Nothing is more frustrating than trying to get accurate information about what is happening to the climate and weather on our planet and around it in the solar system. Whether our weather is being impacted by our rotation through the galaxy or by man made influences, whether its environmental damage or stress, or weather control and weaponry, there's no doubt that we're dealing with unusual and unpredictable weather and its causing uncertainty in our lives and in the economy.

We did a series of three Solari Reports on Chemtrails and one on HAARP to educate you about the issues of geophysical engineering and the possibility of weather warfare. We're going

to do more on these topics in 2011, because I think unusual weather patterns is something that's going to impact us all. For me it's been roof repairs, power outages and the price of food. For those who lived in New Orleans it was something much more dramatic. However, no matter where you live and what you do, it's going to thread through every part of our life and the economy.

I should mention it was funny that I called 2010 *The Road Turns Eastward*. National Geographic published an article that is up on the blog saying that the Earth's North Magnetic Pole is shifting from Canada to Russia at a speed of 40 miles a year. So just as the investment capital

is moving so is the North Magnetic Pole, I wonder what the connection is. There has to be one.



...there's no doubt that we're dealing with unusual and unpredictable weather and its causing uncertainty in our lives and in the economy.

#5: The Gulf Oil Spill

The Gulf Oil Spill was the big surprise in 2010. It was a devastating blow to the Southern states. It was a devastating blow to their extraordinary life and environmental resources, not to mention one of the richest sources of economic animal protein in the world.

One of the things I try to remind the people who promote collapse scenarios is that every year the earth just gives forth a huge harvest. If you live in a farming community, you really begin to realize the extraordinary nature and the bountifulness of the gift of harvest every year. The harvest of fish and wildlife in the Gulf is incredible, and to lose that source of literally free and bountiful animal protein and one harvested by thousands and thousands of small entrepreneurs has frightening implications to the North America food supply and the global food supply.

We did a Solari Report on the *Manipulation of the Oil Markets* right before the Gulf Oil Spill with Jim Norman whose book *The Oil Card* if you haven't read, its really one of the contenders for best ten (10) books to help you understand the 21st century. We had him back after the spill to talk about what was happening in the Gulf. We then had Riki Ott, who was the fisherman in Valdez who became a leader of the local response to the Exxon Valdez spill

and was part of the litigation against Exxon for years, and so when the spill happened went to the Gulf to teach them what she had learned and to help out.

I said at the time that I thought that there was a 70% chance that the explosion was intentional. The more information that emerges the stronger the circumstantial evidence is to support a covert operation causing the spill, including a need to shut down significant supply coming from the Gulf, if we were to keep oil and gas prices high this year. Again, as we described in our interview with Jim Norman, a high price is critical in terms of checkmating China's power and managing Russia; so there's a deeper and more complex story, if I'm right.

The management of the spill was almost as disturbing as the spill itself. We watched BP stock plummet. We saw, for the first I've ever been aware of, a corporation declare a dividend and then cancel it. Then we saw, and I believe it was happened as many members of the US leadership gathered at the Bohemian Grove, literally the powers say "shut this thing down, we can't afford this." I suspect it was not just because BP was going to go under and wipe the shareholders out. Given who some of those shareholders are, we're talking about very significant financial interests.

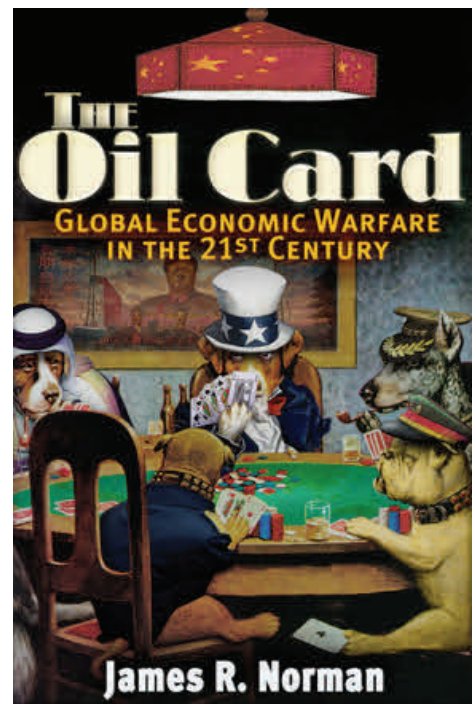
A bankruptcy of BP or the US



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Its one of the contenders for best 10 books to help you understand the 21st century.

subsidiary meant very serious ramifications for the bond and the related derivative markets, both in fixed income and in oil and gas. I think it was fear of what could happen in the derivative market and the ripple effect that got the media and government to shut down any ongoing transparency

and had everyone suddenly saying in an Orwellian manner, “everything is now fine, and the Gulf is fine, life in the Gulf is fine, and the economy is fine, the ocean is fine.”

And so we’re left with this horrible feeling yet again of not know-

ing what has happened and why and what it means going forward. We could spend an enormous amount of time trying to get a handle on what’s really happening, and still not know; but it’s not good - it’s serious and I think the ramifications are going to be with us for a long time.

#6: An Invasive Combo: Technology and Regulation

We spent a lot of time talking in 2010 about invasive technology and how to protect yourself against it. We had Bob Sullivan, the top reporter in the country on Identify Theft and then Katherine Albrect, a real leader on invasive Spychips technology (great book *Spychips*), who advised us on how you protect yourself from that kind of invasive technology.

We wrote two special reports in response to your questions on the US Census, both what it was and then what the risks of enforcement if you decide not to respond to the Census.

We also covered a lot about the health care databases and efforts to build a National Health Care Database in connection with our coverage of the health care bill, following up on my article The Data Beast from the year before.

Whether it’s the government listening on phones and through the internet or strangers stealing your digital identity, we are entering a world in which there is zero

privacy.

This is a time to be impeccable with your compliance. You should assume that everything that you do and say is known and understood. There are no secrets. That’s on the negative side. On the positive, Wikileaks was a reminder of the power of transparency and what the Internet can do. Whether wikileaks was a grass roots effort, or used by various factions dishing out on each other, this kind of transparency and leak warfare by various factions ultimately can also have a healthy effect.

An example of an interesting wikileaks impact was what happened to Hillary Clinton. We saw Hillary Clinton’s name being floated as a possible replacement for Gates at the Department of Defense. We even had Newt Gingrich saying, “Oh, I think Hillary Clinton would make a great Secretary of Defense.” Suddenly Wikileaks reams Clinton in an extraordinary and unbelievable way who then announces that

Secretary of State is her last position in government, she’s not running for President and is going back to the private sector to help women and children. Don’t be surprised to see more efforts to control the Internet in 2011.

One of the great ‘ah ha’ moments on the Solari Report in 2010 was Nora Gedgadous from Oregon talking about her efforts as a neuro-feedback practitioner. She is now having to train people at lower and lower brain wave levels because something is causing them, (no matter if they live in rural areas, urban areas, suburban areas) to be jacked up in a permanent state of “fight of flight” mode. While she can’t say what’s causing it, we all suspect electromagnetic pollution. We talked a little bit electromagnetic pollution in connection with chemtrails and HAARP, but there’s a lot more we want to talk about in 2011. Protecting ourselves from electromagnetic pollution and coping with it is something that’s going to be important.

#7: Disaster Capitalism and the Haiti Earthquake

I have to mention the earthquake in Haiti as one of the most memorable events of the year, both because of the heartbreaking death and suffering as well as the glaring examples of disaster capitalism. If you have not read Naomi Klein's book *Shock Doctrine: The Rise of Disaster Capitalism*, I encourage you to do so. We can't change the predatory economic model until we can see it, and Klein has done an enormous service for all of us by helping us see it in all of the cross-cutting parts.

Needless to say, the retail stores (I

was amazed), were ready and waiting to take donations for the Haiti earthquake in a frighteningly brief time. I would remind you in 2011, because this is going to happen again, don't fall for it. Only give to the people you know and trust and don't give to foundations which are fronted by former Presidents. The chances are you will be financing more Disaster Capitalism, and again expect it to happen in 2011. It's one of the ways that they keep the Slow Burn continuing; when you need to enrich yourself with new natural resources and other resources, you just steal them.



...heartbreaking death and suffering as well as the glaring examples of disaster capitalism.



When you need to enrich yourself with new natural resources and other resources, you just steal them.

#8: Sovereign Debt and Debased Dollars 'Kick the Can' and 'Hot Potato'

We're going to see two things happen again and again in the sovereign debt world – 'hot potato' and then 'kick the can'. We are going through a period, this is all a part of financial coup d'état, where assets are being moved out of communities and governments into corporations at below market prices. So corporations are getting a backdoor windfall. In addition, liabilities are getting moved back into government without government being adequately compensated to take them on. Governments issue more and more debt, and that money tends to pour into keeping the game going, and

pouring more money into corporations as the cash flows shrink (part of shifting from government to corporations). It is through these various mechanisms that this shift of control and power between corporations (and I would include banks), and government has been happening. Now what this leaves is sovereign governments around the world, and in the US, the states (that have enormous debt loads), and as the bubble wears off, the incomes are dropping and that debt becomes harder and harder, and more and more expensive to carry. And it's not just the debt

in the US and Europe, it's the contingent liabilities, particularly for the retirement benefits for aging populations.

Added to this debt game is the global frustration with the fact that the US dollar is in essence a taxation system, and US Treasury financing is a taxation system to fund the military. We're basically amortizing our military expenses around the world. People take dollars or treasury bills and then they go down in value as a result of the debasement. That is essentially what's funding the military. So everybody's financing the military that's got a gun pointed at

their head making them buy more dollars and treasuries.

For many years now, we've had a bull long-term bond market, and its drawing to a close as we now sit up to our eyeballs in debt. Everybody is trying to figure out if the cash flows drops, where's the 'hot potato' going to go next. As the cash flow drops you have a situation where the debt can't be serviced, and then you've got to work out or do something, and that's where the 'kick the can' comes in. The workouts usually, rather than facing the fundamental issues, everybody gets together prints more money and kicks the can down the road.

Central banks can debase the currency, and so that means we go from bull market in the bond market to one in tangibles and some equities. So a lot of what we saw in tangibles and equities was not a rise in their values, it was just a fall in the value of paper currencies.

In 2011 what we're going to see is a real question of winners and losers around the globe. Who's going to win at this 'hot potato, kick the can', game in terms of governments? Part of the issue is that the debt is not really a financial system at this point; it's a control system, by which a few outsiders can control through the dependency on debt the governments as they get weaker and weaker. In the US, the big issue will be state and local government. We saw Meredith Whitney

late last year predict a lot of bankruptcies in state and local government. Joe Mysak of Bloomberg, came out and said, no, she's being too aggressive – in fact state and local government aren't going to default on the bonds, they're going to protect the bondholders, what they're going to do is default or reengineer their labor deal and their pension benefits. But that's the question: who's ox is going to get gored? Is it going to be bondholders; is it going to be pension beneficiaries, it is going to be labor; is it going to be the taxpayers; or is it going to be all of the above?

What's going to come up in these issues is the state and local government struggle with tenth amendment issues. A lot of the expenses at the state and local level reflect mandates from the federal government, or things that the federal government is doing to make life infinitely more expensive for the households, and the communities, for the counties, for the states. The tenth amendment issues are going to come up; the county enforcement issues are going to come up. That's why we had a Solari Report on Who's Your Sheriff?, because many people two years ago did not really understand what their local sheriff did, or why he was important to them. In fact what they're going to discover is that real leadership in your local sheriff, and your local officials could make an enormous

difference during this period. The state and local issues are going to cause a lot of tension, and one of the other issues that this will bring to the fore is why can the Central Banks for the federal government just print paper, why can't the states.

We saw in California, when California tried to issue script to deal with the budget, JP Morgan, Chase and the big banks refused to take it, and then basically held the state over the barrel and said, okay we'll give you a loan. What they were saying is that we won't let you finance yourself, but we will finance you; you have to essentially pay us essentially a toll booth fee to get financing. Well the reality is that California can finance itself on its own credit; it doesn't need the banks, it needs the banks to transact. That fundamental issue of why should the banks control not just the currency but the ability to transact, which they do through the Federal Reserve, and why a sovereign state can not – and be held hostage by a private bank - is going to come up.



what we're going to see is a real question of winners and losers around the globe.

#9: The Obama Myth Evolves

The low point of my year in 2008 was listening to Joan Baez and Caroline Casey on Caroline's radio show, compare Barack Obama to John F. Kennedy. One of the reasons, if I didn't believe in entrainment and subliminal programming before the Obama election, I certainly would have after the Obama election. The extent to which we developed incredible fantasies about the extent to which one president of the US could reengineer a 500-year-old investment model against the wishes of the most powerful interests of the world; and without inconveniencing the average person or their cash flows was amazing.

To say that it was a fantasy is to be kind, and yet it was one that seemed to capture our imagination. What we've seen in 2009 with the *Year of the Great Vampire Squid* is it beginning to dawn on people in the face of twelve trillion dollars of bailouts, that real change was not something that President Barak Obama would or could do and this was a deeper change and a deeper struggle.

What we saw in 2010 was a Health Care Bill passed with the majority of people in the country being opposed to its' passage. Not to say the different provisions did not have support, but we now see 60% of the country want repeal, we see the specter of invasive technology, and the pleasing of drug and insurance companies on many issues, as opposed to what people basically need. If anything, the Health Care Bill cost the Democrats the House in the 2010

election. Yet it is amazing to see how popular Obama continues to be in many parts of the population.

Prediction - If you look at how much President Obama has done for the pro-centralization team and the extent to which he has delivered everything that the banks wanted and could dream of, I can't fathom why they would let another candidate win in 2012. The President has put an attractive and intelligent face on the worst centralization that not only we have ever seen, but which many of us can fathom. At the same time, what we're watching, and is hopeful as he continues to engineer the process for the pro-centralization team, is that many of us are beginning to face the need for a much deeper change as we understand the fact that the President literally cannot deliver real change alone.

Prediction:

President Obama will win in 2012.

The election will begin in 2011;

its going to be with us for a long time.



...it is amazing to see how popular Obama continues to be in many parts of the population.



... a Health Care Bill passed with the majority of people in the country being opposed to its' passage.



The President has put an attractive and intelligent face on the worst centralization that not only we have ever seen, but which many of us can fathom.



...many of us are beginning to face the need for a much deeper change as we understand the fact that the President literally cannot deliver real change alone.

#10: Food Fascism

If I had to say there was one trend that I thought was most important (this would be a more important fact than the economy, and it's one of the drivers of the economy) and that is what I call food fascism. Food freedom, the freedom to grow your food, the freedom to have good high quality fresh food is the basis of freedom. If a small group of people can control food, it literally is the end of freedom.

What we saw in 2010 were very dramatic, accomplishments in the area of asserting global control of the seed supply, the water supply, and the food supply. It continues to support my contention that food is the candidate to replace oil as the asset behind a new global currency. You can't have a powerful currency without controlling the trade in tangibles.

For the dollar it's been oil, the question is what's it going to be for a new global currency. We could have a gold standard behind the SDR System at the IMF level, but for control and to enforce that currency and the use of that currency, you need something that replaces oil. I think its food, and I think that it is one of the reasons that we're seeing such extraordinary efforts to con-

trol and debase the food supply.

Price rises are a part of that, but also, as I mentioned, the Gulf Oil Spill; the WTO efforts continue with the Doha Round of GATT to engineer agriculture into an industrial model globally.

We're seeing corporations buying up water and farmland around the world. The Food Safety Bill has happened in the US, and finally we see many more rumblings of Codex rearing it's head internationally in a way that could come to the US. One of the topics that we're going to be talking about in 2011 is Codex.

Insuring that you have a high quality fresh food supply - there's nothing more important. The continual reports of genetically modified food and what it can do to sterilize the second generation, or to literally weaken our minds and bodies are absolutely chilling.

If you haven't, focus on how you make sure that you're going to provide an excellent food supply on an economic basis to your family, this is something that we spent a lot of time on in the Solari Report in 2010 and in 2009, but we're going to be doing it again in 2011.



...the freedom to have good high quality fresh food is the basis of freedom.



You can't have a powerful currency without controlling the trade in tangibles.



If you haven't, focus on how you make sure that you're going to provide an excellent food supply on an economic basis to your family

What we've seen in 2009 with the year of Vampire Squid, is it beginning to dawn on people with twelve trillion dollars of bailouts, that it was not something that President Barak Obama could do and this was a deeper change and a deeper struggle.



#11: The War in Eurasia

The wars in Afghanistan and Iraq continue. Expect the military presence in Eurasia as really a permanent presence. If you look at the competition for resources globally, the shift eastward of the investments means the military

has to shift to enforce. Nobody puts money where they can't enforce. That means as the money moves globally, so the military must; it's simply the nature of the investment model.



Expect the military presence in Eurasia as really a permanent presence.

#12: Aging in North America & Europe The Exit Game Cometh

10,000 Americans turn 65 every day; the same dynamic is going on in Europe. This is going to have a profound impact again on every aspect of our life. It's going to have a profound impact on the deficit because as those Americans retire, they're going to be drawing on Social Security, and Medicare and Medicaid. What we're watching in the federal budget what you see when you look in the US debt clock, you've got the interest on the national debt, you have the military and then you have Social Security, Medicare and Medicaid, and in combination they're a pig trying to go through a snake.

In 2009 we talked about the documentary *Maxed Out*, a wonderful documentary about the consumer debt problems in America. Elizabeth Warren gave an interview

and spoke about how she had tried to talk with legislators about what we were going to do to provide for retirements and basic social services for the middle class. As the savings was dropping, we had these various financial problems, and the debt was rising. She describes them ducking the question by smiling and walking away as she realized that there is no exit game, there is no speakable plan. Let's kind of roll off of the cliff. The reality is that we're here now, because if you look at the numbers that are retiring...it's here.

This also has profound implications for the culture. People as they age need more services; they have a different point of view. This is going to be an issue that gets more and more important in 2011; and more important for some time to come.



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People as they age need more services; they have a different point of view.

#13: Space

The Breakaway Civilization and the Final Frontier

One of the best books you could read for the 21st century, is Richard Dolan's book on the national security state. We had an interview with Richard in the Solari Report in 2010. If you haven't heard it, I really recommend that you go back into the archives. It's his second book on UFO's and the national security state. It's very long. I said to somebody the other day, its almost more important to read the first and the last chapter ten times than to read the entire book because he does such a remarkable job of summarizing what has happened in America.

You have a small group of people, Richard termed them the

Breakaway Civilization, who by various covert means that we've discussed on the Solari Report over the last two years, have financed a whole new generation of technology and weaponry (a lot of it invisible weaponry) and they literally have stolen so much money and have gathered so many resources that they have become a *breakaway civilization*. They don't feel obligated to socialize with us. They don't feel obligated to follow the laws of any particular sovereign government. They are a civilization unto their own, and they have the money and power to back it up.

One of the wild cards that we're looking at for 2011 is what is the

breakaway civilization going to be up to. I continue to believe that a significant amount of money is not just going eastward into Asia, but is going into space. Space is the final frontier; space has all sorts of opportunities for mining, for colonization. I think that we're making very big bets in space. Increasingly they're corporate investments, even though government and taxpayers are paying for it. Equally frustrating to our situation with the weather, is trying to get information on all of this, Information or no, expect to see continual discussion in 2011. As things change, we're going to be asking more questions.



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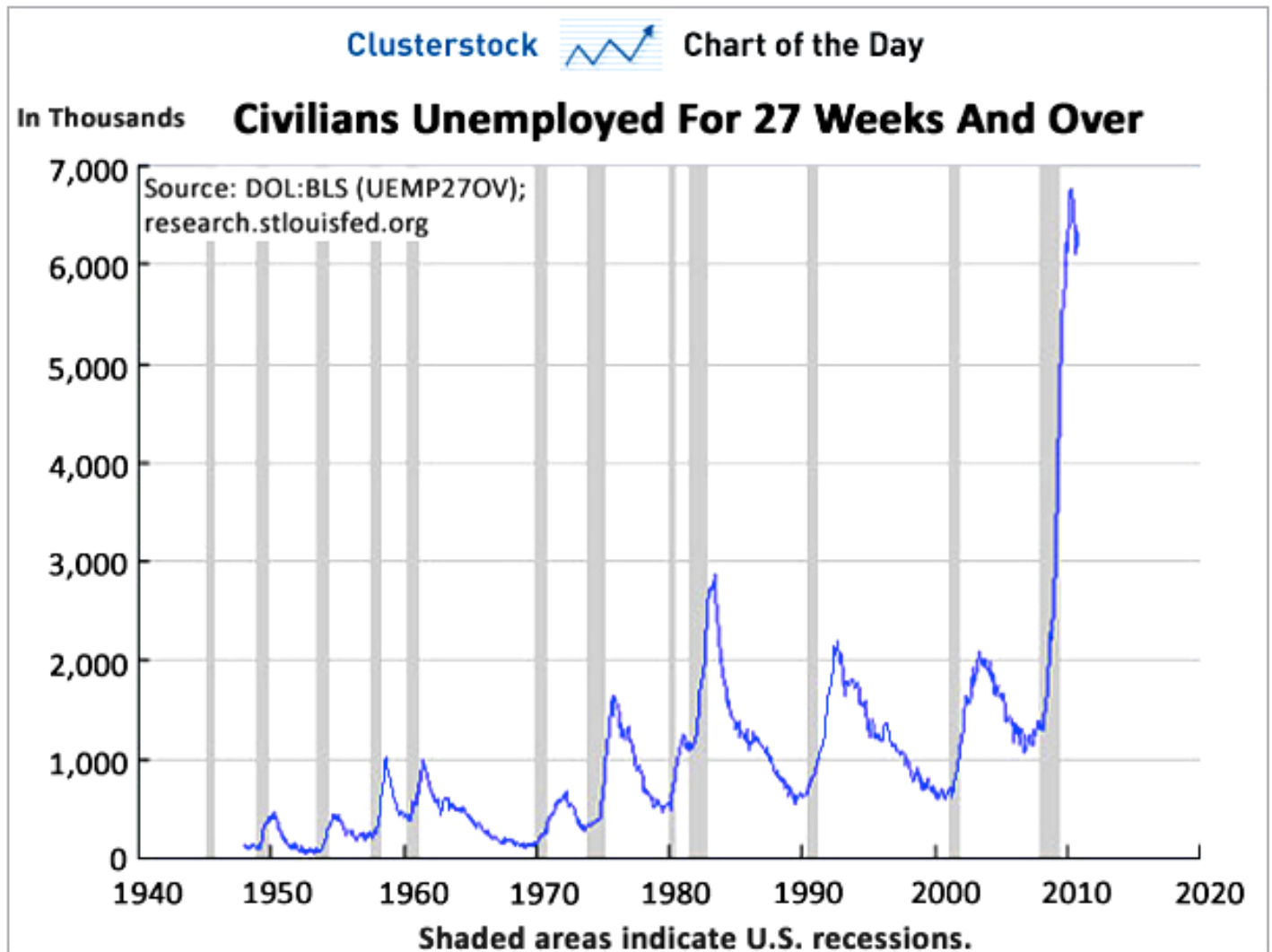
#14: Vertical Charts Call for New Story

If you look at charts on unemployment, if you look at a variety of different charts, graphics that show you or try to describe economic or different phenomena in our society, what we're seeing is we're not just in another recession. We're not just in another depression. We're not just in another cycle of the industrial economy. In fact, we are leaving the paradigm that we've been in since World War II, and we're going into something new.

We're not just coming out of a down cycle; we're in a whole new story. I think that as people look at those charts, particularly the unemployment chart, they're starting to begin to say, 'you know I need to make other plans'. I think 2011 is going to be a year where those discussions are happening more and more, whether it's the weather, or the official explanations.

We saw stories over the last week about birds dying in mass in Arkansas, Kentucky and other

places around the world. Suddenly flocks of birds (thousands of birds) dying at once inexplicably. We got an official explanation that it was the sounds from the fireworks coming from the New Year. Of course if you look at that explanation, you think, 'now that's really strange'. As the weirdness increases, we're going to see more and more people looking and saying, we can't wait for a new president, WE'RE going to have to write a new story.



My Predictions - How Did I Do?

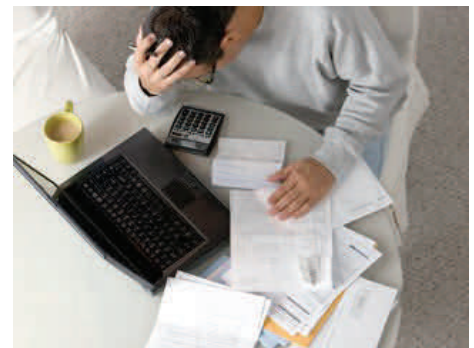
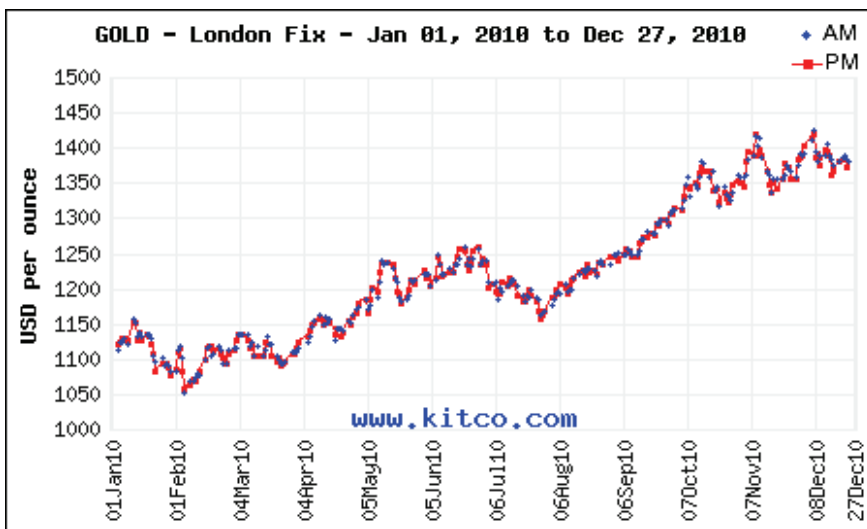
I said that there was 70% chance of Slow Burn, a 20%-25% chance of another 2008 serious hiccup, and about 0-5% collapse. It was interesting; I spent a lot of time in 2010, with both clients and subscribers having to beat back fears about collapse. A lot more people were more afraid of collapse than debasement. And yet, being drained by debasement and the vicious inflation of the slow burn is the much greater risk.

Slow burn we did.

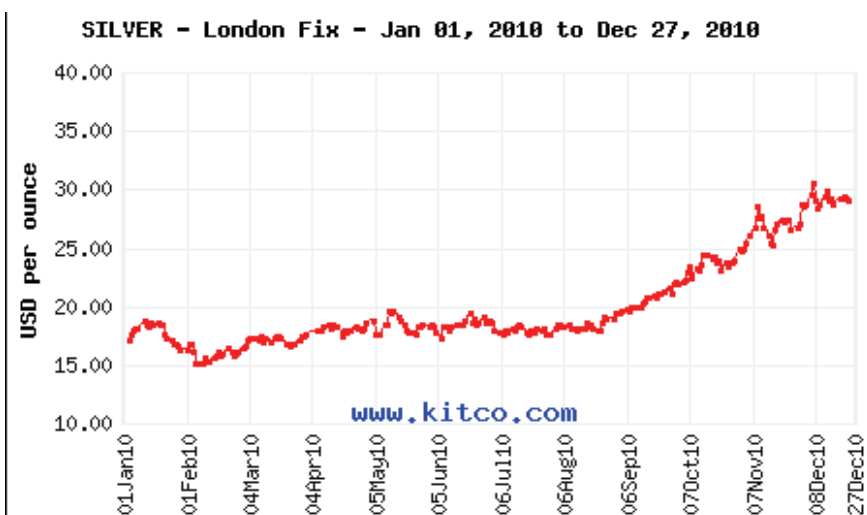
I said gold would end at 1350 for the year. It ended a little bit above 1400. I was assuming that the central banks would slam it back down to 1350 towards the end of the year; they didn't. I thought the central banks would hold the line at a 25% price rise, although if you looked at fundamental economics there was a reason to believe that we'd get a much larger price rise. I just didn't think they would let it go

above 25%. They held higher at 30% and I was a little surprised to see them let it go that high, but sure enough they did. Gold came in a tad above 27%. Obviously silver did much better, but silver had lagged tremendously. I had said that silver would have a great year, but it went way beyond my expectations.

I said unemployment would rise and the economy stay front and center; sure enough it did.



...being drained by debasement and the vicious inflation of the slow burn is the much greater risk. Slow burn we did.



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Solari 2010 Heroes

In every Solari Report we pick a hero. This year there were many heroes to choose from.

The winner is a tie between the people of Iceland and the miners and people of Chile.

The Icelandic response to the financial crisis was absolutely transforming, and heartening. It's an amazing story, a story of great leadership; the kind of leadership we need. I had a deputy at HUD who used to stay "in the destruction of the old, let there be the creation of the new." One of the things the people of Iceland have done is instituted new laws to promote independent journalism and transparency. They are a beacon of light for all of us; and so I send my best wishes and blessings.

The other group is the Chilean miners & Chilean people. The miners are alive as a result of leadership, team work, a refusal to give up hope; not only by the miners, but the political leadership and the general population. It was another extraordinary story of leadership - the kind of leadership we need. There's nothing more important when you're out on the prairie than leadership; you can't

wait for the US Marshall to show up, if they ever do. And you may not be able to trust them if they do.

Runner up: Jon Stewart, at the end of the year when Congress was not going to pass the Health Care benefits for the 911 responders, an absolute tragedy, Jon Stewart got the responders on a show and sure enough got the benefits engineered. A great example of what journalism can do, and Jon Stewart would say he isn't a journalist (it's the comedians that have become the journalists), but his comedy is an inspiration to us.

One of the things that I've tried to do in my life, is to focus more on being with in and around great leadership, particularly in business and communities, and I have to say that my life has benefited tremendously from it. In 2011, I encourage you to think long and hard about what kind of leader that you want to be, and how you can get in cahoots with other leaders who are the kind that you want to succeed with you out here on the prairie.



The Icelandic response to the financial crisis was absolutely transforming and heartening.



The miners are alive as a result of leadership, team work, a refusal to give up



Jon Stewart got the responders on a show and sure enough got the benefits engineered.

...focus more on being with in and around great leadership, particularly in business and communities.

THE SOLARI REPORT PRESENTS

2009: THE YEAR OF THE GREAT VAMPIRE SQUID



"The world's most powerful investment bank is a great vampire squid wrapped around the face of humanity, relentlessly jamming its blood funnel into anything that smells like money."

—Matt Taibbi, "Inside the Great American Bubble Machine"

2011 What's Ahead?

If 2009 was the Year of the Great Vampire Squid, and 2010 was The Road Turned Eastward. Well what will 2011 be? After much thinking and discussion, we are naming 2011, Slow Burn on the Prairie. Let me explain why.

The financial coup d'état is over, the resources have left, whether they've gone to Asia or into space investment, and now we are faced with reinventing who and what we are. We have seen the plan of what the leadership has in mind, with a very centralized global control with very invasive technology in very powerful corporations and banks. It's not a vision that excites our sense of excellence, and our pride in being part of an excellent civilization. It's basically an economy of force, and it's a vision of force that really doesn't call on human intelligence, and it doesn't have what the Chinese call 'the mandate of heaven.'

We need a new story, but we don't have a new story, we've just come into the realization that we've been left behind. When I drove across country in the 90's, I would come to a motel at 3:00am in the morning, and there would be somebody behind the counter reading *Left Behind*, and I thought why has this book captured everybody's imagination. I read it and sure enough, I realized that people are smart – as the money and resources were being pulled out, they intuitively felt they have been 'left behind.'

We need a new story, we don't like the pro-centralization team vision, we're out on the prairie and things are uncertain - whether the weather is weird, or the leadership appears to have sometimes lost their mind; the bad news is we're on our own, and the good news is we're on our own.

I'm reminded of two quotes, one of my favorites is from Winston Churchill, "We have not journeyed across the centuries, across the oceans, across the mountains, across the prairies, because we are made of sugar candy."

Most of the people in the first world are horribly, horribly spoiled. If you go back and look at what our ancestors did two, three, four generations ago; whether they were on the prairie, or came to the prairies; whether they were here or immigrants, or came against their will in slave ships, what you will see if you go back and look at what your ancestors did, what you realize is that they didn't have insurance, they didn't have government benefits, they didn't have social safety nets. They didn't have any of these things, and they basically invented worlds. They invented communi-



...we are faced with reinventing who and what we are.



We need a new story, we don't like the pro-centralization team vision, we're out on the prairie and things are uncertain ...



we've just come into the realization that we've been left behind.



if you look at what they've accomplished on the prairie it's very inspiring in terms of what we can do.



*"We came here on different ships, but we are all in the same boat now."
- Flip Wilson*



The bond market, I think is ongoing to be flat, the bull market is over;



The stock market is going to be split. All stock markets are not created equal.

Because of the debasement, the currency, tangibles and the stock market are all going to be up; but again, expect unprecedented volatility in both of them.

ties, they built families, they built businesses, and they had a good time doing it. So if you look at what they've accomplished on the prairie it's very inspiring in terms of what we can do.

Though we're out in the prairie, we have to contend with the slow burn, whether it's the debasement of the currency or all sorts of games around economic warfare.

I'm a little bit reminded of Flip Wilson, a wonderful quote that I put up on the blog earlier this year, he said, "We came here on different ships, but we are all in the same boat now." My great ally

Thomas Hupp sent me a wonderful email at the beginning of the New Year, he said, "the ship has sailed and we're all on it." So the charts are going vertical, we're in new territory and we're going to reinvent our world.

2011 is a time when we haven't reached the tipping point in the 100-monkey story. We haven't gathered all of the monkeys we need to bring about real change, but the good news is they're starting to gather, and that's a good feeling. Think about life on the prairie, and gathering the other people for change.

My prediction on the slow burn is the same this year, so that's why I'm calling it Slow Burn on the

Prairie. 70% Slow Burn; 20%-25% 2008 scenario, and 0-5% collapse. Again I think we're going to slow burn our way through 2011.

The bond market, I think is ongoing to be flat, the bull market is over; but interest rates may be a tad higher. Don't expect skyrocketing interest rates, don't expect skyrocketing hyperinflation, but expect lots of hot potatoes and violence as the credit issues have to get worked out around the debt systems in the sovereign governments. Remember the debt system is a control system more than a financial system.

Because of the debasement, the currency, tangibles and the stock market are all going to be up; but again, expect unprecedented volatility in both of them. The stock market is going to be split. All stock markets are not created equal. So young populations, and growing populations, if you're going places, are going to be very, very different from aging. Expect a lot of spread in terms of demographics and places.

On volatility, don't be surprised to see gold and silver correct as much as 10-15% down, but end the year up another 20-25%. My number for the end of the year on gold is going to be 1650, and I put silver at about 42.

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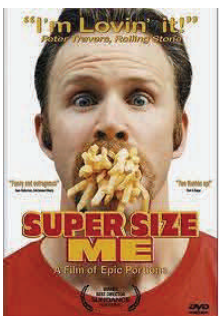
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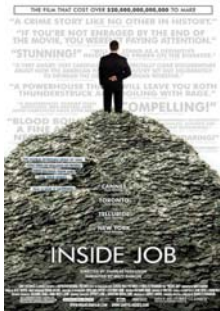
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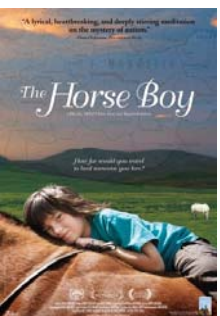
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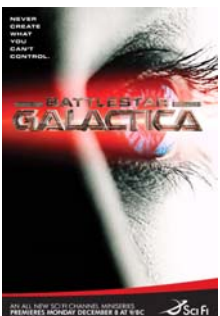
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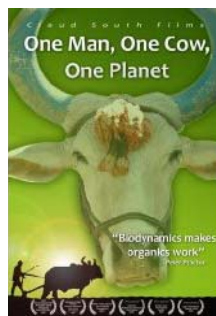
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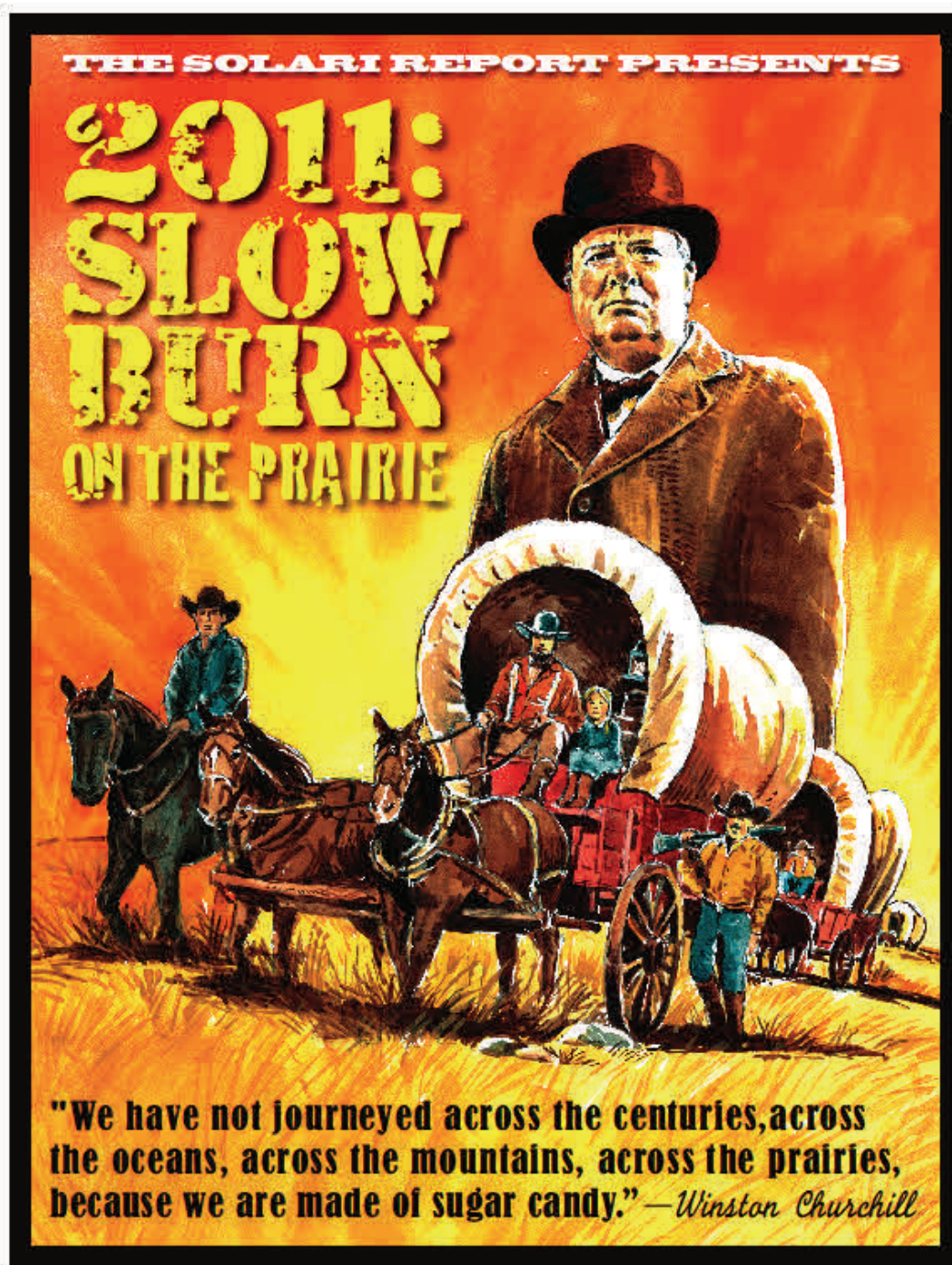
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I look forward to being with you next week with Franklin Sanders for the 2011 Outlook for Precious Metals and a segment on managing volatility. In our Top 10 Dates in the History of Gold and Silver, we will discuss Nixon's ending of the Bretton Woods system in 1971. Then following week, Scott Rasmussen of Rasmussen Reports, the top independent poll service in the US, on what Americans are thinking and feeling these days.

Until then, please remember, don't worry about whether or not there is a conspiracy. If you are not in a conspiracy, then you need to start one. Indeed, one of the defining characteristics of those who succeeded out on the prairie, is they conspired to build families and communities to last.

We can too!

Good night and good luck.