



GETTING TO REAL SOLUTIONS:

A DIALOGUE WITH CATHERINE AUSTIN FITTS AND BONNIE FAUKNER

Introduction

On my last trip to California I kept running into a people promoting specific solutions to the problems that face us, including government owned banks, B corporations, impact investing and certain kinds of local investment. Often times these solutions reflected inadequate assessments of the challenges before us and had the potential to make things far worse, rather than better, not to mention losing money for my subscribers and clients.

I am a great fan of Bonnie Faulkner and her radio show Guns & Butter. Bonnie did an interview series on Guns & Butter called “Unpacking Mr. Global.” It seemed like a great follow up to that series to invite Bonnie to talk about how we ensure that we invest our time and idea in ways that bring about real solutions.

So, Bonnie and I went into the studio on a rainy afternoon to talk about some of the important issues related to bringing about positive and lasting change. This is a time that calls us all to play a role – each in our own time and place. My hope is that this dialogue will help you understand the world around you, protect you from distractions and focus your efforts in a manner that is successful and brings joy and satisfaction for you and those you love.

~ Catherine Austin Fitts



Table of Contents

GETTING TO REAL SOLUTIONS1

WHY WE ARE HAVING THIS CONVERSATION6

BE PREPARED FOR MULTIPLE FUTURE SCENARIOS.....7

THE FUTURE IS CREATED BY THOSE WHO BUILD IT. WE HAVE THE POWER TO CREATE OUR FUTURE.....8

WE HAVE EXPERIENCED A FINANCIAL COUP D’ETAT. THE COUP WAS ENGINEERED AT THE HIGHEST LEVELS. IT WAS AN INTENTIONAL PLAN. ...8

TO UNDERSTAND THE FINANCIAL COUP D’ETAT, WATCH SIR JAMES GOLDSMITH’S INTERVIEW WITH CHARLIE ROSE 11

CONTROL OF THE ECONOMY, INCLUDING AGRICULTURE, IS BEING CENTRALIZED. OUR ACTIONS NEED TO WITHDRAW SUPPORT FROM THOSE WHO ARE CENTRALIZING POWER AND TO ENCOURAGE DECENTRALIZATION. 12

THE DOMINANT ECONOMIC SCENARIO IN THE DEVELOPED WORLD HAS BEEN THE “SLOW BURN” 13

A HIGHLY CENTRALIZED SYSTEM DEPENDS ON OUR SUPPORT. WE HAVE THE POWER TO “COME CLEAN” - TO WITHDRAW AND SHIFT OUR SUPPORT. 14

CREATING LOCAL TRANSPARENCY ABOUT GOVERNMENT SPENDING AND CREDIT CAN CREATE LOTS OF OPPORTUNITIES TO FIND REAL ECONOMIC SOLUTIONS AND CREATE LOCAL INCOME AND EQUITY. 15

THE POWER OF PLACE BASED TRANSPARENCY TO HELP DECENTRALIZATION WAS UNDERSCORED BY THE RESPONSE TO SOFTWARE TOOLS THAT FACILITATED IT 17

ONE OF THE REASONS FEDERAL GOVERNMENT RESOURCES HAVE A NEGATIVE RETURN ON INVESTMENT IS BECAUSE WE ARE COVERTLY FINANCING A BLACK BUDGET. REAL SOLUTIONS REQUIRE THAT WE BRING TRANSPARENCY TO THE BLACK BUDGET..... 21

THE AMOUNT OF MONEY BEING STOLEN IS SIGNIFICANT. ONCE YOU UNDERSTAND HOW MUCH IS BEING STOLEN, YOU REALIZE WE DON’T HAVE AN ECONOMIC PROBLEM..... 21

WE HAVE IMPLEMENTED SLAVE LABOR CAMPS BEHIND FANCY PR AND COMPLEX FINANCIAL ENGINEERING 23

The Solari Report
Building Wealth in Changing Times



THE QUALITY AND INTENTION OF LEADERSHIP IS VERY IMPORTANT. TO ASSESS ANY PROPOSED SOLUTION, ASK WHO GETS MORE POWER, WHO LOSES POWER, WHO IS IMPACTED AND HOW..... 24

DON'T GET DISTRACTED, MANIPULATED AND LOSE POWER AS A RESULT OF DIVIDE AND CONQUER TACTICS; DON'T GET SIDE RAILED BY DEAD END "WHAT" SOLUTIONS 25

OUR MOST POWERFUL SOLUTION STARTS WITH COMING CLEAN OURSELVES..... 27

TURN OFF YOUR TV..... 27

BANK LOCAL..... 28

AN EXCELLENT BOOK THAT INFORMS REAL SOLUTIONS IS AXELROD'S *EVOLUTION OF COOPERATION*. BRINGING TRANSPARENCY TO THE DIRTY PLAYERS IS POWERFUL..... 28

IN AMERICA, MOST PEOPLE ADMIRE THE DIRTY PLAYERS. SOLUTIONS REQUIRE THEY ADMIRE THE CLEAN PLAYERS..... 29

SOCIAL MEDIA AND SMART PHONES ARE WAYS FOR THE INTELLIGENCE AGENCIES TO GET YOU TO UPDATE YOUR DOSSIERS FOR THEM 30

TO UNDERSTAND ANYTHING, LOOK AT HOW THE DIGITAL SYSTEMS WORK AND WHO GETS THE INTELLIGENCE AND CONTROL..... 31

THE ABILITY TO ACT ABOVE THE LAW WITH IMPUNITY OVER LONG PERIODS OF TIME IS THE FORCE CENTRALIZING POWER..... 31

A CRITICAL OPPORTUNITY: LET'S FIGURE OUT HOW TO ENFORCE AGAINST PEOPLE WHO ARE ABOVE THE LAW..... 32

SUCCESSFUL ENFORCEMENT AGAINST CENTRALIZED FORCE REQUIRES MASS ACTIONS..... 33

POLITICAL CONTROL IS EXERCISED ONE PLACE AT A TIME..... 35

POLITICAL CONTROL TAKES PLANNING AND HARD WORK - THE PEOPLE DOING IT ARE VERY GOOD AT IT 36

THERE IS A WORLD THAT IS DYING; THERE IS A WORLD THAT IS BEING BORN. SOLUTIONS SUPPORT US IN SHIFTING OUR MINDS, OUR BODIES AND OUR MONEY OUT OF THE WORLD THAT IS DYING AND INTO THE WORLD THAT IS BEING BORN 38

SOLUTIONS REQUIRE THAT WE EACH FUNCTION IN A MANNER THAT IS WEALTH BUILDING AND DECENTRALIZING 39

PROTECT AND NOURISH YOUR MIND AND BODY SO THAT YOU HAVE THE CAPACITY TO PROECT AND NOURISH YOUR MONEY..... 40

The Solari Report
Building Wealth in Changing Times



LET ME SAY IT AGAIN - TURN OFF YOUR TV! 40

PROTECT YOUR TIME; AVOID MEDIA WITH ENTRAINMENT AND
SUBLIMINAL PROGRAMMING 41

GET OUT OF DEBT; REENGINEER YOUR OVERHEAD 41

KEEP LEARNING 42

SHIFT YOUR ASSETS..... 42

FINANCE AND INVEST IN WHAT YOU WANT TO SEE GROW 42

CONNECT WITH AND SUPPORT AUTHENTIC PEOPLE 43

DONATE TO ORGANIZATIONS THAT INVEST THEIR ENDOWMENTS
WISELY; HOLD YOUR PENSION FUNDS ACCOUNTABLE 43

SOLUTIONS MUST INCLUDE SUPPORTING FAMILIES – THE BUILDING
BLOCKS OF OUR ECONOMY ARE SUCCESSFUL FAMILIES..... 45

OUR BIGGEST INVESTMENT BY COUNTY IS IN EDUCATION; EDUCATION
NEEDS TO ALIGN WITH BUILDING THE ECONOMY ON MAIN STREET 45

THE “PEOPLE ON THE LINE” ARE OUR GREATEST ASSET; HOW CAN WE
EACH SUPPORT THEM? 45

THE GREATEST SOLUTION – DO NO HARM - RATHER THAN DOING MORE,
LET’S STOP DOING NEGATIVE THINGS..... 46

BAD IDEA - BEWARE GOVERNMENT OWNED BANKS..... 49

BAD IDEA - B CORPORATIONS – THEY WILL MAKE THINGS WORSE, NOT
BETTER 53

BAD IDEA - DON’T LET IMPACT INVESTING ADD BURDENS TO THE
HONEST PEOPLE AND DEBASE THEIR ASSETS 55

BEWARE THE FRAUDS AND RISKS THAT WILL COME WITH FASHIONABLE
LOCAL INVESTMENT 57

THE JOBS ACT AND THE IMPLEMENTATION OF CROWDFUNDING FOR
EQUITY IS GOING TO HAVE A MAJOR IMPACT 59

FINANCING SMALL BUSINESS AND FARMS WITH EQUITY CAN CREATE A
MODEL WHERE WE PROFIT FROM IMPROVING EDUCATION, HEALING THE
ENVIRONMENT AND REDUCING CONSUMPTION 60

PRIORITY FOR CREATING NEW MODELS #1: FACE THE REAL POLITICAL
PROBLEM – WE ARE BEING GOVERNED AND LED BY PEOPLE WHO HAVE
INVISIBLE POWERS - THEY HAVE THE POWER TO BREAK THE LAW, THEY
HAVE THE POWER TO KILL WITH IMPLUNITY, AND THEY HAVE STOLEN

The Solari Report
Building Wealth in Changing Times



MORE THAN \$40 TRILLION OF OUR MONEY IN THE LAST 15 YEARS AND WE CAN'T AFFORD TO LET THAT STAND 63

PRIORITY FOR CREATING NEW MODELS #2: TRANSFORM BEYOND DIVIDE AND CONQUER TACTICS AND CONNECT AND ORGANIZE ACROSS THESE DIVIDES – MEN AND WOMAN, BLACK AND WHITE, YOUNG AND OLD 64

PRIORITY FOR CREATING NEW MODELS #3: EMBRACE HUMAN CULTURE; DO NOT PARTICIPATE IN DENIGRATING HUMANS AND BEING INHUMAN; LIFT OTHERS UP WHO LIFT YOU UP; PLAY WIN-WIN..... 67

PRIORITY FOR CREATING NEW MODELS #3: STUDY SUCCESSFUL EFFORTS TO DECENTRALIZE POWER SUCH AS HOME SCHOOLING, THE FAILURE TO MANDATE THE SWINE FLU VACCINATION AND GUN OWNERSHIP..... 68

RECOMMENDED: G. EDWARD GRIFFIN'S INTERVIEW OF NORM DODD 77

THE FISCAL CLIFF WILL RAISE THE NEED TO FACE OUR POLITICAL PROBLEMS AND SEEK REAL SOLUTIONS 78

USE YOUR FEAR AND ANGER AS A NAVIGATION TOOL; DO NOT LET FEAR AND ANGER OVERWHELM YOU, HARM YOU OR MAKE YOU SICK 81



Bonnie Faulkner: Catherine Austin Fitts, welcome.

Catherine Austin Fitts: Bonnie, it's great to be here.

WHY WE ARE HAVING THIS CONVERSATION

Bonnie Faulkner: This is wonderful. Here we are on a rainy Saturday afternoon in Berkeley. We are going to spend a few hours today talking about what's going on and how things could be changed.

Catherine Austin Fitts: I want to first say how much I appreciate you're doing this. I'm very grateful. I woke up this morning and I said, "Thank heavens that Bonnie is helping me do this," because in the last 30 days I can't tell you how many situations I've gotten in where I feel like I'm the stinker. Everybody says, "Oh, isn't this wonderful? Here's a real solution that will save the planet," and I said, "No. This is terrible," and everybody looks at me like, "Oh. She's the stinker."

One of the things I want to accomplish is to have a conversation with you and explain a whole series of issues. So from now on I can say instead, "Well, what a lovely idea. I think what would really help you is to listen to this special *Solari Report* I recorded with Bonnie Faulkner." It will include all the information that will help communicate people about how do we get to real solutions and how do we make sure that solutions are not just honey traps or dead ends? How do we really make progress?

OUR PRIORITY SHOULD BE TO FIGURE OUT WHO IS RUNNING THINGS AND WHAT THEIR GOALS ARE. UNTIL WE DO, WE NEED TO RESPECT OUR UNCERTAINTY.

Bonnie Faulkner: Right. So hopefully we can have some clarity today about different issues, different kinds of solutions for different sorts of situations. But first of all, of course, we've got to talk about what is going on in the world today. What is the big problem?

Catherine Austin Fitts: Here is to me the most important thing we need to understand about what is currently happening, and that is that we don't know.

You are one of those people who has invested a tremendous amount of intellectual gifts and time in trying to figure out what's going on and I have too. I think it's fair to say it's still a mystery.



Bonnie Faulkner: Unfortunately, I'd have to agree with you. You know, I do all of these shows and people come up and ask me questions like I have all the answers.

Catherine Austin Fitts: There's a temptation when people want us to have the answers to want to have the answers and act like you know. But the reality is we live on a planet with a governance system which is invisible. It's not clear. We don't understand who's really running things and why they're behaving the way they're behaving. Now one of my favorite series if somebody says, "I want to understand sort of how governance works on Planet Earth," what I say is, "Oh, you to listen to the conversation Bonnie Faulkner and I had called 'Unpacking Mr. Global,'" and you did three. We did three?

Bonnie Faulkner: Yes. Three and a half, actually.

Catherine Austin Fitts: Right. We explored all the different theories of what we know, what we don't know, and why is this happening.

My father was a surgeon, so I always talk about it this way. You want your surgeon to be free to say, "I don't know," because if he or she has to come up with a diagnosis of what's wrong and proceed to operate when he really doesn't know, there's a lot of risk. So the important thing is, before we talk about solutions, is to understand that we're operating with a great deal of uncertainty. It's very important to understand that and be flexible and be careful because it's very easy to do something that could make things worse and we don't want to do that.

BE PREPARED FOR MULTIPLE FUTURE SCENARIOS

This is part of maintaining a framework for learning and collaborating and learning on what's going on and then trying solutions in an environment where you really don't know why the people in leadership are behaving the way they're behaving. I just got back from Amsterdam, where I was in a really remarkable conference put on by a wonderful group of young people in Amsterdam. It was interesting, Bonnie, because the first day we talked about science and technology and then the second day was economics and culture. So I didn't speak until the afternoon of the second day. In every presentation I went to and in every conversation during the meals that I had, someone in the presentation or conversation said, "When it [the economy] collapses."

This happened to me in Switzerland the year before at another conference. There was a general assumption that the economy would collapse this year. So when I got up to give my speech I said, "What you need to know is that in my scenarios," because for planning for



purposes of investment I always use scenario design,” and I said, “For purposes of portfolio strategy I scenarios. I’m assuming there’s a zero to five-percent chance of collapse this year. The only reason I give it five percent is I think it’s really wrong to give it zero because you can always be wrong. So I always give a little bit.” I said, “You need to be prepared for things to not collapse,” and in fact I’ve begun to think of collapse as the next scam.

Well, because when you persuade people that things are going to collapse, you persuade them that the leadership is helpless and out of money and you cause them to disassociate and give up in the system, which makes it free for the people running things to have more power and control. And so collapse is a very dangerous assumption if you give it 100-percent weighting, and I think this is all part of the uncertainty. When you don’t know what’s going on, you come up with maps and pictures of what’s going on that can take you down very bad roads and get you behaving in ways that are counter to your own self-interest.

Bonnie Faulkner: Absolutely, and it’s a recipe for hopelessness because if you think that there’s going to be a total collapse then you’re not really compelled yourself to do anything.

THE FUTURE IS CREATED BY THOSE WHO BUILD IT. WE HAVE THE POWER TO CREATE OUR FUTURE.

Catherine Austin Fitts: Right. The future is created by those who build it, not those who give up on it or those who are afraid of it. That’s why this is a period when we want our vision of the future to be dominant, but it’s only going to be dominant if we work on it.

WE HAVE EXPERIENCED A FINANCIAL COUP D’ETAT. THE COUP WAS ENGINEERED AT THE HIGHEST LEVELS. IT WAS AN INTENTIONAL PLAN.

Catherine Austin Fitts: You know, it’s funny because you said you realized that these things are engineered. You know, I really dug in and started to look at what was going on as a result of the housing bubble.

I was in Washington in the early ‘90s. We were all sitting around in Washington saying, “Okay. Globalization. We’re shifting capital out of North America and we’re rebalancing the global economy. We’re shifting capital into the emerging markets, which means all these jobs are going away and all this income is going to go away and the middle class will be wiped out unless we find a way to help them jump the curve.” And so a lot of our work at Hamilton Securities was focused on employment and the pension funds. How do you help them shift their skills, shift their time and shift their assets so that the American middle class comes out of this process stronger and not wiped out?

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Remember Newt Gingrich talking about, “Every kid should have a laptop”? I mean, these were passionate, serious discussions throughout the Washington policy groups. Then, of course, a decision was made to bubble the economy and, rather than tell everybody they needed to change, just bubble the economy and put them on the housing-bubble treadmill. It was phenomenal to watch because what that meant is you had to change thousands of rules. You had to change thousands of policies. You had to change laws. You had to change regulations. You had to strip out best practices from the mortgage-insurance funds that had been in place for decades. So it was a lot of work and you had to get the honest people out and you had to scare everybody to death to go along because what was being done was financially insane.

To get all those bureaucracies to go along with it – you know, that’s a big deal and it’s not a little bit of work. Do you know what I mean? It’s not simple; it’s complicated. So let me give you an example because there are thousands and thousands of nuts and bolts. I mean, imagine it’s like reengineering the L.A. highway system. It’s the financial equivalent of that. It’s a big deal. So let me give you an example, and it’s a story that I’ve written up. It’s up on my website and it’s lots of little arcane things in the machinery. In 1994 I was in a meeting. Our company was the lead financial advisor to the Department of Housing and Urban Development’s Federal Housing Administration.

Bonnie Faulkner: And Catherine, here you’re talking about Hamilton Securities, your company that you started when you left government.

Catherine Austin Fitts: Right. So I’m in Washington. I’m the president of Hamilton Securities Group and the Federal Housing Administration is doing a strategic plan. And they have traditionally been the lender or the credit lender within the poor communities – particularly the minority communities – and Fannie and Freddie have traditionally done the upper scale and the Caucasian communities. So FHA does a strategic plan and comes out with a huge proposal to dramatically increase their originations in poor communities. So you can see, so we’re talking about dramatically easing credit in poor communities. Not increasing income; just increasing debt.

Now, remember, those communities don’t need more debt. They need more income. So liquidity that comes from credit as opposed to that which comes from opportunity to create equity – very different thing. So FHA comes out with this proposal that’s going to radically increase originations. Well, at the same time, the assistant secretary who oversaw FHA was in charge of promulgating rules for Fannie and Freddie about what they would do in moderate-income housing and affordable housing. And they simultaneously issued direction to Fannie and Freddie that they had to significantly increase originations in minority and low-income communities.

And if you looked at the numbers, they were talking about originating far more mortgages than there were houses in those neighborhoods if you added it up and combined it. And

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when I first saw the announcement of the Fannie and Freddie I turned to the controller and I said, “This is impossible. I mean, to make these numbers work you’re going to have to have people from prison refinance their mortgages twice a year.” And she turned to me and she said, “Shut up. This is none of your business.”

Bonnie Faulkner: Wow.

Catherine Austin Fitts: Right. So this was a plan. It was a plan to take capital out of the country. It was a plan to keep it anonymous. A lot of the movements of that money were illegal. So we saw \$4 trillion go missing from the federal government between 1998 and 2002. If you do a search on the Internet for Solari plus missing money you’ll pick up our Missing Money page. This is all documented with government documentation and all sorts of other reports. So \$4 trillion went missing from the federal government. We saw the pump and dump of the stock market with the Internet stocks and Enron and the telecoms. Huge money pulled out by illegal means, and my estimate during that time was \$10 trillion and that’s before the bailouts.

But you were also issuing all this fraudulent mortgage paper and derivatives and then we have the bailouts and another \$30 trillion pulled out. And now with QE1, QE2 and QE3, Lord knows how much more. So we’re literally talking about \$40 trillion being sucked out. Now let me tell you how much money that is. If you put \$40 trillion in a bond fund today – just pretend we could, I’m not saying we could – that was making 5 percent, how much money would you make every year for five percent on \$40 trillion? Five percent?

Bonnie Faulkner: Would be two trillion.

Catherine Austin Fitts: Would be two trillion. Okay. Could you run a world government with \$2 trillion of interest on an endowment of \$40 trillion?

Bonnie Faulkner: Well, you would think so.

Catherine Austin Fitts: You would think so, especially if you were prudent.

But we’re talking about these kinds of money movements, so let me go back to the beginning of the ‘90s. So we knew that if we didn’t reengineer how things worked that the American middle class would be in really serious trouble and one of the things that my company was working on were plans to help do that. In other words, the question was, “Okay. If we wanted to help the American middle class jump the curve on globalization and this shift to capital out of the economy, what would we do? How would we do it?” And I made a presentation to a group of pension fund leaders in 1996. I had a subsidiary in my company that was working on this issue and our particular concern, Bonnie, was how do we protect the pension funds?



Because if the baby boomers retire as a bulge group in the economy, how do we make sure that those pension funds can support them in their old age? How do we protect that capital and get the returns? I laid out a plan by how the pension funds could invest in America with reengineering the federal investment in communities by place and how that could not only make a fortune for the pension funds but help the middle class transition in this situation. The president of CalPERS, the largest pension fund in the country, the California public pension fund, looked at me and he said, “You don’t understand. It’s too late. They’ve given up on the country. They’re moving all the money out starting in the fall,” and that was fall 1998. He said, “They’re moving all the money to Asia.”

Now I just don’t believe it went to Asia, but certainly a lot went into the emerging markets. So you have one economy maturing and you have a whole world of economies around the world growing. So you take money out of the old and you put it in to the new. That’s a logical shift. Now the problem is we got left behind and our investments got left behind. So they repositioned. They stole a bunch of money. They repositioned, but our ownership interest didn’t get repositioned and that was part of the challenge. We got left behind, and left behind with a whole bunch of debt we had to assume.

Now I tell that story because it is very, very important if you look at what’s happening now to understand that what we’re watching is a plan. There has been a plan.

TO UNDERSTAND THE FINANCIAL COUP D’ETAT, WATCH SIR JAMES GOLDSMITH’S INTERVIEW WITH CHARLIE ROSE

There has been a plan engineered at global levels to rebalance the whole global economy, to institute some new technology, to keep other technology suppressed and to radically engineer how society works. And it’s a plan, and whenever I try to explain that to somebody there are two things I always ask for them to watch or read. [The second is “Dillon, Read & Co. & the Aristocracy of Stock Profits at dunwalke.com]

The first is Sir James Goldsmith’s interview with Charlie Rose in 1994 and I’m going to get you to watch this. Sir James Goldsmith came to the United States to try and persuade Congress not to pass the Uruguay round of the general agreement for tariff and trades gap, and part of that was the creating of the World Trade Organization. And he lays out in his interview with Charlie Rose why the plan to rebalance the global economy as it’s being instituted is absolute economic insanity and is inhuman. It is the single best description of what is happening in the economy that I’ve ever seen. It is as prescient and relevant today as it was in 1994.

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Bonnie Faulkner: This is 1994 and is Sir James Goldsmith saying that the rebalancing of the global economy is happening through the World Trade Organization?

Catherine Austin Fitts: It's happening by changing the rules of how capital can flow. It's happening through the World Trade Organization and the resetting of these different rules and the ability to compete labor off against each other globally. What he's saying is, "What you're doing is you're creating an unprecedented shift between a centuries-old relationship between capital and labor. You're denigrating the value of labor and you're increasing the value of capital – certain kinds of capital." The other thing he focuses attention on is the centralization of agriculture and control of agriculture through, among other things, creating the legal ability to patent seeds and the seed supply and the industrialization of agriculture worldwide and the extent to which this is going to put two to three billion small farmers out of business globally.

CONTROL OF THE ECONOMY, INCLUDING AGRICULTURE, IS BEING CENTRALIZED. OUR ACTIONS NEED TO WITHDRAW SUPPORT FROM THOSE WHO ARE CENTRALIZING POWER AND TO ENCOURAGE DECENTRALIZATION.

He very much talks about what is my framework, which is centralization versus decentralization, and using new technology and using these changes to radically centralize the economy. He describes it as literally – this might not be the word he uses – but this is literally insane because you're talking about bankrupting two to three billion small farmers. You're talking about doing something which centralizes control of wealth but destroys massive amounts of wealth. He is so clear. You know, it's so easy for many of us to get lost in the noise and not see the big picture. He's so accurate and so clear about the big picture that he manages to convey it. He had been a very successful businessman. So you're talking about a billionaire who's describing all of this. Certainly if you look at his business career, he's somebody who's in a position to understand.

Bonnie Faulkner: Now the industrialization of agriculture, of course, has been going on for a lot longer time than 1994. He spoke in 1994 and he was speaking about the World Trade Organization. And with these international treaties, this is how – what – they're consolidating global power with regard to agriculture?

Catherine Austin Fitts: The global treaties allow a global corporation to override local rules literally globally. That's number one. But number two, by getting global adoption of the ability to patent seeds and patent life and to make other people pay for that seed. So if I'm a farmer and patented GMO seed blows into my farm without my permission or knowledge, suddenly I wake up and I have to pay Monsanto for the privilege of that growing wild on my land. So there are all of these issues and part of the danger of the international groups is adopting this intellectual patenting and control of life.



Bonnie Faulkner: Well, exactly. And do you know where the international trade treaties – the WTO treaties – stand at the present time? Now some of this was stopped. There have been a lot of lawsuits. There’s been controversy.

Catherine Austin Fitts: Right. They’ve been trying to get the Doha Round adopted globally and one of the big sticking points is India. We’ve had something like 200,000 farmers in India commit suicide to try and stop it. Here’s the thing. You’re talking about imposing a centralized model, which is not economic. And whether it’s a small businessman, a small farmer or a small community bank, they look at this set of rules and say, “This is nuts,” because you’re trying to shut down the economy. You’re trying to assert central control, but you’re literally trying to shut down the economy. And one question I’ve often asked, “Is this their idea of how to make sure there’s no environmental damage if we just make everybody dirt poor or die? Is this just part of a depopulation scheme?”

Bonnie Faulkner: Now did Sir James Goldsmith give an opinion as to what the purpose of all of this was or what the thinking was behind it?

Catherine Austin Fitts: He just talked about why it was insane. I mean, we all struggle with why would people behave like this. We all struggle with it because you’re watching a group of people who are implementing something. I mean, if you said to me logically – the only logical explanation I can come up with is its depopulation.

THE DOMINANT ECONOMIC SCENARIO IN THE DEVELOPED WORLD HAS BEEN THE “SLOW BURN”

Bonnie Faulkner: You’ve talked for some time about how our current financial system is operating. You have called it the slow burn. Could you describe the slow burn? Now a lot of what you’ve already said is a big part of it and you’ve also mentioned the idea that you don’t foresee collapse happening. And really the slow burn – would you describe it as sort of the opposite of the idea of collapse?

Catherine Austin Fitts: Well, imagine in your mind a balance sheet of all assets in the global economy. So on one side of the balance sheet you have the assets and on the other side of the balance sheet you have the financial system and then the equity ownership. What you’re watching is financial assets are being subsidized by liquidating different real assets, okay? So whether it’s war, whether it’s covert operations, whether it’s drug dealing what you’re doing is – whether you’re killing, stealing or just sort of harvesting in a variety of ways – you’re harvesting from the living systems to feed the financial assets.

And the financial system right now is being used as literally a way to manage, incentivize, control the living systems on the asset side of the balance sheet. The slow burn is my



description of how you can manage the general economy so that you don't have a collapse but instead you literally compost different parts of the assets or people to keep the game going. What you've got is an uneconomic system. It's not economic, but you are able to manage and a lot of it works through the government budget, but it works through different cartels. You are able to keep the game going by literally stealing from some.

So some die so others may live. My other description of it is the tapeworm economy. So think of a tapeworm in your body. The tapeworm is the system and it gets bigger and healthier and whatever and it just eats up the life of the host. So a lot of the population is being tapewormed by this machinery and the scary thing about this, Bonnie, is so many of us are part of the tapeworm. We're feeding the tapeworm.

A HIGHLY CENTRALIZED SYSTEM DEPENDS ON OUR SUPPORT. WE HAVE THE POWER TO “COME CLEAN” - TO WITHDRAW AND SHIFT OUR SUPPORT.

The way a tapeworm works in your body – it injects into you a chemical that makes you crave what's good for the tapeworm and bad for you. The power that we have to change things is the day we say, “You know something? I'm going to eat what's good for me and not what's good for the tapeworm.” You know, that's step one of what I call “coming clean.”

But the slow burn is the process by which the economy is managed. The way it works right now in the United States, a lot of it revolves around debasement of the currency. What you'll watch is this process of transition in the middle class. Their incomes steadily fall and their expenses steadily rise, and when I say, “Expenses,” I don't just mean their financial expenses. The process of debasement works like this. Next year the can of tuna fish costs ten percent more. It shrunk ten percent in size and there's a ten-percent greater chance you're going to get food poisoning or some kind of disease because the quality control has diminished in a way that is invisible. Or you pick up the tomato and it's not a real tomato. It's a genetically modified thing that's really poison.

Debasement is this slow and steady process of lowering our purchasing power and the health of our environment and the trustworthiness of systems around us. So we have literally watched a system, which is slow burning the middle class in America down to a much, much smaller group of people and doing it in a way, which is lowering life expectancies and fertility rates. So you're literally looking at a population that is under physical, spiritual, emotional attack. I don't know if you saw the latest statistic. This was up on my blog several weeks ago. Women without a high school education over the age of 60, I think, between 1990 and today – their life expectancy has dropped five years.

Bonnie Faulkner: That's dramatic.



Catherine Austin Fitts: Men have dropped three years. Well, that's how you balance the budget. So if you can't balance the budget through political means, you lower the life expectancies then that's how you balance Social Security and Medicare.

Bonnie Faulkner: You also do what they're probably going to do, and that is sneaky things like changing the CPI or how they calculate the cost of living raises, sort of a hidden way of lowering what you get.

CREATING LOCAL TRANSPARENCY ABOUT GOVERNMENT SPENDING AND CREDIT CAN CREATE LOTS OF OPPORTUNITIES TO FIND REAL ECONOMIC SOLUTIONS AND CREATE LOCAL INCOME AND EQUITY.

Catherine Austin Fitts: Now, but here's the interesting thing. So now I'm going to defend their point of view. For many, many years you saw many good people in the machinery in Washington try and do the right thing, try to get the system to create or come up with a financial, responsible solution. All they got for their trouble was fired, laid off in a variety of ways and it has been extremely difficult to get any political support for a financially responsible solution. So in the defense of the leadership, I have enormous sympathy because they've seen how much pain has been caused when they've tried. On the other hand, that's why I created the Community Wizard tool.

I created a software tool that would allow everybody to see the sources and uses of government money by place so that we could bring the federal budget down to a world where I could see. I could walk around and see and bring it down to a world that was intimate and I could understand. That's what you need if you're going to have financial responsibility by an individual citizen. They need to see the sources and uses of financial resources and other assets within the world that they walk and vote for political representation. And if you look at the effort made to destroy Community Wizard and suppress it, there are two sides to this story. They don't want the average citizen to have the transparency they need to exercise responsibility. So on the other hand, while the leadership's been very frustrated by the refusal of people to behave in a responsible manner, the leadership would never permit the transparency that was needed if they were going to do that.

Bonnie Faulkner: And your Community Wizard was software, place-based so that you could look at what was going on in a specific location on many different levels – where the money was going, where the foreclosures were. And you mapped it all out and it was actually visual, so you could just look at it.

Catherine Austin Fitts: Right.

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Bonnie Faulkner: Well, why don't you talk about what happened when you came out with this tool? This was when you had your company.

Catherine Austin Fitts: You know something? The first thing that happened – because we were just building, building, building – it was remarkable, Bonnie, to watch people's faces because suddenly they could understand their world. Community Wizard was just very much in the early prototype stage because relational database technology had just really blossomed and the Internet had just blossomed. So this was very early on and it was just a whole set of links and databases, and then GSI software tools. So we're working on one tool where you could put in the ticker symbols for the Fortune 1,000. So as long as it was in the Fortune 1,000 you could put in the ticker symbols of the stock you owned and we would print you out a map showing you globally where your employees were.

So you could start to connect the places because here's the important thing. If we want the financial system to align with life, you know, life is about places. We live and work in places and the environmental ecosystem is places. So you need to "see" the financial system by place. You need our financial ecosystems and our place ecosystems to be seen and you need to be able to align them. So if I'm looking at a governmental budget, I need to see the governmental budget both by function – so I need to see housing, I need to see transportation, I need to see military. But then I need to see a crosscut by place, which is what does that mean in Tulsa? What does that mean in Rhode Island? What does that mean in France?

And that's what relational databases give us the power to do. It gave us the power to look at things relationally so we could look by function. And then we could look by place and we could toggle back and forth and then we could say, "Okay. Well, how many mortgages are there in this neighborhood and how does that relate to the mortgage-backed securities and the market?" So we could toggle back and forth between global markets and local places and relieve this disassociation that currently exists. Now the problem is you had decades of systemic fraud that depended on people not seeing and that was the problem. So when Community Wizard first came out we had all these amazing, miraculous situations where people would look at it and they would just say, "Wow! This is fantastic. I can be a good citizen."

Let me tell you one story. I had a partner on Wall Street who I was trying to interest in coming to work at Hamilton and he flew down and we explained Community Wizard. We had all these big monitors. We had very sort of high-tech offices and we explained Community Wizard. He said, "This is stupid. This will never work," and we said, "Let's just show you." So we said, "Luis, where do you live?" and he said, "Oh, I live in Bronxville." So we pulled up all the numbers and maps on Bronxville and he just exploded in Spanish. He was Cuban and he said, "This is so corrupt. This is terrible," and I said, "What are you



talking about?” and the first item was \$4 million a year for flood insurance. There are a lot of games in the flood insurance program is my impression.

Anyway, he said, “Bronxville’s on a hill. I’ve lived there for 30 years. There’s never been a flood in Bronxville. This is totally corrupt.” Anyway, so we gave him a printout of everything we had on Bronxville and his area. The next day I had a conference call with him. I called him at 10:30. I couldn’t get through for hours and this guy’s always on time. Finally, I get through and I said, “Luis, where have you been?” He said, “I have been on the phone with the deputy mayor of Bronxville for four hours. We have gone through these numbers one by one. All this corruption is going to stop.”

I said, “Luis, I thought you said it was hopeless.” He said, “That’s before I got the numbers for my neighborhood,” because America’s just 3,100 counties. You take the budget and you break it down to neighborhood and what you’re going to see is you’re going to see millions of opportunities to reengineer the money, which are unbelievably productive. But you need to get it down to a scale where you can effect practical change that’s in the interest of you or your neighbors or your community or your municipality. You know, there has to be an incentive and there has to be a practical pathway.

Bonnie Faulkner: Well, you did some very successful consulting work with the government, with the FHA.

Catherine Austin Fitts: Right.

Bonnie Faulkner: And this Community Wizard obviously shined a light and made people understand in a concrete and a visual way where the money was going, but what happened?

THE POWER OF PLACE BASED TRANSPARENCY TO HELP DECENTRALIZATION WAS UNDERSCORED BY THE RESPONSE TO SOFTWARE TOOLS THAT FACILITATED IT

Catherine Austin Fitts: Well, if you’ve ever seen the movie “Enemy of the State,” I played Will Smith in real life. So here’s the thing. To have the housing bubble, they had to get the honest people out and we were targeted in one of these sort of situations. And basically I’m watching what’s happening right now because right now, as we record this, we’re watching a whole series of the military and intelligence leadership – particularly in and around the Middle East – get relieved of command by very dirty tricks, and it was the same thing. We were accused. There was a whistleblower – and you have to be careful of whistleblowers because whistleblowers are oftentimes targeting and getting the honest people out.

Bonnie Faulkner: Oh, that’s interesting.

The Solari Report

Building Wealth in Changing Times



Catherine Austin Fitts: Oh, yeah. People always say I was the whistleblower or something. No, no, no. I was the target of a whistleblower. We had brought in a whole series of reforms and that caused different contractors to stop making money and sort of running things they were. So they had a guy who was losing business because of this and, from what I can tell, HUD was financing him and encouraging him. But he brought a whistleblower lawsuit that was kept under seal for many years.

Under the whistleblower lawsuits it's supposed to be kept under seal for 60 days unless they can produce evidence and they were never able to produce any evidence of wrongdoing. And it became very embarrassing because the judges extended and extended. We just happened to have the judge overseeing who was the former general counsel of the CIA. How convenient, and it was extended and extended. The first judge said he wasn't going to extend it. It would be wrong to extend it and he got very frustrated because they had no evidence of any wrongdoing; and he suddenly gets fast-acting cancer and dies.

And that's when the former general counsel of the CIA comes on and he extends and extends and extends. It was really funny because after five years we finally worked very hard to get the transcripts out when the case got unsealed. And in the last year the judge is going crazy, screaming at the lawyers because he's now extended this way beyond what the law permits and they're not coming up with any evidence. He's literally coaching them from the bench about how to falsify evidence.

I mean, it was one of these wild, Shaggy Dog stories that gets unbelievably complicated. Anyway, this guy brought this lawsuit saying there's fraud and corruption in the HUD. We had a loan-sale program. It was part of the work we were doing for HUD. Anyway, he brought this lawsuit and this was used as a pretext. What had happened was we had done about \$10 billion of loan sales for HUD before the program was shut down and had saved them about \$2.2 billion and the loan-sale program was far from perfect. In fact, it was evolving in a better way. But on one of the loan sales one of our subcontractors had made a mistake and we had found it and reported it, and a year later it was used as a pretext to fire us.

And the interesting thing about this mistake was there was no loss of any money. It didn't cost the government any money and – it gets complicated – if everything had worked perfectly, in theory they might have made a little bit more money. But it was on a loan sale where they made a fortune and we had done a very, very good job for them. So this was used as a pretext to fire us and fire us in a context where you're fired for the convenience of the government, which I support. I believe the government should have the right to fire anybody whenever they want, just like private business.

So we were just fired for the convenience of the government. We weren't fired for default. So a process ensued where we had two tracks, one where we sued the government to pay us



for the money they owed us for the work we'd done. And we won that lawsuit in what was considered to be a miracle and then we went through this other track where we're being accused of all these things and they keep trying to falsify evidence and find something wrong. It's a fishing expedition and they never can find anything wrong. And that got really dug in and bitter because when they couldn't find anything wrong they kept trying to settle and I wouldn't settle because I wanted to force them into court. It's like, "Okay. Let's see what you've got."

And it was funny because my attorneys couldn't believe that this had gone on for this many years and they had no evidence of any wrongdoing. We went to court several times and it was cancelled the night before, and that's to make it really expensive and exhausting. Then I'd refuse to settle and we'd schedule another court case. So we finally went to court and it was hysterical. The last attorney resigned. They put a new attorney on. I refused to settle. We came into court and my attorneys were so prepared because they were sure they must have something. They had nothing. They had absolutely nothing.

It's the most embarrassing thing I've ever seen, and the judge just laid him out because it meant he was going to have to rig it because they were giving him nothing to work with. And I've never seen a lawyer screamed at the way the judge screamed at him, and so we went through that process and it's all up on the website. You know, some time we should do something on Hamilton because it's so complicated. Anyway, we won the big one. The day after the first day my lawyers walked out. They were in shock and they said, "There was nothing. They had nothing." I said, "I told you," but it was like, "We can't believe it was a bluff all these years. The whole thing is a bluff." I said, "I told you."

It was amazing. I had spent \$6 million and 11 years in total on this thing, so you can imagine. That's a very expensive bluff. Anyway, so we went through that and at the end the judge pulled a dirty. Now on just one of the counts we won everything except one count. He pulled a dirty, which was the opposite of the court of claims. So then we went into appeals and at that point I'd proved beyond a shadow of a doubt they had nothing, and we'd won the big one. So then I said, "Okay. I'll settle," because if you look at the value of any potential settlement in dollars versus gold, the best thing I could do was settle and put it in gold.

At that moment than leave the whole thing in dollars.

Bonnie Faulkner: Now was your company destroyed in the process?

Catherine Austin Fitts: Well, I shut it down. So what happened was when I knew I had to litigate we went in for a quick decision. When we didn't get it then I knew I had to litigate, and here was the interesting thing, Bonnie. I believed in that situation this is a political fight. I'll just get a political solution. We'll solved it. And I couldn't broker a political solution and I couldn't figure out why. Why was everybody so dug in? Why were so many people? You



know, you clearly had behind it somebody wanted to destroy me. Somebody wanted me in prison. You know, there was an anger and vindictiveness behind it that I could never quite understand.

And one of the reasons I wrote the Dillon, Read story [‘Dillon Read & Co. Inc & the Aristocracy of Stock Profits’ at dunwalke.com] was to describe the backdrop on it because there was an aspect to it that was personal. Clearly, a decision had been made in the beginning not to kill me because it would have been very easy to just kill me. But they really wanted me to fail and my estimate was that the government spent \$45 million on this whole situation, the surveillance. We had 18 audits and investigations. We had 12 tracks of litigations. I mean, it was really an expensive fight for the government.

I mean, I know how much I spent and so I just couldn’t understand why it got that bad. So I tried different ways of sort of settling it politically and couldn’t. And when I realized, okay, in 1998 there were several attempts to try and frame us. They seized our offices, stole all the databases and Community Wizard. It took me six years to get it back and by the time I got it back the most important pieces were stolen forever. They were just stolen. You know, it was sitting under court control and it was just stolen.

Bonnie Faulkner: Wow.

Catherine Austin Fitts: It was interesting. The litigation contractor for the Department of Defense was the leading provider of GIS software to the U.S. government. So it was basically a competitor who was managing some of the data for the department. So I assume they just gave it to them and if you look at some of the products the government and the Department of Justice came out with, I’m assuming they used a lot of our stuff and gave it to a variety of private companies who then developed stuff like that. So I think it was just stolen and used.

Bonnie Faulkner: Now what you were doing and why they came after you was because you were making the government money and it was costing some of the people who were making a lot on the fraud – it was costing them their contracts, right?

AN ANALYSIS OF PLACE BASED DATA SHOWS THAT GOVERNMENT RESOURCES HAVE A NEGATIVE RETURN ON INVESTMENT TO TAXPAYERS. ALL REAL SOLUTIONS REQUIRE THAT THEY BE REENGINEERED TO A POSITIVE RETURN ON INVESTMENT.

Catherine Austin Fitts: Well, there are a couple of issues. It comes down to if you look at a county by place, so if you look at how the money works within a county level – both private and public money – what you’ll find is that the private sector is making money because the



public sector is losing money. We're putting money into a community and that money has a negative return on investment to the taxpayer – the government-budget money. So, for example, at HUD I will spend \$250,000.00 to build and construct an apartment in HOPE Six Public Housing when I could take that \$250,000.00 and buy and rehab four or five single-family homes out of the FHA foreclosure property.

So I'm spending four to five times as much as I need to get one housing unit, okay? Now that's not economically efficient, but that produces fees for my friends. That engineers the money in a certain way. And so you're talking about is we've had 70 years of fees for our friends and what that has done is that has created a society where we've built lots of fragile political coalitions and paid everybody off by printing more money. So we round up the kids, we throw them in jail, we have them do contracts for the Department of Defense. It costs \$154,000.00 per kid per year, but we're funding it with government money and issuing lots of debt. So it's economically insane, but it gives you control.

ONE OF THE REASONS FEDERAL GOVERNMENT RESOURCES HAVE A NEGATIVE RETURN ON INVESTMENT IS BECAUSE WE ARE COVERTLY FINANCING A BLACK BUDGET. REAL SOLUTIONS REQUIRE THAT WE BRING TRANSPARENCY TO THE BLACK BUDGET.

Those kids are off the street and they're not questioning about why you're doing what you're doing, and you can use them to run your drug business without them getting smart because you just turn them over. You cycle them back into prison. So we're financing control and the other thing we're financing is the black budget. We are watching trillions and trillions of dollars disappear – just disappear – whether it's going to financing an endowment for world government, whether it's tithed to somebody on the moon, whether it's building the kind of machines that can do weather control and induce earthquakes and electromagnetic scalar weapons and weapons from space and space fleets. Who knows?

But the black budget and using government money to control and broker political solutions as opposed to optimize economics is stealing the wealth of this planet. Those two things are a giant sucking sound on our general economy and that's why I come back to this question of uncertainty. Who's doing this and why are they doing this? Because if you look at the numbers, the numbers tell you a very different story than any story that you come up with in terms of problem solution.

THE AMOUNT OF MONEY BEING STOLEN IS SIGNIFICANT. ONCE YOU UNDERSTAND HOW MUCH IS BEING STOLEN, YOU REALIZE WE DON'T HAVE AN ECONOMIC PROBLEM.



I live in a county that's very, very segregated. I'm in Tennessee and we've got the white folks and the black folks. And what I'm always saying to them is, "Look. If you would just bring transparency and collaborate about the money, you could hate each other rich instead of hating each other poor, you know?" Because the amount of money that has disappeared is a testimony to the hard work of this country and the geographic resources of this country that we are still standing.

It's a miracle we're all alive given what's been going on because the amount of wealth that's being pulled out is incredible. It's incredible, and that's why to me it's worth looking. We did a financial salon down in Santa Cruz and Kimberly Carter Gamble, the producer of *Thrive*, was there. She was talking about going through the process of making *Thrive* and she said, "You know, the reason I'm an optimist is I've looked at all of this. I've looked at what's really going on. I've explored all the darkest side of the universe and once you see all of that, what you realize is we have no economic problem."

There's enough wealth for all. The Earth creates this huge harvest every year.

Bonnie Faulkner: Isn't that something? Isn't that sad?

OUR PROBLEMS ARE POLITICAL. THEY ARE NOT ECONOMIC OR FINANCIAL. OUR PRIORITIES SHOULD INCLUDE BRINGING TRANSPARENCY TO OUR POLITICAL PROBLEM.

Catherine Austin Fitts: Yes. Well, we have a political problem, and we have a political problem that we don't understand. And what I say is all of us together, working together, can bring transparency to that political problem and can figure out real solutions. But we need to bring transparency to it and if we try and craft solutions without bringing transparency to that, we are going to have a mess. So it's very baffling what's going on.

Bonnie Faulkner: And bringing transparency to what's going on within the current situation, as you've just explained from your own personal experience, that's quite something.

Bonnie Faulkner: Now you've written an article called "The Financial Coup d'état" and you've talked at length now about a lot of elements of that. Where would you date that back to?

C. Austin Fitts: I would date "The Financial Coup d'état" back to the planning I think was '90, '91 and then it really got going with the passage of the World Trade Organization. But if you look, they planned out the Uruguay Round of GATT and



implemented it. So that went into effect I think it was the beginning of '95 or '96 and then it was off to the races.

If you look at the planning, at the engineering, the GATT was happening as a global treaty; if you look at the engineering that was going on in the domestic economy, that was paralleling. So the design of the housing bubble was the same period that they were pushing the Uruguay around and it really clicked in because what we came up with, and this is what I describe in the Dillon Read story.

WE HAVE IMPLEMENTED SLAVE LABOR CAMPS BEHIND FANCY PR AND COMPLEX FINANCIAL ENGINEERING

We made a decision to literally take the war on drugs to a whole new level, create private prison companies, and we basically started dropping – and this is '95. It started at the end of the Iran Contra, '89, '90; but it really got going with the private prison companies. We dropped SWAT teams into neighborhoods where we would just round up innocent kids, stuff them into prison, we pulled the money on the public defenders' offices so they all had to cop a plea; they couldn't really get serious defense.

So we're rounding up innocent kids, putting them into private prisons that are making money on the stocks and then the private prisons enter into contracts through the private company owned by the Department of Justice, Unicor, with the Department of Defense. So you have them working for the military and there's no difference; if you look at the engineering of it, it's exactly what Hitler did: he rounded up populations, put them in slave labor camps and then they made uniforms for the military. It's no different.

It was scary to me, Bonnie, I'll never forget the '90s trying to explain to people this is what was happening. There was one month when *The Wall Street Journal* - they were trying to make this socially acceptable - had an article about Park Avenue Co-ops using prison cabinets and prison materials in the kitchens and bathrooms and how this was the new style. And *GQ* did a layout of men in fancy business suits in prisons, you know in front of the cells. This is the power position; you're the guy who puts them in prison.

It was unbelievable and it was frightening because there was nothing that we were doing that the Nazis didn't do because these were innocent kids. Or if they weren't innocent, they'd simply been entrapped to deal drugs by the people who were arranging to throw them in prison, you know by one or two degrees of separation. And it was as though the whole society pretended that this wasn't happening.

Bonnie Faulkner: Yes, I know exactly what you're talking about. I saw a lot of that on the ground; I used to live in Venice, California and we had a community paper that we used



to paste up and work on and what, it's a tiny little ghetto there but the SWAT teams would go house to house. A little kid going by on his bicycle would be, would be –

Catherine Austin Fitts: Just swept up.

Bonnie Faulkner: Just swept up; just swept up.

Catherine Austin Fitts: Right.

Bonnie Faulkner: And one of my good friends at that time had worked in the public defenders' office and he had to go out on, it was either disability or something like that. He couldn't handle the caseload; it was just too much.

Catherine Austin Fitts: Right.

Bonnie Faulkner: He had so much work to do. I mean the guy practically had a nervous breakdown.

C. Austin Fitts: Right.

Bonnie Faulkner: I remember all of this.

C. Austin Fitts: Right.

Bonnie Faulkner: And of course it continues today in the Sonoma Valley where I live, which is rural and beautiful. I mean just the other day I saw a tank driving through the Sonoma Valley and on the side of it in huge yellow letters it said "SWAT." And there was a guy dressed in military uniform driving this thing.

Catherine Austin Fitts: You're kidding?

Bonnie Faulkner: No, I mean I never saw that before. So this continues; it's very scary.

THE QUALITY AND INTENTION OF LEADERSHIP IS VERY IMPORTANT. TO ASSESS ANY PROPOSED SOLUTION, ASK WHO GETS MORE POWER, WHO LOSES POWER, WHO IS IMPACTED AND HOW.

Catherine Austin Fitts: This is why it's good I'm an optimist. I wanted to just show you a graph. You know I love this framework of these little graphs that help me frame issues; they express rules of thumb. And this one has two columns and two rows so it's four



quadrants. And the two columns are “Who” and “What” and then the two rows are “Global” and “Local.”

“What” describes nonliving things? So “What” things are the banking system or currencies or technology or you know it’s “What” stuff. And “Who” are people and other living things, okay? My view of the world is that I always start with Who. When I pick up an annual report when I’m looking at a company as an investment advisor, the first thing I look at is who owns it; who runs it; who’s on the board; who manages it. One of the things I’ve been trained to believe and has absolutely proven to be true is where you have excellent leadership, things work. And where you have terrible leadership, things don’t work. And there’s a theory that’s grown up in the American economy that governments should protect us from bad leadership. I’ve news for you: there’s no government in the world that has enough money to protect you against bad leadership. That’s why I keep telling people “It matters where you bank.” You know, who runs the bank where you bank? Who runs the store where you shop? It matters that you have people who are excellent who care about you. If you do business with criminals, chances are greater you’re going to lose your money.

We’ve lost our ability to discern between people who are excellent and people who don’t have our best intention at heart. So, so the first thing I always look at is “Who.” And when you talk to many people these days about solutions it’s as if “Who” is not allowed to be discussed?” You know?

We want to talk about whether community currencies are a solution or banks, community banks are a solution or kill the Federal Reserve as a solution.

Well when you talk about these things in a place and people blind basis, terrible things can happen because, because what I want to know about any solution is who does it empower? Now you can, you can implement a solution that, that’s a great solution or is a terrible solution and, and whether or not it works depends on who you put in charge of it. So the notion that we can have any solutions without talking about who is nuts.

Now one of the things that happens when I go over and try and talk about who on a global or local basis, you know the first thing that happens?

Bonnie Faulkner: What’s that?

DON'T GET DISTRACTED, MANIPULATED AND LOSE POWER AS A RESULT OF DIVIDE AND CONQUER TACTICS; DON'T GET SIDE RAILED BY DEAD END “WHAT” SOLUTIONS

Catherine Austin Fitts: The first thing that happens is I run into divide and conquer politics because what you’ll notice is the first thing that Mr. Global does in any phase of the financial coup d’état is he’s got the divide and conquer thing going. So you’re turning men

The Solari Report

Building Wealth in Changing Times



against women; you're turning Muslims against Christians; you're turning the young people against the old people. And you've got massive divide and conquer to make sure the real asset side of the balance sheet can't start building alignments and getting something done. Okay? You want to keep them powerless and powerlessness comes from being divided.

The minute we start to align interests with each other and see each other as allies and find a way to gather power and build wealth on a decentralizing basis you know, that has power. Now if you keep us from talking about who or thinking about who or building alignments, if you keep us divided and conquered but then channel all of our desire to be part of a productive solution into "what" stuff then you can game us all day long. Okay?

So let me give you an example: the county bank idea. So the other day I was in Santa Cruz. And we had a woman there who's writing a book about how wonderful county banks were. And she described the idea of you create a governmental county bank and in fact, because now you have a governmental county bank you don't need any of the community banks. Okay so now we're going to wipe out all of the family wealth and we're going to wipe out all of the enterprises of the small banks that have kept small business alive.

Bonnie Faulkner: And you're talking about privately run small banks?

Catherine Austin Fitts: Right.

Bonnie Faulkner: Yes.

Catherine Austin Fitts: So we're going to take all the community banks, so assume in a community we have five community banks and five credit unions. So now we're going to wipe out all the community banks and we may wipe out the credit unions as well because we're going to have, we're going to have a county bank that has a governmental cost of capital. And now we're dependent on one bank. We don't know who's going to control this bank; we do know that they're on digital systems that ultimately, and clearance systems, that are going to be controlled by the Federal Reserve.

So now instead of having a variety of different banks locally and banks that create family wealth locally, we're going to have a governmental bank that's going to be controlled centrally. And this is supposed to be a solution? It was really funny because I really wanted to communicate to her that she had a problem. And I said, "You know what you're proposing is fascism because if you come into any county, the thing that's keeping us alive" – you know in most counties we're down to, you know in a small county, you know 20 to 50 families who have either small businesses, small banks, or small farms.

And if you look at what's been happening in the economy for the last 20 years the people centralizing the economy have done everything they can to shut down those small businesses, shut down those small farms, and shut down those small banks. And what



you're proposing to do is to do something that will be a deathblow to the small banks who are financing and keeping those small businesses and small farms alive.

Bonnie Faulkner: And you're saying that the, the county bank, the county public bank would be a competitor with the private bank.

Catherine Austin Fitts: I'm assuming. Now the North Dakota model is you have a state bank that really helps the community banks be healthier. So I think of a state bank that supports and builds up the community banks could be a great idea. But again it comes down to how these things are done because any – think of anything in the financial world or the technology world as a tool. I can use a hammer to hit you over the head and kill you or I can use a tool to help you build a house.

And so the tool's not bad or good, it's "Okay, how are we going to apply this?" The key thing for any of the financial solutions that might be useful, we have to get back to this question of "Okay, who's running things?"

OUR MOST POWERFUL SOLUTION STARTS WITH COMING CLEAN OURSELVES

So let me jump to a county. The most important thing when we talk about real solutions is ourselves. Okay? Let's look at my time; let's look at my money; let's look at my actions and let's look at my mind, my body, or my money and my resources. Number one, am I using my time and my resources in a way that I'm not permitting the tapeworm to harvest me? Okay so have I figured out to get the tapeworm out of my mind, out of my body, and out of my pocketbook?

And what I will tell you with most Americans is the answer's "No." First of all they don't control their mind; they're digesting enormous amounts of popular media that's full of entrainment technology; it's full of the most sophisticated subliminal programming and brainwashing.

TURN OFF YOUR TV

We are the targets of massive amounts of engineered mind control, okay? So that's number one. You know because if I had to tell you, "If you want to save the planet, turn off your T.V." Your time is precious. There's not enough time in the world you know to incorporate that amount of you know sort of mental junk. So number one: are they out of our minds?



WATCH “FAT, SICK AND NEARLY DEAD” – EAT FRESH FOOD

Number two, are they out of our bodies? So I’m always trying to get you watch “Fat, Sick, and Nearly Dead.”

Bonnie Faulkner: Yes.

Catherine Austin Fitts: I want everybody in America to watch “Fat, Sick, and Nearly Dead.” If you look at Phil Staples go from being 420 or 430 pounds and literally nearly dead, to shimmering with health and vitality and life, it’s an incredible transformation. And the movie, if you look at pictures since then, because he’s just kept on juicing, you know what you’re realize is we don’t need national healthcare; we need to stop eating poison, okay? And if you just look at one guy who looks completely hopeless and you look at the extent to which he becomes healthy again, what you realize is “Ah, okay.”

So number one get the poison out of you mind; number two, get the poison out of your body.

BANK LOCAL

Number three, get it out of your pocketbook. If you look at all the things everybody says they hate, they’re financing it. You know? So if you’re banking at Chase Manhattan Bank, you’re financing it; you know, don’t complain. The problem is not them, it’s you.

Well, I have a long article we’re going to publish as a book this coming year called “Coming Clean.” The first thing we need to do each our self is to come clean because by coming clean I prevent the system from harvesting me. And by preventing the system from harvesting me not only do I make myself stronger and more powerful but I deny them access to that amount of resources. So you’re just withdrawing.

Now part of this, you know part of all of this is getting the dirty players, you know, out of your mind, out of your body, and out of your pocketbook.

AN EXCELLENT BOOK THAT INFORMS REAL SOLUTIONS IS AXELROD’S *EVOLUTION OF COOPERATION*. BRINGING TRANSPARENCY TO THE DIRTY PLAYERS IS POWERFUL.

One of the most powerful books I’ve ever read that informed real solutions is Robert Axelrod’s *Evolution of Cooperation*. You and I have talked about it. And Axelrod sat down, he’s an economist and he sat down, this is about 30 years ago and he said, “How do



we build an economy where peace makes more money than war? How do we build an economy that is cooperative not destructive?”

He did lots of computer simulations and what he discovered is in a world where there’s transparency the clean players are more productive and succeed and beat the dirty players. But where there’s no transparency the dirty players beat the clean players. So having a world where enforcement can happen requires that we see who’s the clean and who’s the dirty player.

IN AMERICA, MOST PEOPLE ADMIRE THE DIRTY PLAYERS. SOLUTIONS REQUIRE THEY ADMIRE THE CLEAN PLAYERS

Now in my experience in America, America admires the dirty players. I would expect – we’re in Berkeley – I would expect if you took me into an audience of activists and I was free to just for an hour ask them questions in front of you I could prove beyond a shadow of a doubt that they admire the dirty players, not the clean players.

Bonnie Faulkner: Really?

Catherine Austin Fitts: Yes, absolutely.

Bonnie Faulkner: You mean the people like admiring power for instance?

Catherine Austin Fitts: Yes, they admire power and they respect force.

Bonnie Faulkner: Yes, yes, I’ve seen that.

Catherine Austin Fitts: Right and the message to the clean player within business, within government in this country is “We have no respect for you; you’re a loser.”

Bonnie Faulkner: Right.

Catherine Austin Fitts: And the dirty player gets the respect. And that’s a negative feedback that has nothing to do with the top guys being corrupt, that has to do with the rest of us being corrupt. And the corruption in the general population in that way is absolutely phenomenal.

Now you’ve heard my story about being at the Christian revival? That’s a perfect example.

Bonnie Faulkner: No, I don’t know.

Catherine Austin Fitts: I had a wonderful minister who I took a spiritual warfare class that was outstanding. And she had worked at the DEA and there’s nothing about drug



dealing by the Bush family or allegations about the Bush family and the Clinton family, she didn't know. And we were at "Women, Thou Art Loosed" which is a conference by T.D. Jakes who's a fantastic preacher from Dallas. T.D. Jakes had brought George W. Bush in by monitor in 2000 during the election. And 100,000 Christian women jumped up cheering for him. They're all African American, okay? And, and this minister jumped up cheering. And afterwards I said to her, "You know, Minister Pat, you jumped up cheering for George W. Bush. And there's nothing about Bush family narcotics trafficking or allegations thereof that you don't know." Her son had just been shot at in drive-by shooting the week before. And I said, "And you've just jumped up and cheered for him. You've never jumped up for me and I just lost a fortune and I almost my life trying to stop this stuff." And she said, "Well, he's going to be the winner." And I said, "So he's a winner and I'm a loser." And she said, "Yes, that's right."

Bonnie Faulkner: Isn't that terrible?

Catherine Austin Fitts: No, it's not terrible in the sense that I look back on the last 20 years and there's a whole series of honest people whose honest expression of the truth really helped me understand what was happening. So she was just being honest and that was a very powerful insight for me because what I realized was I have to be able to operate for decades with being hated and no admiration because in our society people who win and get all the money are the ones who are admired, not the people who do it the ethical way.

Bonnie Faulkner: Right, why not go with a winner is the saying. Yes.

Catherine Austin Fitts: Right. So if I'm not going to go with a winner then I have to know that I'm going to take my route and I need to be prepared to go it alone.

Bonnie Faulkner: That's right.

C. Austin Fitts: Right and so you know you need to make that decision but that is the way it is and we are in a society that respects the winner you know and the winner is a dirty player. That's how it works. You've got to play with Mr. Global; you've got to play with the tapeworm, with some very rare exceptions.

SOCIAL MEDIA AND SMART PHONES ARE WAYS FOR THE INTELLIGENCE AGENCIES TO GET YOU TO UPDATE YOUR DOSSIERS FOR THEM



I can take you into any group of activists and I can prove to you beyond a shadow of a doubt – I just had a rip-roaring discussion with a group of activists ‘cause a lot of, a lot of the issues of the solution come down to technology and privacy. So you know my read of a lot of the social media and a lot of the digital platforms is they were created to make it easy for the intelligence agencies to track and understand. Everybody’s creating their own personnel file and dossier for the intelligence agencies and then teaching people how they connect.

And so these systems are designed to manage and monitor and manipulate people and to get people – you know if I walk around with my “smart phone” – Katherine Albrecht has now deemed it a “cell mate” – if I walk around with my cell mate and constantly feed into these systems then I’m very easy to manage and monitor. And the digital systems can give people control. So for example when you talk about a county bank, depending on how you set the digital systems up - it’s just something that’s very centrally controlled, especially if you combine it with digital currencies.

TO UNDERSTAND ANYTHING, LOOK AT HOW THE DIGITAL SYSTEMS WORK AND WHO GETS THE INTELLIGENCE AND CONTROL

So we really have to look at those kinds of issues but, but we have a population this is not looking at that in a very savvy way. And it’s part of the confusion you get into when you start looking at solutions because something can sound wonderful until you realize there’s complete digital control from the central headquarters.

Bonnie Faulkner: Now with regard to transparency and people’s worshipping power, do you believe that it all gets back to transparency? That if there were in fact transparency to who was who and who was doing what, do you still think that there would be such an abject worship of power?

THE ABILITY TO ACT ABOVE THE LAW WITH IMPUNITY OVER LONG PERIODS OF TIME IS THE FORCE CENTRALIZING POWER.

Catherine Austin Fitts: I think that the transparency could help enormously. Even with complete transparency we still have a general population that tends to respect force and so if you have one group that have the ability to kill with impunity they’re going to tend to side with them. The ability to act above the law with impunity consistently over long periods of time is the ultimate power. You know so if I can act above other things it means I don’t have to pay taxes. So I have an enormous financial advantage among other things and so the population will constantly tend to side with the people who have that power just because they view that as a way to remain safe.



Bonnie Faulkner: Right.

A CRITICAL OPPORTUNITY: LET'S FIGURE OUT HOW TO ENFORCE AGAINST PEOPLE WHO ARE ABOVE THE LAW

Catherine Austin Fitts: And so the enforcement question gets back to “Okay, you know, how do we deal with that?” If this group is above the law do we have a system that they’re free to break the law whenever they want and we have to obey the law and we’re just going to adopt a feudal – I mean that’s basically feudalism. Or are we going to do something about it? Are we going to make it difficult for them to do that? And that of course gets back to the question of who are they and why they behaving the way they’re behaving?

Bonnie Faulkner: And what are going to do to change things?

Catherine Austin Fitts: Right. It’s very interesting, I had a relative once who’s an attorney, say to me, it was during the 2000 election and there was a group who was trying to get me to run for president in the New Hampshire primary, not in a serious way but to illuminate the issues and get a fuller discussion. And I wrote an article why I declined to run for president of the United States and so this relative called me up and said, “Okay, I want to know what would it take? Just give me a list and if you got this list you would agree to run for president of the United States.”

And I said, “Okay, the first thing I want is I want a license to kill 250 people without question. So I want a legal right to be able to order the assassination of 250 people without question. And he just went wild and he said, “That is the most lawless, outrageous – how could you do that?” You know he was deeply, deeply offended. I said, “You cannot possibly clean up the situation without the ability to enforce. And I can’t enforce against people who can kill with impunity unless I’m free to kill them.” I need the general population to respect me. Unless I have the power to kill and kill broadly, they won’t respect me. You know and that’s the world we – you know I felt like the Godfather, “This is the world we have chosen.”

Bonnie Faulkner: Very Machiavellian, yes.

Catherine Austin Fitts: Well, I mean it’s just we’re talking nuts and bolts.

Bonnie Faulkner: Right.

Catherine Austin Fitts: You know, how am I going to get anything done? You know this is a terrible thing to say, Bonnie, but given who am I and given my background that doesn’t offend me. I mean if I were going to govern the situation and get something done, I would need that power. So when I look at the President under the NDAA saying he wants



the ability to kill people, well, you know, you know and my concern is that would be terribly misused so I don't want them to have it. But in the mean time, I wouldn't do that job without that.

Bonnie Faulkner: Well, yes, but also the people that he would pick to kill wouldn't be the people I would pick to kill.

Catherine Austin Fitts: We have an expression in Tennessee, "He needed killing." I was raised a Quaker but I never quite resonated with the philosophy –

GLOBAL NON-VIOLATION MUST INCLUDE FINANCIAL NON-VIOLATION. THAT IS A DEEP CHANGE.

Catherine Austin Fitts: I think there are things we can do to make the system better. But here's the heart, because a financial system is a man-made system so it all comes back to law and the enforcement of the law. And I think the challenge, the big challenge with the current system, if you look at the system in a lot of western democracies you know on paper it's quite good; it really is quite good. The problem is that our respecting each other's rights has been financed by running around the world and disrespecting other people's rights. So if we're going to be rebalance the global economy we have to come up with a way of respecting each other's rights globally. And the reality is we either respect everybody's rights or respect nobody's rights. It's one or all.

And so how do we create a legal system where we respect each other's rights? Not just in terms of I see you and you see me and I don't hit you and you don't hit me, but how do I hold that non-violation into my financial life? So how do I avoid financing companies that violate you when you make more money than me financing companies that violate me? Or financing governments or other people?

So we have to do that non-violation not just individually but, but financially and economically. And that again comes back to this question of law: how do we enforce the law? Because I believe if you pile down all through the enforcement question the biggest question is we all have to enforce it.

SUCCESSFUL ENFORCEMENT AGAINST CENTRALIZED FORCE REQUIRES MASS ACTIONS

You know the reality is, Bonnie, if you're Mr. Global – so you'll just play Mr. Global and you have weather control machines and you have machines that can induce earthquakes and you have nuclear weapons and you have lasers that can be beamed down at me from space, the only way I can enforce against that is if millions of people are willing to act in concert with their prayers, with their actions, and with their investments and say "You know something?"

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You may have all the most powerful weapons in the world, but you know we're not going along."

Gandhi did have the formula so either we're going to institute the law as a cultural matter and move up to that level of responsibility or we're going to be governed in a slave society. So we have a choice between a very dark, high tech, medieval feudalism or we're willing to step up as a global culture and say "Okay, I'm willing to practice non-violation not just in my actions but in my transactions." And, and if we can do that as a culture then, then we are many and they are few. I don't care how many weather control machines you have. It's a big planet; it takes a lot of people to run it.

The minute the rest of us say, "Look, whatever we do we want to have a human culture, not an inhuman culture." And that's our choice.

Bonnie Faulkner: And we need a critical mass of people to agree with that and act on it.

Catherine Austin Fitts: Right. But act on it in very savvy ways because what I see - you know I'm not an activist but I've sort of stepped in and out of the activist community - and what I see in lots of activist communities is they are unbelievably naïve about who's running things and how things are being run.

I just got into a little thing on the e-mail because somebody said, "Oh, good, let's all get a Google Circle." And I said, "Oh, great. Why don't we make it easy for them monitor in a function where they own and control our content? Are you out of your mind?"

These organizations weren't created to serve you, they were created for different purposes and their goal is to monitor and manage you. We need to be very savvy, number one, about what's going on. But also part of that is admitting we don't know what's going on. And I think the first most important thing we all need to do is to ask and answer that question: who's really running things? Why are they behaving the way they're behaving?

Because we are acting in very naïve ways and naïveté to that extent is a violation of our responsibility. It's everybody's responsibility and here's why: because part of this globalization process is what can be done to one can be done to any. You know 9/11 was the proof and you know I'm just going to say something racial. You know, white people thought that the black budget guys were just going to raid minority communities, not everybody. 9/11 was the wake-up call to say, "You know something? Everybody's fair game." So now we have very successful office workers jumping out of burning buildings and the reality is the black budget boys are willing to take out anybody. Everybody's fair game. So in that sense it's a new day.

ITS TIME TO FACE FACTS - THE BLACK BUDGET BOYS HAVE BEEN KILLING AMERICANS FOR GENERATIONS



Now it's funny because I wrote an article about my mother's murder and 9/11 at one point. I sent it to you, "Meditations at the Crossroads" where I said, "Look, you know the black budget operations have been killing Americans for generations." You know we have the nuclear testing; we have the different sort of sprays on the population. Now we have chemtrails being sprayed on our heads – good heavens knows what that's about. You know we have narcotics trafficking; we have all sorts of covert operations. We have all sorts of government leaders – presidents who were assassinated on television, you know, right in front of us.

So many, many people have died and what's interesting is if you go look at as people are being killed in these variety of manners, you know when you go in and you investigate, everybody's coming out with "what" solutions? Oh, you know narcotics trafficking is bad or nuclear testing is bad. And what I say to all of them: wait a minute, forget the exact thing that killed your loved one. If you look at the number of people running this system it's very small. And what we all have in common is you know we have the fact that this small group of people have killed all of our loved ones and they're killing us.

So can we talk about that? You know, can we talk about who they are and why they're doing what they're doing. And you know this is not about your nuclear testing or narcotics trafficking or your issue. I mean I'll never forget, I have a wonderful relative who said to me, I was talking about the \$4 trillion missing from the federal government and she said, "Well, dear, my issue is peace. Missing money's not my issue." And I said, "You don't understand something: if they can steal \$4 trillion in 4 years or 5 years then they can buy everybody which means they control all the issues. So it is your issue because it's a meta issue to your issue." And, and you know that's the challenge we have when we all look at these things place blind and people blind.

POLITICAL CONTROL IS EXERCISED ONE PLACE AT A TIME

And that's why I keep saying you have to come back to who's doing this because the way that political control is exercised is by place. And when you exercise political control in a place you're controlling all the political levers and all the economic levers so you're, you're acting cross-function. Do you know what I mean?

Bonnie Faulkner : Yes

Catherine Austin Fitts: Secret societies get people from all the different functions into the room on Wednesday night every week and then they, you know they coordinate, cross-function, then they go out. Everybody says, "Oh, well they can't possibly be coordinated because it's too complicated; there're too many functions." No. You know they operate and think by financial ecosystem and that's why they didn't want Community



Wizard published because it helped people who'd never been trained to think that way to think that way.

POLITICAL CONTROL TAKES PLANNING AND HARD WORK - THE PEOPLE DOING IT ARE VERY GOOD AT IT

Bonnie Faulkner: And as you pointed out earlier the planning, not only for the real estate bubble but the financial coup d'état in general, the changing of the laws, the work at FHA, HUD, et cetera was extremely complex and took a lot of planning.

Catherine Austin Fitts: Right. It took a lot of planning by Treasury and the Central Bank and the intelligence agencies. It took a huge amount of planning. But the interesting thing to watch about it the devastating thing was I tried to warn people. You know, so my immediate reaction was: I can't stop the housing bubble but you know it's too late. I tried to stop it and that failed so now I'm going to warn everybody.

You know everybody was making money. So you had thousands and thousands of mortgage brokers and thousands and thousands of homebuilders and all of this was implemented by our family, our friends, ourselves. You know this was all of us; we all participated and most of us knew that it was terribly wrong but we were making money. And what I saw was as long as everybody was making money, you know more government grants, more mortgages, houses going up in value, it's like, "Hey, let's have a party."

And it was really scary and what was the scariest thing about it – and I've told you this story many times. I got kicked off the radio here in the San Francisco Bay area in 2008 before they nationalized Freddie and Fannie. And after they nationalized Freddie and Fannie one of the biggest San Francisco money managers took a \$1 billion loss on Fannie Mae stock that they had bought in March. Freddie and Fannie got nationalized in August; they'd taken a \$1 billion position in Fannie Mae in March. And they put a letter up on the website and you could understand why they wanted me not on the radio at that time because they said, "We did serious due diligence. There was no indication; we had no idea."

Well, I said, "That's ridiculous, you have the former Assistant Secretary of Housing and the lead financial advisor to the Department of Housing and Urban Development on the radio in San Francisco for five years warning them that this was happening, that the fraud was this extensive. How could they not know?" Every trucker in America knew. You know every trucker knew. How could they not know?

And there's this disassociation between you know sort of how the system works globally and how it works locally, that it's part of the integration that needs to happen and that part of that is getting the government resources to be published in a transparent manner both by function and by place.

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So here's what's amazing: you have the former Assistant Secretary of Housing, the former lead financial advisor to the Department of Housing and Urban Development on the radio in Asia, in Europe, and here, warning of this fraud and literally no one can fathom that it was really that bad, they couldn't fathom.

One of my favorite financial blogospheres commentators, Karl Denninger, wrote an article just last year titled "If This is True, Kaboom." And the article is about the extent of the mortgage fraud and the fact that the fraud was intentional, on a massive scale, engineered at the highest level. And he starts the article off by saying "Catherine Austin Fitts has been saying this for a long time." And you can see what he's struggling with is he's struggling with the fact that what I was saying was really true. And he's finally beginning to fathom it and that's how long it took; it took people that long to realize "Oh, this is not a fraud, this is a plan engineered at the highest levels." And if you look at national security law, you know I'm sure somebody has some argument as to why it's all legal.

Bonnie Faulkner: And don't you have another story about a friend of yours who refused to believe what you were telling her about the fraud in the housing market but then when she saw it on "The Soprano's" –

Catherine Austin Fitts: Oh, that was scary. If you look at the core financial, single-family financial fraud out of FHA it's a particular kind of fraud and where you can launder money but triple it and quadruple it and lever it tremendously. But the root fraud is a particular construct and "The Soprano's" T.V. show did a series of four shows on that particular HUD fraud; very well done. I mean very clever writing, very good acting, on this core HUD fraud and in fact it was one of the first that got me interested in money. I saw it when I was a little girl. My neighborhood real estate value was destroyed by four of those fraudulent deals done on the corner of our block. Along with drugs, it wrecked the real estate market, sort of the value of the housing in that area. So it was one I saw as a child and it's been, you know it's been the common pattern for decades.

Anyway, I'd been trying to warn people and a college roommate of mine who had come in fact to stay with me in Washington at the beginning of the litigation, because the physical harassment was very dangerous and I didn't want to live alone. So she had come and lived for a year and had dealt with a lot of the physical harassment with me. So she understood how dangerous the situation was. So "The Soprano's" T.V. show came on and it was very interesting because they were done I think by HBO, which at the time was owned by Time Warner and if you look at one of the board members of Time Warner was the chairman of Fannie Mae.

So, so this was coming top-down. She called me and she said, "Fitts," she said, "everything you've been saying about the fraud is true." I said, "Pray, tell. How is it that you finally figured that out?" And she said, "Oh, well you know 'The Soprano's' T.V. shows, they're showing the HUD fraud." And I said, "So the fact that the former Assistant Secretary of



Housing and lead financial advisor is saying it is not credible but the fact that it's on 'The Soprano's' T.V. is credible?" And she said, "Yes, that's right."

Bonnie Faulkner: Isn't that too much?

C. Austin Fitts: Well, it led me to say "In America, fact is fiction and fiction is fact." So everybody knows it's socially acceptable to include it in reality if it's been approved by Hollywood. But it was very frightening to me because you're trying to protect people from losing their money and you're watching them literally, it's like watching cars drive off a cliff and there's nothing you can do to wave them down. They're ignoring you; you know you're waving the flag and trying to stop them and they're driving off the cliff. And it was so terrifying because I saw millions and millions of people drive off the cliff and nothing I could do could get through. I would radio show after radio show on all sorts of articles and things on the internet and what happened was you'd get a slow pitter-patter of people coming to you and they would take action.

And, and you would see families who got out of the real estate market you know as the bubble rose and they repositioned their assets and they did all the different things that a family can do to protect themselves from being harvested in this environment and you see those families get stronger and stronger and stronger and then the other families just drive off the cliff.

One of the things I have thought about for years now is what was it about those families who saw and took action and were willing to deal with it versus the ones who just drove off the cliff? And I've reached the conclusion, I've come to understand that I can help the people who want to be helped but that we're going to watch millions of people just drive off the cliff. And it's been the hardest thing for me to come to grips with emotionally. How do I live watching people drive off the cliff and not go mad?

THERE IS A WORLD THAT IS DYING; THERE IS A WORLD THAT IS BEING BORN. SOLUTIONS SUPPORT US IN SHIFTING OUR MINDS, OUR BODIES AND OUR MONEY OUT OF THE WORLD THAT IS DYING AND INTO THE WORLD THAT IS BEING BORN

Catherine Austin Fitts: We ought to talk a little bit about how those few families prospered. So literally what you saw with a family that sat down at the beginning of this century, 2000, "Something's wrong and I need to reposition." Think of it this way: there's a world that's dying, or it's being killed, whichever you want to say. And then there's a world that's being born. So we have to get our minds, we have to get our bodies and we have to get our money out of the world that's dying and into the world that's being born. And we have to do it in a way where we don't get harvested.



SOLUTIONS REQUIRE THAT WE EACH FUNCTION IN A MANNER THAT IS WEALTH BUILDING AND DECENTRALIZING

Ideally we do it in a way where what we're doing is both wealth-building and decentralizing not just for ourselves but for everyone. Because if we all act in a way which is wealth-building for everyone then there will be wealth for everyone if we all act in a way which is destructive of wealth. Then there's not going to be any wealth for anybody.

Bonnie Faulkner: Just parenthetically when you talk about a world that is dying you're not just referring to the people that are being harvested but you're also referring to the system that's harvesting them, right? Is that part of the world that's dying?

Catherine Austin Fitts: No because the world that's harvesting them is getting richer and richer and richer. It's doing quite well. The world that's being harvested is dying, and part of the reason it's dying is if you look at the new technology there's much about the industrial economy that needs to change.

So we've had significant employment in a variety of different areas where we don't need significant employment, whether it's because we're moving the jobs to Mexico or robots are doing the jobs now. So we absolutely have a world that's dying, and that's happening.

Part of the reason it's happening is the people who just stole \$40 trillion succeeded. We've had a financial coup d'état, they've succeeded. What's remarkable is they succeeded in a way where most of us supported them. So not only have they succeeded in stealing \$40 trillion but they've won the crowd in the process; the crowd support them, and respects them. It is what it is.

That's why I say collapse is a myth because the collapse myth says, "Oh these people are struggling and there's no money and they're going to collapse. They're broke." No, they've just stolen \$40 trillion, they've won, they've had a financial coup d'état, They're not broke at all.

They have a huge endowment, enough to finance global armies and global governments from the interest and dividends and they've pulled off an incredible coup d'état. And they've engineered popular consent. We just finished voting for the politician who helped them engineer the final blow with \$27 trillion in bailouts. And now we're just voting for him like he's the solution to protect us from Mitt Romney.



So they've pulled off an incredible planetary financial coup d'état and they're stronger than ever. They're not going to collapse. We might collapse, because if you steal \$40 trillion from a society it could collapse. But it's not collapsing because -- it's collapsing the same way a host collapses when a tapeworm destroys its health. So the tapeworm is thriving and the host is dying. The question is, "Okay, what's next?"

Bonnie Faulkner: What's next, and what is the world that's being born?

PROTECT AND NOURISH YOUR MIND AND BODY SO THAT YOU HAVE THE CAPACITY TO PROTECT AND NOURISH YOUR MONEY

Catherine Austin Fitts: Right. So let's go back to the individual because I saw and worked with families who literally said, "This is happening and we're going to change. We are going to withdraw from the tapeworm and we are going to reposition to protect ourselves from being harvested." They understood the risk of debasement and they understood the risk of the slow burn and they engineered their assets.

So when the real estate market was high they got their assets out of the real estate market where it was practical and feasible to do so and they shifted out of a high cost lifestyle or area into a home base that had much lower overhead and much more resilient and self-sufficient. And they invested a significant amount of money into providing for enormously natural food and health. Because one of the most important things: if you don't have your mind and body you have nothing. And he who loses his mind and body will lose his money. His money will follow along afterwards.

So they took the time. The first thing they did was they said, "Okay, this is about my time." I always tell my people don't do a money budget, do a time budget. Where are you investing your time, and how much of that time are you giving to things, to enterprises, to media, to people who are not authentic and do not wish you well?

LET ME SAY IT AGAIN - TURN OFF YOUR TV!

So step number one: turn off your TV. Just turn it off. Because that saves you two to seven hours a day right there. And that gives you the time. If you can get, just from not buying lottery tickets and not watching TV and not spending money on hard narcotics -- Americans spend \$140 billion a year on the lottery. That's enough money to rebuild the economy right there. You add what we're spending on hard narcotics, those two, we have enough to rebuild the whole economy without Washington, without Wall Street, just with our own resources. And it's not them pissing it away; it's us pissing it away. So turn off your TV because that will give you time with which to take care of these other things.



PROTECT YOUR TIME; AVOID MEDIA WITH ENTRAINMENT AND SUBLIMINAL PROGRAMMING

First thing: get the corporate media, get the subliminal programming, get the entrainment out of your mind. Just shut them off. People say, "I need to know what the news is." First of all, that's not the news. That's not information. There are lots of alternative sources that are useful, but better you not even watch anything than you take in that kind of programming. So that's number one: protect your time.

EAT FRESH FOOD; BUILD YOUR IMMUNE SYSTEM; DETOX

Then take the time to make sure you get good food and you do whatever you can to build up your health and immune system. It's very simple: you build up your immune system, you reduce your toxicity. Because chemicals are being sprayed on your head, and if you don't reduce your toxicity your toxicity is just going to keep going up up up. With that level of toxicity you can't think clearly, you can't act clearly, you can't do anything. We're in a very different environment, a polluting environment, than we were 20 years ago and that means you need to invest significant time in food, health and making sure you're healthy.

So let's say you save the time by getting rid of the corporate media and TV. You've invested the time and money you need in building up your health. Then let's start through your money.

GET OUT OF DEBT; REENGINEER YOUR OVERHEAD

You need to lower your debt and overhead wherever you can. Because the slow burn is about steadily taking up -- you know, lowering your purchase power and steadily taking up the cost of essential goods and services. So anything you can do to lower your overhead and to lower your debt is great, and to build a home base that is resilient where they can't ratchet up your expenses.

For example, I moved to a place, I have three properties in Hickory Valley, my combined property taxes are \$500. Let's say they triple them. It's \$1,500; it won't break me. But I purposefully did that. I see people not living in mansions who have property taxes of \$15,000, \$25,000 a year. What happens to them if they double it? So you want to organize your lifestyle and your home base.

I have an audio seminar called "Positioning Your Assets for Growth in Uncertain Times" that we did in 2008. We show that if you change your lifestyle in a variety of ways your income may go down but your expenses will go so far down that your savings rate will go



up. So you do everything you can to reorganize your home base down to not just a lower overhead but doing more things for yourself.

So in this environment it becomes much more economic to learn how to do things for yourself or to have people you know and trust do things as opposed to pay some large corporation to be involved.

I always tell the story of a wonderful friend who was always complaining about her water bill going up up up, and the yields on her portfolio going down down down. I said, "This is really simple: sell your stock; build a well." Don't let yourself be intermediated by the big corporations, just get out. Get out of that stock and get into a well.

KEEP LEARNING

Skills and business -- if you look at how the economy is shifting their businesses that are growing and their businesses that are dying, and it's unbelievable important to constantly be learning and building skills in the things that are being born. So if you look at the skillset we needed 20 or 30 years ago it's totally different than what we need now. It is absolutely critical that each one of us and each person is different and their industry is different. Each one of us is learning in the direction of the way the economy is going.

One of the things I do on the *Solari Report* is I try and talk a lot about where the economy is going so people will know how to get from here to there.

SHIFT YOUR ASSETS

Finally your assets. If you go through your balance sheet, whether it's tangibles like precious metals, whether it's equities, whether it's fixed income there's a whole bunch of ways to invest in a world that's dying. There's a whole bunch of ways to invest in the world that's being born. And for me precious metals is a bridge between the two. You want to get your assets out of the world that's dying and into the world that's being born.

That's a much more complex conversation, but each one of us -- the only person that can govern your savings and your assets is you. So you have a responsibility to yourself and to the people that you help take care of to make sure that wherever your money is it's in that world that's being born, and the part of it you want to be a part of.

FINANCE AND INVEST IN WHAT YOU WANT TO SEE GROW

There's nothing that's more disturbing than to listen to somebody rant and rave and go march against the military industrial complex and then you look at their portfolio. Well why march against it if you're financing it? The funny thing is everybody -- you don't need a



financial expert to figure out where your money's going and what is it nurturing; you can figure that out.

CONNECT WITH AND SUPPORT AUTHENTIC PEOPLE

Finally, who are your allies? This gets back to who do you admire, who do you associate with, who do you want to be with? Are you connecting with authentic people who really have your best interest at heart? Or are you supporting -- I can't believe the amount of money and time that was dedicated to a presidential campaign that had no real bearing on your life and wasn't authentic while we all ignored the local elections and the real leadership that will make even a life and death interest to ourselves.

If we had taken all that time and money and spent it on just getting the food safety rules so that the small farmers could survive it would have been a much better investment of our time and money. So who our allies are and the allies that we invest in?

DONATE TO ORGANIZATIONS THAT INVEST THEIR ENDOWMENTS WISELY; HOLD YOUR PENSION FUNDS ACCOUNTABLE

I'm stunned, again and again, when I see people support their university, give money to their university when those endowments are managing portfolios and policies that are running around the world, doing the worst evil. The worst evil that I've ever seen I saw was an engineered policy by a university endowment. And yet everybody's bragging about going to school there or giving money to it. Well wait a minute, who do you think "they" are? So why are you supporting?

If you go down all your donations, all your volunteerism, what are the institutions you're supporting? What are the institutions that are responsible for you?

Look at how many beneficiaries CalPERS has. I had the president of CalPERS tell me in the spring of 1997 that quote-unquote "they were moving all the money out of the country." Well, if the president of CalPERS knew that they were moving all the money out of the country then he also knew that everybody's income was going to fall. Well why was he buying buying mortgaged-backed securities? That is a complete violation of your fiduciary obligation. That is a complete violation of the law.

Now why is it that all the beneficiaries of CalPERS who have CalPERS manage their money. Why are they not asking questions about that? Why aren't they holding them accountable? Okay so we now live in a world where 50 percent more of our savings are managed by institutional investors; are we going to hold them accountable or not? So that's the issue of allies.

The Solari Report

Building Wealth in Changing Times



And finally donations. The American people are unbelievably generous; we give a ton of money. If you look at who we give money to we give money to large not-for-profits who play all sorts of dirty games in their endowment and we let people in our families starve to death. It's crazy. Or we let people on the street who are our neighbors starve to death.

One thing it's very easy to do is decentralize your donations, like that -- boom. So get it out of the large not-for-profits and get it into something that is intimate. There are millions of people all over this country who are struggling -- just give 'em a buck. I don't pass a guy on the street who really needs money that I don't -- I'll lay 10 or 20 bucks on him because you know something? There's no overhead. It's direct.

And then finally: where do we bank? We need three things to continue to have a vibrant economy: we need small farms, we need small businesses, we need small community banks or credit unions. The only way they're going to survive is if we choose them as a customer. So there is nothing more important -- Charles Gibbons, who started Acres, wrote a fabulous book, I think it's called *Unforgiven* where he said the GNP is a function of -- it's a multiple of small farming income. He makes a very good argument.

I would say if you translated it out it's a function of small farm income and small community bank income and small business income. And those three things need each other. They're an ecosystem.

If you go into the county of any country -- so we've talked about the individual and what the individual can do -- and I just want to say before we finish that part -- if each one of us would do those things that we could do that was energizing for us to do, Bonnie, it would be amazing. It would be amazing because trillions of dollars would shift out of the tapeworm and into authentic business and authentic people it would be amazing.

Each one of us just coming clean with our own money, one by one by one, and doing it in a way that's energizing for us. Because remember, the number one problem is we're being harvested. So doing it in a way that stops and protects us from being harvested it would shift trillions of dollars and it would force those institutions to change.

I've sat on the board of directors, or I've sat at the top of a government agency and you say, "Well the customer won't support us doing the right thing." They're in a prisoner's dilemma too. The more the crowd shifts and acts the more the people who would like to on those boards of directors can argue for the responsible thing. But they need us to demonstrate that we will shift. And the more we demonstrate, "Oh, Chase Manhattan Bank can do and run, they can do the Mexican bailout, they can do all these crazy things, they can do the derivatives, they can do the bailout, they can do all the mortgage fraud, they can do the servicing fraud and we'll still bank with them," that's a clear message that says, "You share \$25 of the year of the fraud profits with me and I'll play ball." And basically the message



back to them is that they are free to engage in massive fraud against us and our government as long as we get a \$25 a year kickback. And the message to them is that we don't know how to price our value. Now only are we corrupt but we're stupid because we think \$25 is enough, which is crazy. As a pricing matter it's selling ourselves cheap.

SOLUTIONS MUST INCLUDE SUPPORTING FAMILIES – THE BUILDING BLOCKS OF OUR ECONOMY ARE SUCCESSFUL FAMILIES

So part of it is just when you look at a household and then a community level, as you look around your county what you'll find if you go into every county in America now -- I've traveled tremendously over the last ten years trying to understand this -- what you will see -- so let's take it down to a small county. You have maybe 20 to 50 families that make that county go. And what are these families? They're people who have worked hard for generations. They're honest, they're hardworking, they're competent, they're caring.

OUR BIGGEST INVESTMENT BY COUNTY IS IN EDUCATION; EDUCATION NEEDS TO ALIGN WITH BUILDING THE ECONOMY ON MAIN STREET

The biggest investment we have in every county in America is education. We educate our children. They spend decades raising and educating their kids, and now their kids go to the army, they go to prison for drug-dealing, or they go to Wall Street to the big corporation and never come back. So they're building businesses, businesses, businesses, but the next generations are disappearing. They're not there on Main Street to take over and keep the business going.

So the equity of those businesses is getting drained out; the equity in the real estate is getting drained out. And if you look at how their money works they're putting money in their 401(k)s and their IRAs and that money is going to finance the big box stores coming in and taking over their market share. So they're financing their own demise.

And they are financing their own demise by sending their kids to work for their competitor and then sending their money to finance hiring their kids to come in and take away their market share. So it's a very, very destructive model and yet what you see is those families and those enterprises continue to make it. It's amazing because they're so hardworking and so productive.

THE “PEOPLE ON THE LINE” ARE OUR GREATEST ASSET; HOW CAN WE EACH SUPPORT THEM?



And they're literally holding that whole society together. I call them the people on the line. They're taking care of their kids, they're taking care of their parents, they're taking care of their grandparents, they're taking care of the neighbor who got in trouble, they're taking care of everybody. They work hard, they save. They're literally holding that whole area together. They are the law in a funny kind of way.

Now if you look at all solutions the most important thing in any county is what gives them relief today? What lifts them up? What makes them stronger? What helps their businesses? Forget all these grand solutions; what is it we can do today for those small businesses or those small farms or those small banks that will help make them more productive and add more value in that place? You know what the answer is? Stop doing all the things that are harming them. Because they're literally like plants that are being denied water and are being pissed on, I mean literally.

So you have all these different forces that is trying to destroy them whether it's the government or it's the large corporate infrastructure, or the global GATT kind of changing. So you've got a variety of hostile forces in the game of economic warfare trying to destroy them.

THE GREATEST SOLUTION – DO NO HARM - RATHER THAN DOING MORE, LET’S STOP DOING NEGATIVE THINGS

Well number one: protect them from it. And number two: do everything you can to back those forces up and stop them. So it's very simple in small farms -- I'll give you an example in Tennessee: all the small dairies were shut down by food rules. They weren't shut down by the market; they weren't shut down by technology, they were shut down by government rules in the great game of economic warfare. That's number one. So it shut down hundreds and hundreds of farms all across the state that were totally economic.

Change the food safety rules. Last year our big Christmas donation was to the Farm to Consumer Legal Defense Fund. That is a legal entity that is making sure that farmers have the right to sell to -- because all these rules are being changed so a farmer can't just sell to a customer; it has to go up through the big agribusiness.

Bonnie Faulkner: That happened with the dairies as well, didn't it?

Catherine Austin Fitts: The dairies have been slaughtered all over the country. And this is done in the name of food safety; it makes the food system much more dangerous. I mean the food system has no nutrition -- it's no longer food. So the food safety rules have been used to do tremendous consolidation into corporate control of the food supply in a way that has tremendously deteriorated the quality of the food supply.

The Solari Report

Building Wealth in Changing Times



Another thing that happened in Tennessee as in many places: you're required to process, slaughter different kind of livestock in certain kind of facilities but those facilities have gotten fewer and fewer and fewer. You're literally seeing farmers have to truck livestock into another state, get them slaughtered, truck them back -- it's insane. It makes the whole thing totally economic. Again, it's part of the centralization.

If you changed the rules that would allow farmers to do a small amount of slaughtering, so for chickens it's very appropriate. To give you an example, there's one farmer in Tennessee who spent a tremendous amount of time up with the legislature educating them on raw milk, got the laws changed to permit a cow share, where somebody can own a portion of a cow. So cow share programs got the laws changed so a small amount of chickens could be processed and slaughtered locally.

Now those are tiny little change of rules that makes it possible for lots of small farms to continue to be economically viable. If we had all spent all the time we wasted on the presidential campaign making those kinds of changes that protected the small farmers or protected the small community banks it would have made an enormous difference.

Bonnie Faulkner: It was so sad in Sonoma County to see generations of dairy farms, the farmers crying having to sell their cows; that was horrible.

Catherine Austin Fitts: It was horrible.

It's really funny: when I was at HUD, when I was financial advisor the head of the multifamily insurance office said, a wonderful, very gifted woman said, "Okay I want you to tell me the absolute truth: what can we do to really help communities be successful?" I said, "What you can do is shut down and leave. Just leave. Because then you would stop harming them. All you need is for you to stop harming them."

The reality is when you sit down and say, "I want to come up with a solution. We need to do this and we need to do that." No, we don't need to do anything. What we need to do is we need to stop the things that are being done right now that hurt small banks, that hurt small farms, that hurt small business. And that's what we need to do.

Now the reason nobody wants to do that is most of those things are being done by the people -- if you peel back the onion layer those are being done at the request of the people that have the power to kill with impunity and nobody wants to pick a fight with them.

The reality, though, is if you were doing a thousand things to destroy small business, small farms and small banks and you say, "I'm not going to deal with that, but I'm going to come up with this solution for more things that the honest people need to do," you're just adding the burden. You're just creating a new burden for the honest guys who right now are struggling.

The Solari Report

Building Wealth in Changing Times



If you go into any community and you sit down and you say, "Let's get the nicest, most honest banker in that community. Let's get the honest, nicest small farmer in that community. Let's get the honest, nicest small businessman in that community," you know what the message is to that person? The message to that person is, "We admire the guys with the big guns; we don't admire you. And we don't support you. We really don't. We support the guys who are the winners. They're the winners. They drive around in Porsches, they have a lot of money. We support them."

Bonnie Faulkner: You've talked before about how regulation really hurts the small businesses and that it's not really applied to the large multinationals.

Catherine Austin Fitts: Right. And this gets to be a much more complicated conversation. But there's enormous discrepancy in how the rules are applied. So for example we've been talking about small farms. If you skip to small banks right now the Basel III Accord is being translated by the Fed and the FDIC and the controller of the currency to be applied to small banks. If you look at the proposed regulations basically what you're creating is you're creating a system where the small banks -- and I'm going to grossly oversimplify -- collect deposits and loan the money back to the government and can't loan the money to small business and small firms in their place. I mean it's serious capital controls.

Bonnie Faulkner: You mean because they're talking about upping the capital requirements to lend money?

Catherine Austin Fitts: Right. And in fact if you look at the small banks now they're under tremendous regulatory pressure not to lend locally, tremendous pressure.

Bonnie Faulkner: And how does that work? How is it that they're pressured not to lend locally?

Catherine Austin Fitts: All sorts of rules about what's creditworthy and not. And so if you look at the collateral they need or the credit quality they need essentially they can't make character loans. So they can't make a loan based on the quality of the person and they can't make a loan on the quality of the collateral without a certain amount of income. It's much more formulas, much more sort of rules and regulations. They literally can't exercise judgment without creating a loan that could get them dinged on an audit and that loan needs much more collateral so it's much more expensive to make that loan much less profitable. So they're literally making it almost impossible to make profitable small business and small farm loans.

Bonnie Faulkner: So are the smaller, privately-owned banks then being required to pay for what the large multinationals did?



Catherine Austin Fitts: Yes.

Bonnie Faulkner: Big banks?

Catherine Austin Fitts: Yes.

Bonnie Faulkner: Yes, that's what it sounds like.

Catherine Austin Fitts: But this is part of a process that has been going on for decades of trying to centralize control of income, retail activity and the flows of capital within a community.

BAD IDEA - BEWARE GOVERNMENT OWNED BANKS

Now let's mention one of the proposed solutions that I've heard a couple times in the last month, the idea, "Oh, we need county banks." And those county banks, because they're government banks, we can basically consolidate all the community banks into them; we don't need those community banks anymore; we'll just have a government-owned and controlled county bank and that can do everything locally."

Well wait a minute. You have -- in any community you have a series of community banks which are privately owned; those families have equity. Let's look at Sonoma: Exchange Bank was started by a family that took -- I think it's approximately -- a big chunk of the equity, and put it in a trust. And all the dividends on that stock go to the benefit of scholarships.

So here you have a marvelous institution; it's got tremendous knowledge of the place. It's got a deep history. If you go across the country a lot of the community banks have the deep knowledge of the economy and finance in that place. This is your financial talent. These are the people who really know the place and they know the place with an integrity that people who don't deal with money -- because as a society what we say we do versus what we do is very different. And a banker is watching the checks go back and forth every day and dealing with what people are really willing to write checks for and what they're not. And so they understand the economy with an integrity that most people don't.

Those people and that knowledge are deep gems from which an economy can be rebuilt. You wipe them out, you wipe out that equity and you wipe out that knowledge and you wipe out those institutions you're talking about the Soviet Union. And you put it into a government-owned and controlled institution?

The Solari Report

Building Wealth in Changing Times



Now part of my deep prejudice is I bank at my cousin's bank, which is a small community bank in Pennsylvania. It's been a real education for me. I spend time there every year, and I spend a lot of time talking with them; they've been running the bank for three generations. And I watch what they do for that community, Bonnie, and it's astonishing. It's just astonishing. And to think that you would wipe that out for a government-run and controlled bank in a county?

Bonnie Faulkner: Now is there any way a county bank would be of any benefit, like say to partner with local banks?

Catherine Austin Fitts: No. You take an idea like that and there's a 90 percent chance it's negative and a 10 percent chance it could be positive. So when I say no I don't discount that there's in theory a way to do that that might be helpful. If you created a county bank that served the community banks and were owned and controlled by the community banks then you've got a 10 percent chance you know that it could work.

What I think what you need is you need a state bank that is serving the community banks at a local level that can protect the banks from federal intervention; that's what you need. You need something to protect the local banks from federal regulation and federal intervention and the games that the federal government plays with the currency systems. If you had that at a state level then you could really get something going.

Bonnie Faulkner: But now county governments, where do they put their revenues? Do they put them in the big banks, the Chase Manhattans or the local banks?

Catherine Austin Fitts: It depends. The danger is right now too much of it is going to the big banks.

Bonnie Faulkner: Well this is the argument I've heard in favor of county banks.

Catherine Austin Fitts: So let me refute that. Let's say we create an enterprise, any enterprise, whether it's a county bank or something else, and the controls on that bank, who controls -- we have a board of directors and we have laws and regulations. Now this gets back to the issue of we have people who can kill with impunity. If I have the power to kill with impunity, if I have the power to look into your Gmail account and set you up on a sex charge or manipulate the papers to say things about you that aren't true if I have that power is the board of directors going to do what the law and regulations and bylaws say or are they going to do what I say?

Bonnie Faulkner: Well, what you say.

Catherine Austin Fitts: Exactly. So we're in a situation where we can create any structure, a trust, an enterprise, a company, a county bank, you name it. We can make it up and call it

The Solari Report

Building Wealth in Changing Times



a frog. The question is who controls? And what are the laws and regulations that they abide by? And the reality is right now it doesn't matter.

Bonnie Faulkner: So are you saying that a county bank would centralize too much power in the county into one bank --

Catherine Austin Fitts: No.

Bonnie Faulkner: -- and it would easily controlled?

Catherine Austin Fitts: Here's what I think the county bank proposal's going to do. I think you're going to end up with something that has a digital infrastructure which can be viewed and controlled centrally. I think it will have a cost of capital that will ultimately force the community banks out of business, so it will consolidate all the local banking business into a digital infrastructure that's controlled centrally.

Bonnie Faulkner: I see, so their cost of capital would be cheaper than --

Catherine Austin Fitts: They would be cheaper and that would make it possible to consolidate all the local business into this bank. So you wipe out all the local community banks and you consolidate it into something where the board and the digital infrastructure is centrally viewed and centrally controlled.

Bonnie Faulkner: Now why would their cost of capital be less, because they're a bigger institution?

Catherine Austin Fitts: Because they have government support.

Bonnie Faulkner: I see.

Catherine Austin Fitts: So they're viewed to be safer. And a lot of it would depend on how you build the access to the digital infrastructure and who you put in charge and sort of the relationship between the feds and the county. But what I could easily see as something that consolidates right into -- basically consolidates the local banking business and gives easy access to the central powers. That can be behind the scenes or it can be formal; there's no way to tell.

But if you try and create a structure like this before you answer the question who are the small farms in this place, who are the small businesses in this place, and who are the small community banks in this place, and how do we build them up and make them more powerful.

The Solari Report

Building Wealth in Changing Times



Now if those groups got together and said, "We want to create a county bank under our control and we think that would help us," great. Do it. I can easily see the solution stripping them of power. And then you're toast.

Bonnie Faulkner: Now you don't see the same dangers with a state bank?

Catherine Austin Fitts: Well in theory -- and this gets back to the fact that it depends on how you do this -- if the goal of the state bank is to protect the local community banks from federal intervention, and depending on the federal government for liquidity in a crisis then it makes them stronger. But I come at this bottom up. So I said, "Each one of us comes clean." But then looking around our county how do we build up the small business, the small farms and the small community banks and credit unions that are healthy and strong?

So that's how you evolve solutions because you say -- I mean it's like you walk into a garden and a bunch of the plants are dead, but a bunch of the plants are still living. Well the first thing you do is you prune out the dead stuff and you start trying to grow that which is healthy. And each place is different.

It's really funny, there's one county I spend a lot of time in; the best institution there is a credit union. There's another county I spend a lot of time in, the best institution there is a community bank. It's not a formula. But what I would do in each one of those counties to grow up what is healthy is different because there's a different kind of economy, there's a different kind of history. If you go into a place and you do an asset mapping of what do we have here that's special? What do we have here that's healthy? How do we build that up? It's a completely different investment of time and money.

Let me give you another example. I used to belong to a network of global sort of executives. And there was a guy from Hewlett-Packard in England. And apparently he said -- this was in the Nineties -- that about ten years before Hewlett-Packard had sat down and said, "We want to hire all the smart people in the world." So they made a list of like the smartest 1,000 people in the world and they went out and tried to hire them. And they put a lot of them in their strategic planning.

And so he was part of a group of people who did strategic planning for Hewlett Packard in this group. And this guy had an IQ of like -- I mean it was off the charts. He was one of those geniuses. And he was a wonderful guy, really funny.

So he's sitting in this area in U.K., I forget what the name of the town was, and one day he read in the paper that the unemployment rate was 25 percent. He said to one of his colleagues, "Wait a minute. We're supposed to be the smartest guys in the world. If we're so smart why are we living in a community that has a 25 percent unemployment rate? That's stupid. So we're smart; we should be able to figure it out."



So they did an asset mapping of their community. What they discovered was that their town was the global leader in a specific kind of photography, and I forget what the name of it is, but it's when you film wild animals in the wild. It's got some kind of name. And they had four businesses, and those businesses collectively was the leading intellectual capital in this kind of photography. Apparently one guy had started a business and then people peeled off and they ended up with four businesses.

They said, "Okay, here's what we have. Our globally-competitive skill is this kind of photography. So let's invest in that. Let's create conferences and training institutes and other things that create a real flow of people coming here to learn and whatever." So they did a whole series of investments and he claimed the unemployment rate was below five percent now.

Bonnie Faulkner: Amazing.

Catherine Austin Fitts: But that came from just saying, "Okay, let's map the assets and let's put real support behind what is strong here. And let's build that."

It comes down -- the economy at the root is quirky. Somebody's son came back from college and he's a real whippersnapper and he's got a gift for small motors. Well let's get the new fabrication tools and let's invest in him. It comes down to little tiny quirky things. If you look at how great companies started or how a great product or innovation happens, it comes down to looking at what do we have here that is healthy and which we can nourish? Because what has happened in our economy, and this is throughout our economy, is if you take the ethical and competent people they have been drained and drained and drained.

And the solution in any place is to identify those people and say, "Okay, let's reduce the drain. Instead of giving them more and more handicaps and the slow burn every day let's reverse that and let's make it possible for them to be honest and competent in a way that's energizing for them. That's where solutions have to flow out of. Because otherwise you're just going to come up with more requirements for the honest competent people and they're going to collapse.

BAD IDEA - B CORPORATIONS – THEY WILL MAKE THINGS WORSE, NOT BETTER

Catherine Austin Fitts: So let me tell you another one of my bugaboos: B corporations.

Bonnie Faulkner: Okay what's a B corporation?

The Solari Report

Building Wealth in Changing Times



Catherine Austin Fitts: Oversimplified, a B corporation is a corporate structure where you commit to additional standards of environmentally and ethically correct. Okay, you commit to a whole bunch of increased criteria and legal liability that means you're going to be a highly ethical organization in a variety of ways. And the reality is this is one of the worst ideas I have ever heard in my life. Because what it says is the solution to the fact that we have a group of people who've just stolen \$40 trillion, to me, if you said to me, "Let's bring transparency to that and figure out how we get our \$40 trillion back." I'd say, "You know something? Now we're going at real problems and real solutions."

If you say to me, "You know something? These evil people have just stolen \$40 trillion. And so our solution is we're going to take the people who just lost \$40 trillion and we're going to add more legal liabilities and more requirements for them to be harder working and even more ethical than they are."

And my attitude is let's say we create a B corporation and we load up far more requirements and legal liabilities and everything else to that organization. Well you know something? That board of directors is still going to do whatever the guys who can kill with impunity tell them to do because they don't want to get killed; they don't want their kids to be killed. So it doesn't matter.

What it just does is it makes their life that much harder, and that much more expensive. It's completely nuts. If you look at the people who've been promoting the B corporations, from everything I can tell, the people who just stole \$40 trillion are financing them.

Bonnie Faulkner: So do we have these B corporations?

Catherine Austin Fitts: I'm not saying that the people promoting them are not goodhearted people because we have a whole world of goodhearted people being financed by the people who control \$40 trillion to come up what solutions.

One of my theories is they just know you have all these people who feel terrible about what's going on and this is a way to give them a socially satisfying experience, or to come up with solutions which are pure fashion and don't mess with the real power lines. It's a way that they can process their grief. They feel like they're doing something positive.

It's interesting, when we had our little debate in Petaluma I said, "Look, we have people who are running around killing with impunity who are acting above the law. They're a breakaway civilization. That's our problem." And they said, "Yes, but we can't solve that. So we want to do something positive." I said, "Well great, but making the financial system more complex and cumbersome I realize it makes you feel good but it creates a regulatory burden for the rest of us, and we have enough problems dealing with these psychos over here without you loading on more." They just looked at me like, "Well I know but we'd much



rather pretend; we don't want to think about that." The goodhearted people can get cycled into dead end solutions that are very, very dangerous.

BAD IDEA - DON'T LET IMPACT INVESTING ADD BURDENS TO THE HONEST PEOPLE AND DEBASE THEIR ASSETS

Okay so let me tell you the next solution: impact investing. I won't bore you with all the details of impact investing but as you know, I'm very interested in having investors look at the total economic return of their activities because when you look at the total economic -- and you have to estimate it because there's no way to calculate it mathematically, or certainly not with the current analytical infrastructure, but when you look at the total impact or your investments you see at a much deeper level a lot of opportunities and risks that you would never see.

So in the 1990s when I first started to look at sort of the total what was happening in the economy and I said, "Uh-oh, the currencies are going to go through tremendous debasement. How does somebody protect themselves against that?" That's how I found precious metals. I would never have found it otherwise. I was looking at the total economic returns. I wasn't trying to understand how families could protect their wealth; I was trying to figure out how families could protect their lives.

So I backed into precious metals, and I would never have found it if I hadn't been looking at the whole financial ecosystem. So I'm a great believer in looking at that, but in my model you look at that so that you can do a better job of protecting investors' performance. So you're trying to find opportunities, you're trying to avoid risk subject to one change. Never, ever invest in anything that has an intentionally negative return either to investors or to the total economic.

So my partners know, "Don't ever suggest we invest in Monsanto" because my attitude is why should I finance my own death? I don't finance my own enemy. Monsanto is my enemy. I don't finance them. I don't finance people who are running around and killing you because that is a violation of the non-violation principle. So that's the one thing.

Now impact investing says no, take your money and invest to create good. Now it sounds lovely, right? Not so lovely. The number one problem in America is the good guys are being debased. Their wealth is being drained out the back door in a whole variety of different ways. This is just a new scam to drain more money.

Because what they need to do -- I go back to the 20 to 50 families that are keeping that county alive. They don't need to take their assets and invest them to do sort of general good. So think of this from an economic warfare: let's call the people who just stole \$40 trillion Mr. Global.

The Solari Report

Building Wealth in Changing Times



Bonnie Faulkner: Okay.

Catherine Austin Fitts: So Mr. Global rapes the place. So he comes in, he brings in narcotics trafficking, he brings in the lottery, he brings in mortgage fraud, he brings in more taxes.

Bonnie Faulkner: Prisons.

Catherine Austin Fitts: Right, prisons, chem trails. So let's say the total equity in a place is \$100 billion in a small county, okay? So after he's finished doing all these things now it's only worth \$50 billion okay? And let's say we have 50 leading families who are the real great citizens of that place. And let's say those 50 families, before let's say \$30 billion was owned by big corporations and outside of the community and \$70 billion was owned by the family, now we've got \$35 billion owned by people outside and we've got \$15 billion owned by the families.

The problem is those families have gone from \$70 billion to \$15 billion. So we have the good guys whose assets that they can employ to really build the economy have shrunk dramatically because we've centralized them in a way that shrunk the total. So they've been raped. That's the problem.

The question is how do we build it back up? The last thing we do is build it back up by saying, "Okay, Mr. Global raped the place and he stole this amount of money. And now what we're going to do is require you to take the little amount of money you have and invest it to build it up so he can rape it again."

Bonnie Faulkner: Where is this impact investing going?

Catherine Austin Fitts: That's one of the \$64,000 questions. But the idea being is we need to use our capital to heal the planet.

Now that could turn into many things good and bad. But the framework of it is wrong. The framework of it is we don't need to take our personal capital and move it over here to do impact investing. What we need to do is look at the sum total of institutional investment and say, "Why are investors investing money in things that are doing harm both to them and to the whole economy?" So we need to go back to the president of CalPERS: why is the president of CalPERS telling me that we're going to move all the money out of the country and then turning around and using pension fund assets to buy mortgage-backed securities which by definition have to default if we're moving all the income abroad? Why is he doing that? Because that's in violation of good sense, fiduciary principles, blah blah blah.



My guess is he didn't think he had a choice because otherwise he'd be shot. So we need to get back to -- the problem is now that we've done that, now that we've used trillions of dollars of our retirement savings to do something which is economically stupid, both for the world and for ourselves but has given Mr. Global his \$40 trillion the question is not how do we take the rest of our capital and do impact investing to kind of fix places in a variety of ways or do solutions, whether they're good or bad; the question is how do we stop that from happening again? And how do we get that \$40 trillion back? Where did it go? How do we get it back? And why is it being run this way?

So think of the whole system as a milk bucket that's got a hole in the bottom. And Mr. Global's got this big container, and as this milk runs through the hole he collects up his \$40 trillion. Well I, for one, do not feel like I should put more money in the milk bucket until we talk about why is there a hole there and where's the money going that's draining out of the bottom? Don't tell me there's no milk in the bucket; of course there's no milk. There's a hole in the bottom.

Bonnie Faulkner: What constitutes this bucket that these impact investors are investing in? Anything? Stocks? What are we talking about here?

Catherine Austin Fitts: Well it's interesting. I just bought one of the new books on quote-unquote "impact investing". But my expectation is that you're going to see impact investing, you're going to see a lot of local investment, and you're going to see a lot of investment in technologies that are held out to be real solutions. And not to say that there aren't wonderful things going on inside of that.

BEWARE THE FRAUDS AND RISKS THAT WILL COME WITH FASHIONABLE LOCAL INVESTMENT

Bonnie Faulkner: This reminds me of what you said to me before we sat down for this talk: that you feared that the new bubble, the new fraud was going to be in local investment. Is this what you're talking about?

Catherine Austin Fitts: One of the most harmful things to the economy over the last 20 years, and part of the Hamilton Securities Community Wizard squabble was we were building software tools and doing venture capital that would finance community venture funds. We were financing community venture funds but we were building software tools that would make it much more economic for a group of local businesspeople to do a community venture fund.

SOLUTIONS REQUIRE THAT WE MOVE FROM FINANCING WITH DEBT TO FINANCING WITH EQUITY; FINANCING WITH EQUITY MEANS WE NEED TO USE CAPITAL



STRUCTURES THAT CAN DIVIDE STRATEGIC GOVERNANCE FROM ECONOMIC OWNERSHIP AND CREATE LIQUIDITY

One of the most important issues that we need as a society we need to finance with equity, not debt. Debt turns people against each other, builds non-alignments. Equity is a much more alignment-building form of financing. I was a great believer we need to finance communities with equity instead of debt, which is how they're financed primarily now.

So we were prototyping community venture funds. We had just written our first check for the first community venture fund.

Bonnie Faulkner: Now when you're talking about investing with equity you're talking about putting actual assets or money into a business, not loaning them money, is that what you're saying?

Catherine Austin Fitts: Right, into the ownership interest. Our model -- and there's a lot about this that we've done on the *Solari Report* -- we did an A share/B share model where we divided voting shares from economic shares. So the economic value of the business was in non-voting shares. And this allows you to bring in money from lots of different constituencies, and to build alignments without threatening control, and giving control. And there are thousands of different examples.

So imagine in a community, let's say my neighbor and I are having a fight at the PTA; our kids have been getting in fights and we end up in a fight. Well just because you own stock in the community venture fund you don't want me to be able to get a hold of my financial statements and use that information to do me harm in this fight.

So the idea of non-voting shares is it allows you to put certain sort of safety walls up that protect privacy and protect certain kinds of control interest. If you're a small businessperson you can't afford to give up control; you need control. And to raise capital you have to give up control; it's not worth it.

Bonnie Faulkner: I see.

Catherine Austin Fitts: So there are all sorts of different issues. If you want to bring in big pension fund money, if you want to bring in corporate partners you want to be able to give them an economic interest. This is how the Chinese do it: if you and I go to China and we want to invest in a local business our investment has to be non-voting shares. So it's a way to separate strategic control in leadership of a business from voting.

Now again, it gets back to this issue, it's all very well and good but if you have the power to kill with impunity it doesn't really matter.



Anyway, we were doing these community venture funds. The key was for the last two decades we've seen large corporations move in and take over huge parts of local market share because they had access to liquid equity capital and the local businesses didn't.

And in fact there is a way to build up a liquid local equity market that could turn that around and really rebuild small farms, small banks, small businesses in a way that's highly economic and creates a lot of income and employment opportunities locally. It's a great idea.

THE JOBS ACT AND THE IMPLEMENTATION OF CROWDFUNDING FOR EQUITY IS GOING TO HAVE A MAJOR IMPACT

And if you look at the new technologies, particularly fabrication and manufacturing tools, oh boy, they're enormous opportunities. And in fact I think the people who stole \$40 trillion and Mr. Global know that it's one of the reasons they just passed the crowdfunding bill. The JOBS Act -- and we have a special *Solari Report* on it -- what it does is it allows much more flexibility from current SEC regulations about raising small amounts of capital, particularly for small business.

So right now if you come to my county my neighbor can buy a lottery ticket and lose everything but they're not allowed to buy liquid securities in a local business because we're trying to protect them against fraud. Well my attitude is I'd rather see them lose it investing in a local business than in the lottery.

Bonnie Faulkner: Well is the JOBS Act law now or not?

Catherine Austin Fitts: The JOBS Act is law but the SEC has not promulgated the regulation. The big objection to the promulgation of the regulation and the passage of the law was this is going to be the basis of a whole new frauds. And I agree; I think it's going to be the basis of whole new frauds. But I also think we have got to build liquid equity markets for small business. We've got to build micro venture capital. And if that means that people are going to be not prudent in how they manage their investments, well to me crowdfunding will allow them to do it at a local level where there's a lot more intimacy and a lot more understanding. And a lot more understanding of the importance of the quality of leadership.

So to me this is a step we need to take and we need to figure it out so that it's not fraudulent. But will there be plenty of fraud? I'm sure.

Bonnie Faulkner: And crowdfunding is a way of describing what the JOBS Act would legalize?



Catherine Austin Fitts: Yes. Now crowdfunding is legal now for gifting. If you go to websites like Kickstarter, I can go to Kickstarter, see -- one of the early projects was a guy was making a documentary on the banjo. He needed another \$40,000. So I can gift him 1,000 bucks through Kickstarter and then it's his money, it's his business. So crowdfunding is happening on a gifting basis; the question is can it happen on a securities basis? So instead of gifting him \$1,000, for \$1,000 can I get an equity interest in his company?

FINANCING SMALL BUSINESS AND FARMS WITH EQUITY CAN CREATE A MODEL WHERE WE PROFIT FROM IMPROVING EDUCATION, HEALING THE ENVIRONMENT AND REDUCING CONSUMPTION

Bonnie Faulkner: What are some of the other challenges that small local businesses face with regard to raising capital? What about liquidity? Now you have talked about how Mr. Global and transnational corporations, Wall Street, are geniuses at creating liquidity. And of course these big businesses that are public issue stock. And so talk about how companies that are public: Wall Street, big companies, are able to raise a lot more capital, and how they have access to much more liquidity.

Catherine Austin Fitts: Well let's come at it this way: If you as an investor have a choice of putting your money in a local business and it's not liquid who knows when you can get it back? So let's say you have \$10,000 you want to invest. You invest in a local business that a friend's starting. You put in \$10,000; who knows when you get it back? And if your friend is hit by a car the business is wiped out; you get nothing. If you have a choice of putting your \$10,000 in that or putting a \$10,000 investment in a publicly-traded stock that you can dial in to your discount brokerage firm any time of day or night and see the price which would you rather own?

Bonnie Faulkner: The public one.

Catherine Austin Fitts: Right. And why is that? Because you can buy and sell whenever you want.

Bonnie Faulkner: Exactly.

Catherine Austin Fitts: And you can see a price for it whenever you want. So if there's a problem, the price is going down, you see it. So you have transparency, you have liquidity but you have something else too: you have a deep bench. If the chairman of that company is in a plane crash what happens? There are 20 other great guys that want to be chairmen. If the third baseman breaks his leg on the field there's a guy to run out and play that position.

The Solari Report

Building Wealth in Changing Times



You have a deep bench. So you have a deep bench, you have transparency and liquidity. In the local business you don't have any of those things.

Now watch this: let's just pretend in our imagination that we create a community venture fund for our community, okay? Now we have enough money to invest in the back office. Let's say in our community venture fund there are 100 small businesses in our community and we invest in 50 of them. So we have non-voting shares in 50 of the local businesses. And now we put a little logo up on every store, or a little farm, or a community bank that's in the community venture fund.

Now whenever I shop at that store I know that I'm causing my stock to go up. So if I'm a shareholder I have a vested interest in shopping there and supporting and giving them information and going in and yelling at them if there's something they should be doing. Because I make money if they succeed. So I'm building alignment.

Now watch this: Now I have the ability to turn around to an entire generation of young people coming out of high school and college and saying, "How would you like to be an intern? You're not going to get stuck at your dad's business. We've got an internship program and we will allow you to work in a variety of different businesses. Not only that, we'll give you stock option. You don't have to go to Wall Street, you don't have to go to Silicon Valley; we'll give you stock options. And we've got a program with a local community college or the local university so that as you go around to these different businesses you get all these courses in education that will help you understand sort of the cross-cutting issues of makes a business great and what succeeds and what doesn't.

So we now have this apprentice program. And when you're finished with the apprentice program we have money in a venture fund. If you want to start a new business we'll bank you if we think it's a good plan. Suddenly the kids aren't going to Wall Street, they're not going to Washington, they're like, "Hey let me stay here. There's some real opportunity here."

Now you've got the human capital you need. As people retire now there's young people coming up who can buy their business because the community venture fund will finance them.

So now this gets even better. Let's say our community venture fund is trading at \$10 a share.

Bonnie Faulkner: So this venture fund is publicly traded?

Catherine Austin Fitts: Or you can set up an exchange, and there are different ways. For example I'm a member of the Farm Bureau Cooperative in Tennessee and they have an insurance company. Members are allowed to buy the stock and there are mechanisms set up so we can buy the stock from each other. So you can set it up as a membership and trade

The Solari Report

Building Wealth in Changing Times



among the members. There are different ways you can do it. But you can absolutely create liquidity.

Now watch this: what happens if we bring in new energy technology that lowers the costs of all the businesses in the venture fund?

Bonnie Faulkner: Well then the price would go up.

Catherine Austin Fitts: Stock goes up. What happens if the Popsicle Index in that index goes up?

Bonnie Faulkner: It becomes a much more desirable place to live.

Catherine Austin Fitts: Right, and the value of the stock goes up. So what happens if we reduce our consumption in that place in a way that reduces the expenses of all the businesses? Again the energy technology but it could be other environmental technology like the water cleanup? The value of the stock goes up.

So if we heal the environment, if we reduce consumption, if we do all sorts of good things that are good for that place we make money. And that's all part of aligning living systems with financial systems because we've been making money on capital gains from large corporations that are not place-based going in and raping places. And now that the places have been raped we have an opportunity make money on healing the places and creating financial systems that align the financial ecosystem with a living system because living systems are organized by place; they're not place-blind. People live in a place. Rivers run in a place. Trees grow in a place. The living systems are very place-based. And if we are going to realign the financial system with places we have to do it one place at a time.

So I go crazy whenever I hear people say, "We have to kill money and we have to kill the financial system because the financial system depends on growth." Well you can grow capital gains by reducing consumption. All you have to do is finance places with equity.

There's no law that says that the stock market requires more consumption; it doesn't. It's just complete baloney. It's hogwash. And it's so simple to see it. I mean you can do this on the back of the envelope. You don't need to destroy places and destroy living systems to get the stock market up. That's just bunk. But what you need to do is you need to rebalance your equity investment so that you are balanced between functions and places. Because in fact the more you heal the environment and the less you consume in many respects the more the value of your places will go up. And it's a rebalancing.

Bonnie Faulkner: Catherine, you have a model that you've shared with us, laid out as a square, who on one side and what on another, global on the top, local on the bottom.

Catherine Austin Fitts: Right.



Bonnie Faulkner: And you have talked about how we all tend to talk about the what. How do we change the system? How do we come up with a new model?

Catherine Austin Fitts: Right. How do we change the currency system? How do we change the banking system? How do we change the regulatory system as opposed to who is really running things and how do they do it and why are they behaving the way they're behaving, and how do we rebuild new political alignments so that we can start to make progress?

Bonnie Faulkner: So what are some of your ideas as to how we can deal with the who side of the equation?

Catherine Austin Fitts: The first thing to see on the who side of the equation is to understand that we are uncertain as to who's really running things and why they're behaving the way they're behaving and that it's important for us to figure that out. It's important for us to deal with that issue. I used to have a pastor in Washington say, "If we can face it, God can fix it."

PRIORITY FOR CREATING NEW MODELS #1: FACE THE REAL POLITICAL PROBLEM – WE ARE BEING GOVERNED AND LED BY PEOPLE WHO HAVE INVISIBLE POWERS - THEY HAVE THE POWER TO BREAK THE LAW, THEY HAVE THE POWER TO KILL WITH IMPLUNITY, AND THEY HAVE STOLEN MORE THAN \$40 TRILLION OF OUR MONEY IN THE LAST 15 YEARS AND WE CAN'T AFFORD TO LET THAT STAND

We need to get out of our fear and turn and look at the real political problem. I once wrote an article, *Meditations at the Crossroads* about the death of my mother, and in it I talk about how the fact that you have all these different groups in America who are reacting to the death of loved ones by dealing with the thing that killed them – narcotics trafficking, nuclear testing and fallout, chem trails – and what they don't seem to understand is all these things are being permitted by a governance in leadership and their problem is not the chem trails and the narcotics trafficking, their problem is there's a group of people who are killing them.

So we have a group of people who's killing us and we need to say, "Well, who are they and why are they killing us, and how do we prevent that?" But we need to look at that. We need to understand we don't have an economic problem. We don't have a financial problem. We have a political problem.

We are being governed and led by people who have invisible powers. They have the power to break the law, they have the power to kill with impunity, and they've stolen, my estimate, more than \$40 trillion of our money in the last 15 years and we can't afford that.



We can't afford to have a group of people steal \$40 trillion and then still govern us from a position of immense power because now they have it and we don't. We need to understand this. We need to deal with it. We need to ask questions. And it's going to take all of us talking about and asking questions. So that's number one.

PRIORITY FOR CREATING NEW MODELS #2: TRANSFORM BEYOND DIVIDE AND CONQUER TACTICS AND CONNECT AND ORGANIZE ACROSS THESE DIVIDES – MEN AND WOMAN, BLACK AND WHITE, YOUNG AND OLD

Number two, how is it that they've kept us from doing this? How is it that they've kept us from having this conversation that I want to have? Well, to me, the most important way they've kept us from having that conversation is divide and conquer. Okay? The most important divide and conquer is men and women. Okay?

Men distrusting women; women distrusting men. When I, as an investment advisor, many times I've been hired into a family where the woman and the man disagree about money, and it's because the woman is looking at the living systems and saying, "The financial system is killing life. It's killing people. It can't possibly make economic sense," and it scares them.

And they say, "Well, I want to know what our money is doing and where it's going, and I'm scared." A lot of this was before 2008. They could intuitively understand that their money was at risk, but they couldn't explain how in financial terms.

And meantime, the husband is saying, "Well, wait a minute, you know, I'm responsible to make sure that there's plenty of provision for the household, and I can't afford to pull my money out of the stock market and do these crazy things you're proposing because I want to make sure there's enough money."

So they're both right and they're both wrong, and they don't have a common language to talk to each other. And what you'll find when you dig down is the men and women are sabotaging each other because they don't have a common language and they've been played.

So a lot of times, the man comes home and says, "Honey, this corporation is doing really crazy things. I want to leave." And the wife says, "Oh, no, I need you to support the family and take care of us." And again, you get this divide and conquer.

What I've discovered is, where men and women can really communicate, see the game and how they're being played as a matter of economic warfare, and they start to conspire together to outwit the tapeworm when it comes to their minds, their bodies and their money. Whoa, that's when things get powerful.

The Solari Report

Building Wealth in Changing Times



So a lot of the sexual politics you hear in the campaigns, whether it's heterosexual versus homosexual or men versus women, a lot of that is meant to divide and conquer in very, very evil ways and it's unbelievably successful. There are all sorts of different trigger issues and the goal is to get everybody fighting on non-monetary issues while they steal all our money.

Another one which is becoming increasingly important after male and female is generations. Now, if you look at rebuilding the economy in a county, the first thing you need to get is the young people, you know, because they're great with the new technology and the tools and you need the young people being invested in and bred up and supported by both the older people who are wise and have some capital, and then the middle generation who's running things and knows how to do things, and a lot of rebuilding.

The economy is getting those three generations in alignment and serving each other in a way that makes money for everybody, so that's how you build the economy. Well, we have an enormous effort to persuade young people that baby boomers are their enemies, and everything that's happening to them is the fault of baby boomers, and baby boomers are old and stupid and not good at the technology.

And so there's all this turning of the generations against each other and it's unbelievably destructive to real solutions because, in fact, what you need is you need those three groups working together, and we need the boomers and the middle generation lifting up the young people and building them up as our future. Very, very expensive.

And then the last is white and black. The last election was fantastically successful. On one side you have Hispanic and minority communities voting for one of the candidates and all the white guys voting for the other candidate.

Unbelievably destructive in terms of racial politics, you know, keeping those groups hating each other was fantastically successful because I'm convinced absolutely that the decision was made last summer by Mr. Global that Obama would be the president but they wanted to have a campaign that wanted to play divide and conquer and really pitted everybody against each other because that's how you keep control.

Now we have tremendous division. It was really interesting; I once upon a time wrote a letter to Condoleezza Rice that was very critical of her conduct as National Security Advisor, and I found myself getting an overwhelming rush of support from all of these Caucasian men who felt that they couldn't say anything nasty to Condoleezza Rice because she was a black woman and that would be dangerous because of the politics of race and sex.

It was frightening because they didn't feel free to exercise their right of free speech, literally because of this kind of divide and conquer politics. And many is the time you'll see – it



happened to me when I got fired as FHA Commissioner. They moved the head of Ginnie Mae who was an African-American man. Wonderful guy.

Many years later he ran into one of my assistants at the airport because he hadn't realized what the game was, and he said, "Would you tell Catherine that I want her to know how terribly sorry I am because now I understand how I was used, and I understand she was trying to run the place clean and they wanted to run it dirty, so they need to turn over, and by putting in a black guy, Congress couldn't yell, and I was used, and I let myself be used, and now I understand, and I'm sorry. And I really want her to know that."

But all across America you'll see different ways that the different races are used in these political correct games to sort of trump each other, and the racial politics has gotten very bad. Now, one of the things I've discovered is, if you can heal the male/female communication, a lot of the racial politics can get sorted out.

Oddly enough, because within the family or the partnership unit, the male and female can then be much smarter about healing whatever the racial politics are, and then, of course, you have the religious stuff on top of that. What's interesting is, 9 times out of 10, even the smartest people I know get tricked right into those ideological battles whether it's male versus female, Christians versus, you know, they get tricked right into it. They get suckered right into it.

And what they don't understand is they're being played. And while they're sitting, fighting about whatever this ideological ya-ya is, their money is getting stolen. One of the things I will tell you about the people who run this planet is that they invest more time and money than anybody can possible imagine on human resources.

When I tell you they know before you're born, when you're in the womb, they know who you are. They have breeding programs. They care tremendously about genes and family lineage and bloodlines and all of that, and what is amazing is how much they track you. Now, if you look at no education, no child left behind, and all the new testing and the digital information systems, they now have a way to track every child in very deep invasive ways from the time that they are born.

And believe you me, they are constantly trying to figure out who's got what talent and how do we move these people in a way that best serves the pro-centralization team. They invest massively in human resources. And what is amazing is how much time and money they spend at it. I've lived in it. It used to amaze me.

Somebody would call up and say, "Dear, well, it's really important now that you put this on your resume." And I thought, "How are they watching and tracking all of this stuff." It was unbelievable..



And then suddenly you get an award and it didn't make any sense, and it'd either be some big award dinner and you'd get this award and you'd think, "Why is this happening?" And you'd realize, "Oh, they need this on my resume now." It was incredible to me how well-managed the whole thing was, and how deeply invested they were in managing this.

Bonnie Faulkner: And you could see how they were managing you?

Catherine Austin Fitts: I could see what I experienced, and you thought, "Wow, there's a committee, and they're running this, and they think about it, and they have people." I mean, there is a giant human resources department in the sky. There really is.

Bonnie Faulkner: That's amazing.

PRIORITY FOR CREATING NEW MODELS #3: EMBRACE HUMAN CULTURE; DO NOT PARTICIPATE IN DENIGRATING HUMANS AND BEING INHUMAN; LIFT OTHERS UP WHO LIFT YOU UP; PLAY WIN-WIN

Catherine Austin Fitts: It's amazing. Eustace Mullins wrote a great description in, I think it was in his book on the new world order where he describes – and this is one of the reasons

the universities have become so important to them, and why they want everybody in a student loan debt trap because they want to know exactly what their talents are, but they want to be able to control them. They want them on a leash.

So it's quite remarkable. Now, what's amazing is, given how much they invest in human resources how we are completely oblivious to it. We are completely blind to the whole issue of, "Okay, what's the human talent in this neighborhood? What's the human talent in this enterprise? How do we lift it up? How do we manage it? How do we collaborate in a way that's win-win? How do we lift and build each other up?"

Instead, we're tearing each other down. The tearing down of humans by other humans in this culture is unbelievable. If you turn on a TV, you know, I haven't owned a TV since 1984 except I had an interior decorator who bought one for me when I was in the Bush administration without my permission, and then I gave it away. She said, "Fitts, you have to have a TV if you work in the government."

Anyway, so what you'll see on TV, and when I'm in a hotel or motel I'll usually turn it on and watch it, is tremendous denigration. They're teaching human denigration by other humans.



Bonnie Faulkner: Yes.

Catherine Austin Fitts: Humans denigrating other humans and that's all part of the divide and conquer because they control through the who. So as long as they can create fashionable and socially satisfying ways that we can go to work on what solutions, and keep us divide and conquered on the who side, they control.

And we need to come out of that trance. We need to say, "You know something? I want to be part of real solutions, authentic solutions. Start with myself. I come clean on all the ways we talked about." And then I network out. I turn around in my family and network and I say, "Who are the positive people getting something done here and how can I lift them up?" And we work out from there.

Imagine if everybody woke up tomorrow and took their money out of the five banks that have done the worst criminal stuff. Whoa, talk about change. Whoa. So each one of us shifting our own world to authentic makes a huge difference.

PRIORITY FOR CREATING NEW MODELS #3: STUDY SUCCESSFUL EFFORTS TO DECENTRALIZE POWER SUCH AS HOME SCHOOLING, THE FAILURE TO MANDATE THE SWINE FLU VACCINATION AND GUN OWNERSHIP

Catherine Austin Fitts: Now, let me bring up two things that I want to talk about. Let's talk about where the tapeworm got backed up. Let's talk about successes, and I want to talk about two successes. One success is homeschooling. One of the best minds of our generation was John Gatto, and he's written great books, given great lectures on the educational system. Brilliant, wonderful man.

And what John Gatto proved beyond a shadow of a doubt is one of the ways you get control of the who is you brainwash them early and you get control early through the educational system. And he's laid it all out, he's mapped it, he's proved it.

You had a group of parents who said, "You know something? We're not going to let you. We're going to school our kids at home." And when I tell you there was a war and the parents won. They just said, "No. No, the answer is no, we won't. We can't." You know, this is a Gandhi, civil disobedience no, and the tapeworm got backed up.



And if you look at the homeschool numbers, it's growing, growing, growing. It's made a huge difference. If you look at the average kid that homeschool in America, they are much healthier, they are much stronger, they have much better manners, they are much more knowledgeable, they're much smarter. Yes, there's a wide variation, but the numbers are growing. So homeschooling was a place where they lost and the lost big.

Bonnie Faulkner: I've always wondered about homeschooling. I don't have children, but it's inconceivable to me that I could have a child at home and teach him all these subjects all the way from grammar school up to high school. How do you do it? How do you have the time or the knowledge?

Catherine Austin Fitts: It's possible because remember, you have not only curriculum and DVDs and computers, but a lot of the homeschoolers do cross-cutting functions where they go and do activities and education with other people. All the homeschoolers in the county get together and do here and go there and do this, and bring resources in, so there's plenty that can be done.

Bonnie Faulkner: Boy, it boggles my mind. I just can't imagine running a whole schoolhouse in my living room.

Catherine Austin Fitts: It's possible. The best-educated human being that I ever met in my life, her parents were Indian, and they lived in this country, and they moved every six months to a year so that they could keep her out of the school system, and she was free to just read and education and explore, and she was the best-educated person I've ever met, but so healthy intellectually and in spirit, and she loved to learn.

There's a documentary that we did in the *Solari Report* in "Let's Go to the Movies" called *The School* which I highly recommend. It's about a school in Russia that's the most amazing school I've ever seen. The kids built the school, they run the administration for the school, they designed the curriculum and then they teach each other.

So they have teachers, but they decide, "Okay, this month we just want to study physics, and we're going to study physics until we get tired of it." They are so intellectually ahead. You have a 13 year old sitting there explaining quantum physics and they really know what they're talking about.

Bonnie Faulkner: Yes, to have that freedom in an educational system, I could see how that would be really liberating.

Catherine Austin Fitts: Right. Now, do I think that when you homeschool if you have shared capacity would it be much better or if you had a school like the one in Russia would it be better? Yes. So I think any parent who's tried to homeschool the whole way would not disagree with that at all because it can be very exhausting. It's too few people.



But is it better than many of the public education experiences in this country? Absolutely. Especially when it means you don't take vaccines. So I would rather be homeschooled in the living room through high school than have autism. The second place that they've gotten defeated is on vaccines. The swine flu vaccine failed.

Bonnie Faulkner: Now what year was the swine flu?

Catherine Austin Fitts: I think it was 2010. Was it 2011?

Bonnie Faulkner: Okay, so we're talking about recently.

Catherine Austin Fitts: Yes. They tried unbelievably hard to get a mandated swine flu vaccination, mandated at the state level.

Bonnie Faulkner: You mean mandated for the entire population?

Catherine Austin Fitts: Yes.

Bonnie Faulkner: Wow.

Catherine Austin Fitts: I think Massachusetts even passed a law or one of the sides of the house passed a law mandating it, and what happened was, the healthcare providers said, "No. No, we won't take it and we won't give it. No, we won't." And the pushback on the swine flu vaccination really failed, and it was a perfect example of where people very quietly came together and said, "No."

And now if you see how they're coming back, they're integrating swine flu vaccine with the annual flu vaccination, there's a now new push to require healthcare workers to be vaccinated, and they're pushing back hard because they failed so badly on swine flu, and you see them coming back again and trying lots of different things.

Bonnie Faulkner: Now, what was it about the swine flu specifically that made the medical professional push back rather than these yearly flu shots that people get?

Catherine Austin Fitts: My guess is that it was much clearer the physical damage that could be done. It was much more dangerous. And if you looked at what was going on, it was a lot less necessary in their minds. Now, I don't know enough to know if that's really true or not, but my understanding from healthcare professionals was they thought it was much more dangerous.

And I wrote an article. I mean, I was one of the people who very early on came out with something very strong because to me it was a very terrifying thing.

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Bonnie Faulkner: Well, there was a swine flu scandal decades ago. I remember my mother talking about it.

Catherine Austin Fitts: Right.

Bonnie Faulkner: Maybe it was back in the '70s or something.

Catherine Austin Fitts: Right. A lot of people got hurt from that vaccination. The other place they failed is on gun control in America, and this is a very important financial issue because if Americans gave up their right to carry firearms, I assure you, the taxes would rise astronomically very quickly. This is a financial issue.

Same thing with the drones. I think the reason they want the drones is so that they can implement higher taxes. And many people do not understand the extent to which invasion of privacy with these digital systems or drones and gun control is really a financial issue because it's a question of "how can we steal more money from you in a way that you can't do anything about?"

I think most, if not all of the school shootings, and shootings, like the congresswoman in Arizona, were covert operations designed to create public support for gun control, and I think they've completely backfired. I think the population is too smart, they know something stinks, and it's particularly the Denver shooting with Holmes has backfired, and people have dug in, and it's making them want a gun even more because of what they realize.

Two things. If you look at populations that have been relieved of their guns, there's very strong historical evidence to say that's a very dangerous thing to do. You give up your guns and the next thing you know you're being genocided. That's number one.

But number two, when an economy goes through a bad economic period, you are literally in danger from your neighbors, and giving up your guns puts the honest, you know, I get back to the honest people in a county, they become even more susceptible to crime and trouble from the local slugs.

So the American population has been unbelievably smart and impossible to trick on gun control, and my only fear is when they put up an entire network of drones, are they going to use the drones to try and force gun control, and my attitude is, if there's one thing you want to go down fighting on, that's it. Never give up the – and the only caveat to that is if you look at how much they've invested in entrainment technology and subliminal programming.

You know, if I've got a gun and an iPhone and the iPhone has me completely entrained and brainwashed, then I'm going to give up my gun, I'm going to give up my money. So you



need to remember that because the gun can only protect you in a certain amount of circumstances and not everything.

And it's been very interesting to me to see. I left Washington and I said if there's one issue worth dying for, it's the right to carry a firearm. And then I did these radio shows in California and ended up meeting lots and lots of lovely people from California who thought gun control was a wonderful thing, and it's been very interesting to see them slowly realize, "Oh, you know, I don't want gun control. Gun control is a very dangerous thing."

Bonnie Faulkner: Because they're not talking about taking the guns away from the government.

Catherine Austin Fitts: Right. They're not talking about taking the guns away from the government, and they're not talking about taking the guns away from the criminals. They're talking about taking the guns away from the honest people. I live in a state where 50 percent of the voting population is now permitted to carry a gun.

Bonnie Faulkner: Is that Tennessee?

Catherine Austin Fitts: Tennessee. So according to the Tennessee Firearms Association, if you look at voters who turn out to vote, if you look at that number, not registered voters, but people who really show up and vote, their membership is more than 50 percent of that group, so that's very good news.

Bonnie Faulkner: As an aside, you mentioned the Colorado shooter. I guess that was the theater shooter, the Joker thing. Who was his father?

Catherine Austin Fitts: His father is a software developer with software and databases dealing with scoring issues, and I believe it's also dealing with the Libor settings and things like that, so this is a guy who's got a very powerful sensitive position in a quiet kind of way, and the fact that his son, who's a very gifted, talented, very non-violent person should suddenly show up in this context, you know, the whole thing stinks.

There's no way this kid voluntarily did this. Now, if you look at that shooting, it's like all these other shootings, there's no way it was done by one shooter, and certainly not someone who's not a professional. So whatever they did to set this kid up, or who knows what the story is, but the whole story doesn't make any sense.

Bonnie Faulkner: And of course if you see his eyes, if you look at his eyes in pictures, he looks like he's drugged.

Catherine Austin Fitts: It's inconceivable to me that he's not drugged, but it's also inconceivable to me that he's not in shock because you take someone who's a lovely, brilliant



kid who's living a normal middle class American life, who then suddenly goes down the rabbit hole and wakes up to find himself accused of this. That's a pretty shocking place to be.

Bonnie Faulkner: Boy, I'll say.

Catherine Austin Fitts: Yes. As a friend of mine once said, "When the boys want to do you," and all of America looks at that and they're all terrified because nobody wants to walk in his shoes. And that's the terrifying thing to a business or government leader because they can literally, and this is why I always refer to the movie *Enemy of the State*.

You spent your whole life being a hard-working, honorable person who's lent money to your family and given and you're wealthy, you're successful, your credentials are impeccable, you live a clean life, you live an open life, not perfect, everybody's human, and suddenly you wake up and everybody says you're a criminal, and you're like, "Well, wait a minute."

I'll never forget, the papers were pounding on saying that I was laundering money, so I had set up Hamilton where all the financial statements were available, all the employees who'd been with us for a certain time or our shareholders, they all had copies to our monthly cash flow statements and financials. The chief financial officer was an unbelievably fantastic high-quality professional and all checks had to be signed by two people, and I never signed anything.

So this lovely chief financial officer came out to me and he said, "You know, I got up this morning and I thought, 'well, maybe she is laundering money,' and then I realized, if you're laundering money, I would have to be effecting the transactions, and I know I'm not laundering money, so you can't be laundering money because I control and operate all the money and I see everything, and I'm one of those signature on all the checks, and I know you're not laundering money."

"You can't without me helping you, so you must not be, but I woke up this morning and thought, 'well, maybe she is,' but how could I be thinking that because —" and that's how powerful the technology is, the medias. It's unbelievable. Your own family thinks you're an axe murderer. It was unbelievable.

One of my favorite stories is, you know, because the question is, "how did they get to you?" so I'm sitting doing litigation, and I had lent or given family and friends several hundred thousand dollars, and I had just a fantastic uncle who said, "She helped everybody so I'll help her." And so he bought my family antiques. He bought my farmland in New Hampshire, so he sort of bought the family assets, so we wanted to keep them in the family, but then he lent and gifted me money, and if it wasn't for him, I'd be dead.

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And my brother is the dean of the law school at the University of Pennsylvania, and my brother and I don't speak, and the reason we don't speak is I don't think he believes in the law. He teaches the law, but he doesn't believe in it.

So I had been writing articles that were giving a very hard time to Harvard University because their endowment, as far as I'm concerned, is a criminal syndicate, and so I'm giving them a hard time about the rape of Russia and the housing bubble and all this stuff that they're involved in, and Enron.

And so I kept getting letters from the University of Pennsylvania asking me for donations, and I've raised a lot of money for the University of Pennsylvania. I've given them a fair amount of money personally. And so I had graduated from Penn with a B.A. and then gotten my MBA at Wharton, and I thought, if I'm going to give Harvard a hard time, I have an obligation, before I donate money to Penn to at least look at their financials.

And in America, any kind of not-for-profit files annual reports with the IRS, and the last three years of reports are required by law to be given to anybody who asks for them. And you know a not-for-profit is really well-run if you go to their website and they have three years of the IRS statements right there. That's transparency.

So I decided, okay, well, if Penn's going to ask me for money, I should at least look and see where the money's going. So I write to Penn and I say, "Can you please send me three years of your IRS filings." So I don't get anything. So I have my attorney write another letter saying, "Can you please send three."

I get a call from a relative who's gotten a call from my brother, the dean of law school at Penn, and this relative claims, "Oh, my brother got called into the provost office and threatened that if I don't cease and desist, he'll be fired."

This is the law school, right. So this is the person who's training our lawyers for the future. So this relative says, "If you don't cease and desist, I will call your uncle and make sure he stops supporting you and you will fail and go to prison and everything else."

Bonnie Faulkner: Who said this to you?

Catherine Austin Fitts: This is relative who's an intermediary.

Bonnie Faulkner: Okay, I see.

Catherine Austin Fitts: At that point, Penn sent me one more year. They never sent me the three years, so I cease and desist. I said, I had wanted to know this because I didn't want to give a donation, but there's a very simple solution, I'm never going to donate another dime to Penn for the rest of my life. But that's how tight things are.

The Solari Report

Building Wealth in Changing Times



Now, did the provost really say that to my brother? That's what my brother said. I don't trust him. So did he exaggerate? Easily possibly. Could the provost have said that? Yes, possibly.

Bonnie Faulkner: But you never got three financial statements for three years?

Catherine Austin Fitts: I never got three financial statements and that's a violation of law. They are required by law to give me three copies. But that's how tight things are and that's how scared people are. That's scared. That's really scared.

Bonnie Faulkner: Yes, and you have to wonder about what's going on at Penn.

Catherine Austin Fitts: My guess is that Penn is the same as any big Ivy League university in terms of the model. You have an endowment, which is significant, and it's investing in all the things that are going on. You have a government that's very dependent on government contracts, and you have, literally, a lot of covert operations that were moved out of the Masonic temples and into the university.

Yes, so all those meetings go on when everybody goes – everybody comes to the football game. Perfect cover to have all those meetings, and that's why the Penn State scandal is so scary for everybody because you dig into the Penn State scandal and you start to look at, "Oh, what's happening when everybody gets together to go to the football games at the university?"

Bonnie Faulkner: Oh, wasn't that something. Now, you're talking about the University of Pennsylvania not Penn State?

Catherine Austin Fitts: I'm talking about a model.

Bonnie Faulkner: No, I know, but I mean the story about your brother and where you went to school. That was the University of Pennsylvania.

Catherine Austin Fitts: Right.

Bonnie Faulkner: But Penn State is where the sex scandal was.

Catherine Austin Fitts: Right.

Bonnie Faulkner: That's a different school.

Catherine Austin Fitts: But if you look at the model of what's going on, it's the same. The model is the same everywhere, so let me explain it this way. Let's say I'm running an

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investment syndicate, and let's say that investment syndicate has overt operation and covert operations, but it's making a lot of money.

If I run it as an investment business, then it has to pay taxes, but if I put it in a university or church endowment, then it doesn't have to pay taxes. So let's say if I ran it as a for-profit it would have to pay 20 percent a year in taxes on its gains and on its interest. So it has current income and it has capital gains, so let's say on average it would have to pay 20 percent.

Well, why not put it in a not-for-profit endowment. It doesn't have to pay the 20 percent. Then we take 5 percent every year and we use it to fund a university, and that university brings up the young, brightest and best people and sends them into our operations where we want them to go, and it produces lots of policies and studies that justify the policies we want.

So if you look at the Harvard WATCH study on Enron, Harvard was being paid all sorts of money to come up with studies that justified the changes in government policy that would make Enron money. So rather than paying 20 percent in taxes, we pay a 5 percent tax, but we pay a 5 percent tax to create intellectual air cover and human capital for our investment syndicate.

So when I look at a university, I don't see a school; I see an investment syndicate that is a tax shelter that is using the money, a portion of the money that they would pay in taxes instead to build up the human capital and the intellectual capital they need to build up their investment syndicate. Okay?

So I look at those places and I see an investment syndicate. I don't see a school. A university is not a university. It's something else. It's a way to manage, gather and manage power in a variety of ways that is unbelievably cost-effective. And that's why if you look at how the endowments are run, they're run with self-perpetuating boards.

But again, if Mr. Global has the power to kill with impunity, what are those boards going to do? They're going to do whatever they're told, just like that chairman at CalPERS.

Bonnie Faulkner: Now, when you make a donation to an endowment at a university, that donation, you don't have to pay tax on the money yourself if you make that donation?

Catherine Austin Fitts: Right. You get a deduction for that donation and that donation either goes to pay for the cost of the university or it goes into the endowment, which builds up the investment syndicate.

Bonnie Faulkner: I see. And the endowment only has to pay 5 percent?



RECOMMENDED: G. EDWARD GRIFFIN'S INTERVIEW OF NORM DODD

Catherine Austin Fitts: Usually an endowment will set a certain percent so that the endowment is valued at the end of the year and then a certain percent is set aside for the university. The endowment model, there's a great video where G Edward Griffin interview Norm Dodd about the foundations before Norm Dodd died. It's a wonderful video, it's up on the Internet, and it goes into this model.

Look at the Vatican. They have combined that model with 2,000 years of a global diplomatic immunity and tax exemption.

Bonnie Faulkner: Yes.

Catherine Austin Fitts: They don't have to pay property taxes on their properties do they.

Bonnie Faulkner: Right.

Catherine Austin Fitts: So think about what you can do in terms of the compounding, the value of your endowment over 2,000 years. Two-thousand years of diplomatic immunity, tax exemption, and a foundation model where you can compound your capital in this way. It's an amazing, amazing model, and to think that \$40 trillion probably just got added to it.

Bonnie Faulkner: Now, what is the video you talked about? That's important to know.

Catherine Austin Fitts: Ed Griffin interviewing Norm Dodd. On the *Solari Report*, Jon Rappoport and I did Top Ten movies and Top Ten documentaries, and that's one of the ones listed as the Top Ten documentaries. Absolutely fantastic.

Bonnie Faulkner: Is this on the home page at Solari.com?

Catherine Austin Fitts: Log into the *Solari Report* and then just go into the archive or once you're logged in, do a search for Top Ten documentaries and all the links are up in that section.

Bonnie Faulkner: I think that's an important thing to watch. Is it up on YouTube too?

Catherine Austin Fitts: Yes.

Bonnie Faulkner: Oh, okay.



Catherine Austin Fitts: If you do a search for Norm Dodd, you'll get it, and taxes and foundations.

Bonnie Faulkner: And how long is it?

Catherine Austin Fitts: I think it's about an hour and a half. It's long, but it's, oh, when I tell you it's meaty and deeply satisfying.

Bonnie Faulkner: No, it's a good thing to watch because I don't understand how that model works myself. I'd like to watch that.

Catherine Austin Fitts: You just have to look at the math. You just have to look at the math. You can do it with an Excel spreadsheet where you say, "Okay. These guys are for-profit and they pay on average 10 or 20 percent a year, and these guys are not-for-profit, and instead of paying 10 or 20 percent, they put 5 percent in this intellectual capital and human capital operation that feeds them the best people in all sorts of intellectual air cover to get whatever policy they want passed."

And with something like the Vatican, throwing diplomatic immunity in, you know something? The first team doesn't have a chance. They don't have a chance.

THE FISCAL CLIFF WILL RAISE THE NEED TO FACE OUR POLITICAL PROBLEMS AND SEEK REAL SOLUTIONS

Bonnie Faulkner: Well, what about the fiscal cliff, and what is the fiscal cliff and how is that supposed to be activated in 2013?

Catherine Austin Fitts: Well, the fiscal cliff is we have a whole series of different tax policies and budget policies which sunset at the end of the year, and if we don't take action, then we'll see automatic tax increases and automatic spending cuts, and in a way that could be quite shocking for the body politic.

I'm working write now on an article on the fiscal cliff because one of the things I want people to understand is we have, as in the world, we have a reality and then we have an official reality. One of the reasons to explore and try and understand reality is that's where solutions lie.

If we have to stay within the official reality, we can't find real solutions because we can't see the real problem. And it's tempting to stay in the official reality because there are a lot of unanswered questions and uncertainty as to how reality really works. It's the same with the budget. We have fiscal reality, and then the budget covers a small portion of fiscal reality,



and the problem is you can't balance the budget within the official budget because the game is rigged.

So let me describe what I mean by that. The first thing is we spend money for different endeavors. We make an investment in going and conquering Afghanistan and Iraq. I'm not saying I agree with that policy, but we do it, and then all the assets that are seized as a result are not on budget. So the expense of going to war is on budget; the assets conquered are off budget and go to the benefit of a whole series of private parties.

Bonnie Faulkner: Good point.

Catherine Austin Fitts: One of the reasons they say, "No, they belong to the Afghans or the Iraqis," is so they can put them in a local development functions and then channel them to the corporations. Now, when you have a budget that constantly has to pay for the expense of something, but doesn't get the financial benefit of the result, you're on a spiral down. One example.

Another example is revenues come in, tax revenues come in, but money's being stolen. So as I said, \$40 trillion went missing and we're in violation of the constitutional requirements and the financial laws and regulations regarding financial management. Money's going out the back door through the black budget.

So the baby boomers saved and saved and saved, and they built up money and they built up money and built up money, but the money's disappearing out the back door. We're back to this milk bucket problem with a hole in the bottom. And so suddenly they say, "Well, there's no money. You need to put more milk in the milk bucket." "Well, wait a minute. Where's the \$40 trillion? Let's get it back."

So this fiscal cliff idea could go on and on, on these issues because there's several other like that, but we're dealing with a situation where the budget is a tiny, weird construction of a financial ecosystem, and to find real solutions, we've got to step back and look at the whole financial ecosystem.

So let me give you another example. If you look at the speed at which the Medicare/Medicaid budget is compounding, within short order it's going to take up the entire GMP of the country and bankrupt us.

Now, if you look at the movie, the documentary, *Fat, Sick and Nearly Dead*, and you look at trucker Phil Staples who goes from being a person with terrible health who needs tremendous amounts of drugs and medical help and problems to somebody who's unbelievably healthy, doesn't need any medical treatments, doesn't need any drugs, is healthy as a clam.

The Solari Report

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That is a tiny microcosm of the bigger problem which is you have a population that is dying of lack of nutrition, they're being poisoned, they have very unhealthy lifestyles, and so they're sickly in a serious way and that if you try and address their sickness with healthcare and drugs, it's not going to solve anything because you're trying to address the symptoms and not the problem, but addressing the symptoms is an unbelievably expensive endeavor.

So Healthcare Problem No. 1 or Financial Problem No. 1 is Americans are eating poison and they have an unhealthy lifestyle. That's Problem No. 1. No. 2, we have all these medical cures and all these different ways of making people healthy that has been suppressed. Rife Technology's been suppressed. All these other, you know, if you read Suzanne Somers' wonderful book *Knockout*, you read all the different cancer cures that have been pooh-pooed and suppressed, etc., etc.

Well, one of the reasons those stuff has been suppressed is they're cheap. They've put the pharmaceutical companies out of business. So Fiscal Problem No. 2, you've got to unsuppress the technology. Fiscal Problem No. 3, you have an entire industry that is not subject to market economics. They've all been running to Washington and getting special deals. We pay 10 to 20 percent times more for a given drug than people in New Zealand or Mexico or Canada. At this level of monopoly pricing, there are no solutions.

So No. 3, the entire healthcare industry has got to get subject to market economics. Big shakeout. Okay? And No. 3, we're going to have to look at the issue of how much money do I want to spend for me to sit around in a nursing home and be a vegetable. Very sensitive discussion, but it's one that's got to be had because it's unbelievable expensive. And you know something? It's a rotten way to live if you've ever dealt with it.

So those are the healthcare economic issues. They can't be solved by cutting the budget or spending more money. Oh, last one. We need healthcare. We don't need healthcare insurance. We don't need the insurance company. Get the insurance company out of here. We don't need them. We need healthcare. That's a whole different thing. It'll save a fortune.

So the fiscal cliff conversation is a conversation that's being had within the official reality and there are no solutions within the official reality. We have to leave the official reality and start looking at reality and that's where solutions lie. That's a very painful process, not just for the top guys, for everybody in America because we've all been lying to ourselves and each other.

If you look at all the jobs and employment that comes off of pharmaceuticals, the healthcare industry, you know, all of this. It's not just Mr. Global, it's all of us. We are deeply vested in a system which has not been subject to healthy economics for 70 years and we have built this cascade of paying people off and paying each other off, and solving all our political problems



with money because we could just borrow more money, and now we're about to get whacked upside the face.

And I assure you, if you look at the money, it's not just Mr. Global, it's all of us, so it's going to be quite a process.

Bonnie Faulkner: Do you think they'll actually let the so-called cuts go through? The cuts, and you're saying raising taxes, would be part of it as well?

USE YOUR FEAR AND ANGER AS A NAVIGATION TOOL; DO NOT LET FEAR AND ANGER OVERWHELM YOU, HARM YOU OR MAKE YOU SICK

Catherine Austin Fitts: The bigger question is not what happens this time around. Over the next two years you're going to have to have a radical re-engineering of the federal budget. You have to. Here's the last thing. Fear and anger, one of the things I am watching is a significant increase in the general fear and anger of the general population. People are angry and they're scared, and that fear and that anger is clouding their judgment and using up their time and energy.

And one of the most important things everyone could do for himself is to find a way to channel that fear and anger to protect their health and protect their time. When the litigation first started – I feel like I'm watching all of America now go through the process I went through, but when I first started to go through it, I reached a point where I had always thought that I could manage anything.

I have a lot of confidence in my ability to figure things out and come to a positive result on anything, and I reached a point where I thought, "Oh my God, I might fail. I could die. I'm going down." I could see these incredible lines grow in my face and my face started to get gray, and I thought, "I'm going to turn into charcoal here" and I thought, "Okay, I need to figure out who's been through this process before, and who made it and who didn't and why. I need to really study this because I'm in trouble, you know, all my little political fixes aren't working."

So I went back and I studied, and what I discovered was, this process of sort of swarming and attacking a person legally, financially, in the media, in the court, and physical harassment had happened to many other government officials and business leaders, so this had been done to many people before me, and in fact, I had my attorney write an article called *Anatomy of a SWAT* to describe all the different tricks they – because it's very immersive.

They come at you at every angle and all at the same time, and there's whisper campaigns and I had 18 audits and investigations, 12 pieces of litigation and physical harassment and a



media war against me all at the same time. It's very immersive. So I went back and I studied who made it through and who didn't, and you know what I discovered? People failed and died because they got angry, and their anger made them difficult to work with and deal with.

Their anger got directed at the people trying to help them or people that were coming to investigate them who were entirely innocent who had no idea, and it made them sick. Their own anger made them sick, and so they would burn out either because they offended and scared everybody or they got sick and died. And what I realized is, "Oh my God, I cannot afford anger. I can't afford it. It's going to kill me."

And the other thing is I had a very wonderful person who's on our team who helped me to understand anger creates a connection between you and them. If you're angry at a person, you've created an energetic connection with them. And what was very interesting in the last day in the last court trial – it was a civil case against Hamilton, and we had absolutely won. We had slaughtered them.

And you had a whole group of people come down from the Department of Justice and different agencies, and it was very funny because two days before, two of the attorneys on the other side, the private attorney and the Department of Justice, were having a fight, and one guy said openly in front of us, and one guy said, "You don't know that that's true."

And the other guy said, "Yes, I do. I have a document here. Catherine Austin Fitts said it's true, so it must be true." And I realized things had gotten so bad that the only reason that they knew something was fact not fiction was because they trusted me. I mean, it was bizarre.

So all these people come down and we're sitting in the last day, and literally you can hear the hiss in the courtroom. It's like they're swaying, and I could hear this, you this, "thiss" coming from them, "Why can't we get you? Why can't we get you?" And I realized I've gone through this whole process. I never thought about them. I never hated them. I never cared about them. To me, they were ordered to get me. I used to pray for them. I didn't feel any anger.

And what I realized was, there was no connection between them and me and that's why they couldn't get me. It's a little bit like there's a blue heeler in Hickory Valley who's a great dog. When I tell you that dog has a mind in a different dimension. She'll go out and nip at the horses and bark at the horses, and the horses try and kick her but they can't reach her because her mind is in a different dimension. She's on a different plateau mentally and those horses can never kick her.

My dog Wilson goes out and "ba-boom," Wilson is flat out kicked because he thinks the way they do. So I just learned, I had a wonderful church, and I really got trained, and I learned to look at this whole thing spiritually and say, "For some reason, the good Lord has decided



that I should be separated out. I'm Jonah; I'm being spat out of the whale and that's his choice, and so I'm going to go with it, it's all good, and I'm being separated out, so let's see where that goes."

And somehow in the story, that's going to turn out to be the best thing that ever happened to me, and I just didn't get angry at any of them. I didn't view it that way, and the more evil that some of them could be, the more I would just shake my head because when you do that kind of evil, it comes back and bites you. It always comes around and bites you.

I just used to shake my head that anybody would bring that karma on themselves. Anyway, but it was lucky, and so what I see when I look at the general population, I see us as a people going to fear and anger in a way which is creating danger for the person who's feeling it.

So I'm not saying that what's happening is right and you shouldn't be angry about it, and I'm not saying that it's not prudent to be afraid when there's risk, but we have to find a way to manage and channel that in a way that doesn't make us sick and doesn't put us at risk.

Bonnie Faulkner: And what about fear? Do you think that's just as destructive?

Catherine Austin Fitts: Yes, because I see fear being used to persuade people to not think clearly about things. So for example, this fear of collapse is very, very real, and it's persuading people to take action and use their time and money in ways that is against their own self-interest. So I think fear is something properly managed and channeled can make us smart. Fear that we let overrun us can make us very, very stupid and not use our time and money well.

We can't live in fear, and it's very easy in this environment to fall into that trap. So we each have to really focus on fear and anger, how we deal with it because you don't want to shut it off. In other words, fear is my way, my psyche's way of telling me, "Something's wrong. You need to look at this." So you don't want to shut it off. Or anger is my way of knowing something wrong is going on.

So these are great navigation tools and you don't want to turn them off, but you also don't want to give them free rein because one of the things to remember, the entrainment technology and subliminal programming, I believe, is encouraging lots more fear and anger than would be happening otherwise, so this is a manipulation tool and that's part of the divide and conquer.

Somebody just stole \$40 trillion. That included some of your money. Get angry at them. But if you're scared of them, don't turn that back against your neighbor because your neighbor didn't steal the money from you.

Bonnie Faulkner: Catherine Austin Fitts, thank you very much.

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Catherine Austin Fitts: Bonnie Faulkner, thank you.

Bonnie Faulkner: This was terrific. Thank you so much for doing this.