



### Ask Catherine

*Catherine Austin Fitts:* Okay, so that was the prerecorded interview. I'm going to invite Chuck in to do some live questions and answers. We've had a phenomenal amount of questions come in, and some of them ask for investment advice, which we cannot give. Some of them are, in fact, a series of questions that we could do an entire *Solari Report* on, and so we've gone extra time tonight.

This is a very serious presentation, but what I'm going to do – we have 14 questions, and I'm going to throw about eight to ten of them to Chuck. But, Chuck, we have to do these in about 30 seconds to 60 seconds per question. [

*Chuck Gibson:* Okay, I'm real good at saying yes and no, so we can proceed.

*Catherine Austin Fitts:* Okay, but really some great questions. Let me start at the top.

“I think the reason that you have not received questions regarding the interview is it's very depressing –” “Malthusian prophecy and the need for population reduction. If we release energy in food production technology, we could double our population while we explore other parts of the universe.”

So do you want to take that, or can I?

*Chuck Gibson:* No. Please, I will pass that off to you.

*Catherine Austin Fitts:* Okay. It's not my nature to like to be depressing. I agree. You've probably heard me. I've certainly said many times on the *Solari Report* I think the current wealth on this planet is about 1 percent of what's possible, particularly if we introduce new technology and re-engineer the financial model so that it's much more focused on optimizing the fundamental economy. And talk about an equity market boom. If we did that, the equity market opportunity would be – all I can say is it would be galactic.

So I don't think it has to be depressing at all, but if you're going to operate in the current political governance structure, we're very constrained. If you talk about really fundamentally changing the political and financial model, then the sky's the limit, and I couldn't agree with the person who posted this question.

“Any comments on *Bloomberg* article today that the new Consumer Protection Agency wants to take over and manage all pension and IRAs to protect the citizens?”

I have not read that yet, and I will certainly take a look at it. Chuck, have you seen anything on that?

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*Chuck Gibson:* No, I haven't, but that's a topic that you and I have both postulated for quite a long time. I will wait to respond, though, after I read the article.

*Catherine Austin Fitts:* Yes. I'll make sure that I take a look and respond to that next week. And any questions I don't respond to from tonight and the *Solari Report*, we batch up and we save them for the following. We've got one on The Breakaway Civilization, which I'll move to next week.

“Isn't the money printing less than the debt destroyed in '08 now money fleeing Japan and Europe for U.S. as best house and bad neighborhood? Real risk is when cash flows out of USA. Then dollar drops and Fed loses control of the bond market.” Let me get to the question. “Market can be irrational longer than you can stay solvent if betting on fundamentals.”

I agree. Yes. And that's why when we said “balance in all things,” you want to keep that in mind, and that's part of balance.

Okay, this one we could do a *Solari Report* on, so I'll read the whole thing, but maybe we just do a 30-second to 60 second. “John Williams suggests hyperinflation. The U.S. cannot service its debt with 50 basis point increase in bond rates. Money printing off sets the deflationary impact of unemployment. Meanwhile, \$1.1 quadrillion of interest rate swaps in CDs are left to be unwound with counterparty risk contingent on sovereign bonds in the economies. If \$17 trillion in pension funds are confiscated, how much time will this buy to keep the derivative daisy chain liquid?”

“Servicing the debt is one issue. Unwinding \$1 quadrillion in derivatives is another. I should not forget about the currency wars as a catalyst for all. Meanwhile, the financial press tells us we have a recovery. Hyperinflation can strike without warning, but supposing the pension confiscation occurs first, how much time will \$17 trillion buy? I'm guessing a few months. What will this do to gold, bonds, equities?”

*Chuck Gibson:* Are you waiting for me for an answer because I think that that is one of the topics that I would love to cover in detail at a future date, if that's possible?

*Catherine Austin Fitts:* Right. So I said that we could spend a whole *Solari Report* on that. I will say I'm a great admirer and subscriber to John Williams, but I think there are tremendous deflationary offsets that have prevented hyperinflation for more than a decade, and it's all part and parcel of what I call the “slow burn.”

And I would also say there are much faster ways to confiscate than legal confiscation, as we've seen in the precious metals market recently. It's fair to say that you can bring a lot more precious metals in by price than you can by passing a law and confiscating.

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“If currencies are pegged to U.S. dollars, would those central banks also be printing at the same level as the Fed? If so, would you expect the world markets to correlate to the U.S. market’s performance?”

*Chuck Gibson:* Do you want to take that?

*Catherine Austin Fitts:* No. That’s another one you could do a *Solari Report* on.

*Chuck Gibson:* Absolutely. The one thing I have to admit is I am unbelievably confused when it comes to currencies because I don’t get myself involved with them and there’s so much politics behind them, so it’s one of the ones I think we could actually put to a future discussion.

*Catherine Austin Fitts:* Right. The one thing I would say is if you look at the first quarter performance that we talked about, it certainly underscores the advantage of having nuclear weapons is what I would say because when a sovereign nature controls its currency, and when it has nuclear weapons, it has the power to print.

This is coming down to sovereign control and a military question, and so I think it’s very difficult to talk about currency performance without clearly looking at who’s in a position to exercise military and other kinds of very forceful power.

Okay, this one we won’t be able to answer, but I’ll read it anyway. “Hi, Catherine. Here’s my question, a curiosity, really, maybe. Why did the markets dive in the last hour of the market on” – this would have been on Monday – “when the Boston Marathon happened? My husband and I noticed that the stock market dove in the last hour and the commodities also went down. I think they went back up a day later. It was all an icky, tragic event, but I don’t understand why it would affect the stock market in such an immediate, dramatic way. Does it have to do with program trading? Do you have any idea?”

And I would say there’s absolutely no way to tell.

*Chuck Gibson:* Yes, but you know what? That’s not inconsistent with things that you see. When there’s an event, and it’s fear-driven, immediately people want to take action, and the quantity of people that take action trigger the program trading and other things. This is why today’s market is – because of the volatility, it can spiral down or up very, very quickly.

This is not something that I would not expect, based on an event-driven – people were thinking it was a terrorist attack. That’s exactly what I was hearing in the pits of Wall Street.

*Catherine Austin Fitts:* “Please comment on paper gold versus physical gold in the situation of the metals market at this time.”

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So in “Money and Markets” I talked about the situation in the metals market. I would say the story on paper gold versus physical gold is highly complex, and I will make sure that Franklin and I address it when we do the precious metals market report next month.

“Do you suggest that people sell some of their precious metals? If so, where does one invest?” That’s investment advice. Can’t do it here, and I wish I could, but we can’t. I wish that we had Jim Kramer’s lawyer, but we don’t.

“Would you recommend paying off a mortgage rather than investing money for a new widow on a fixed income with a possible devaluation of the dollar?”

This one is a very important question, and it’s one that is very much impacted by someone’s unique profile, so I find it very hard to answer this question generically. And I’ve also found, Chuck, that you and I sort of often times will answer it differently.

But one thing I would say is anything that a person can do to reduce the amount of cash they need every month – so I often talk about building a well instead of paying a water bill – but anything you can do to reduce your need for cash monthly I think in this kind of environment with this uncertainty can protect you.

It’s often very easy to make a case, depending on what your interest rates are on your mortgage, that at least for now you’re better off not paying it off. So it very much depends on your individual profile and your sort of risk appetite. Anything you would add, Chuck?

*Chuck Gibson:* No. No. We do differ because I think it comes down to an individual’s unique situation, and I can see, as you said, that there’s cases where you would not want to pay it off, and there’s cases that you would, so it really depends.

*Catherine Austin Fitts:* Right. And you’re in a state with a very high income tax, and I live in a state with no income tax.

*Chuck Gibson:* Exactly.

*Catherine Austin Fitts:* “I think that a lot of people just assume that if they have physical gold in their possession that it will serve as a de facto currency in the event of major dislocations in the economy, but will it really work that way? It seems to me that the bureaucrats could make that very difficult, not through confiscation per se, but through heavy taxation or the outlaw of transaction using precious metals.

“Then the precious metals users are all reduced to being criminals with the attendant legal risk of prosecution or seizure, plus you would have the haircut that would result from using a currency that was legally questionable. Your thoughts on this will be appreciated.”

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I'll take that one. I think precious metals in many cases will work as a de facto currency, although, who knows what the nominal values might be? We've seen many situations where you get a financial meltdown in a currency and the precious metals work, but other things work better.

I love Dmitry Orlov. He gave a great discussion on the *Solari Report*. You can go back in the archives and listen. He was talking – Chuck, I don't know if you've heard this – about how vodka was so much more useful in Russia than precious metals.

So it's "in all things, balance," and if you read the story of different societies around the world who have experienced these kinds of dislocations, you'll read of a very long list of things that are useful, but, invariably, I think precious metals are.

There's no doubt. If the government makes everything illegal, no matter what it is, including vodka, then we're all going to be technical criminals. Although, I have to say, there's no financial solution to lawlessness, so you can't come up with a financial solution to a political problem.

"Regarding bank stocks, my wife and I are heavily invested in a non Well Street bank stock. It pays a dividend of 2.5 percent. With the dividend soon to be raised, we know we are concentrated but do not have a clue where else to allocate. What should we do?"

So I'll take that one.

*Chuck Gibson:* Well, no. That's fine. You can. That, to me, sounds like specific investment advice.

*Catherine Austin Fitts:* Here's what I would say that is not investment advice. Now is the time to be diversified, whether it's diversified by place, whether it's diversified by the kind of things you're in – and everybody's different, so it's very hard to give generic advice, but I know – every time I think I understand the diversification is important, I see one stock, which is a great company, just get absolutely reamed by the market for very little reason. And so I think now is the time to be diversified if you're not prepared to live through volatile times. So think in terms of diversification.

Then, finally, "With all the resources that we currently have available to us on the planet, could the powers that be have us totally and completely living lives of total abundance if they really wanted us to? So is this slow-burn economy and the confiscation over our will simply the manifestation of how they really want things to be?"

I'm going to defer that one to next week, and I'll talk about it with Jon Rappaport.

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Okay, great questions. Chuck, before we close, I can't thank you enough because I know this tremendous and very serious analysis that you've presented today, and these are – we're going to have a transcript relatively soon. We're going to go to town and do a pretty one like we did at the first quarter so that people can really study and re-listen to this, but before we close, anything you'd like to add?

*Chuck Gibson:* No. I kind of reflected when you were talking about the question that came in, that we were being somewhat negative or depressing, and it is. You can look at it that way, but it also – I think one can look at the other side of it, which is that it can actually be positive, and it should be looked at as a positive 'cause, as you continue to say and reinforce, is that we're moving from a world that's dying into a world that's being born. And while the transition isn't fun, when we get there that's what we get to look forward to.

*Catherine Austin Fitts:* I have to tell you I think a world based on a debt model is very, very negative. It throws people out of alignment. An equity model, to me, is like, "Whoopee. Let's go." So I, for one, have lived my whole life dreaming of an equity-based economy, so I'm ready.

It's a little bit like a detox. Before you can get healthy, it has to come out, and this is the process of our negative behavior hopefully coming to an end.

*Chuck Gibson:* Yes. I look at it as the old forest fire example, where you burn down a forest fire and it looks like heck. There's nothing left but timbers and charcoal, and then the new growth starts, and that's when it just becomes beautiful again.

*Catherine Austin Fitts:* Okay. Well, Chuck, thank you again. Have a great evening.

*Chuck Gibson:* Thank you. You too.