



## **THE SOLARI REPORT: 1<sup>st</sup> Quarter Wrap Up**

### **WELCOME**

Good evening. Welcome to the *Solari Report*. Today is April 4, 2013. I'm Catherine Austin Fitts, and I'm delighted you could join me this evening.

Tonight is the first quarter wrap-up. My goal for tonight is that after the many and accelerated changes we've been experiencing in the first quarter you feel a stronger sense of coherence. We're going to take a deeper look at events. I'm hoping that's going to increase your confidence that you can navigate the pathway before you.

Upcoming events – I'm going to be in Portland on April 24 for an Illahee Lecture Series. We'll be having lunch for subscribers on April 27 in Portland, and then another lunch – a wonderful subscriber has opened up her beautiful home in Marin County, California. We're going to have an outdoor luncheon in the field on June 1 in Marin County. You can sign up on the blog. And then June 22, if anybody wants to come to Warsaw, I'll be there and hosting a lunch. So sign up on our website.

### **OUR THEME: COMING CLEAN**

Our theme tonight, as it is for this year, is "Coming Clean."



We're doing a "Coming Clean" *Solari Report* each month – a real focus on coming clean.

Coming clean is not always a pretty sight. If you've ever been on a detox program, you know the minute you start detoxing, the next thing you know all hell breaks loose. All sorts of ugly stuff come out, and you feel terrible. It may be a path to being healthier, but it sure doesn't feel like it, and it sure sometimes doesn't look like it.

What we've been watching for the first three months of 2013, in one sense, is an entire planet struggling to avoid coming clean or struggling with a need to come clean or experiencing the detoxification process that comes with coming clean. In one sense, we're evolving towards a new global model. We don't know what that looks like yet, but there are profound and very serious disagreements as to who's going to design, govern and manage that model. And with those disagreements comes fear and violence.

In the developed world, we've known for many decades that our promises to ourselves far exceed our ability to keep these promises. For decades we've heard various friends or family or ourselves say, "Well, we know we're going to have to deal with that someday." Well, today is someday. Someday is here. When I interviewed Neil Howe during the first quarter – wonderful interview with a very special historian and expert in demographics – he said to me as we were prepping – he said, "We have \$100 trillion in unfunded liabilities. How in the world is that supposed to work out?"



So what we have is an entire society, whether it's in North America or it's around the globe where our financial system has put us out of alignment with each other. That's the nature of debt and government guarantees. So our top story of the quarter is Cyprus. It's the story of the ten stories we're going to be talking about tonight that I'll discuss last.

The message of Cyprus is that that period of pretending that more debt and more government guarantees can protect us from a whole society that doesn't fundamentally work and doesn't fundamentally respect the law is over.

You often hear me talk about the "Popsicle Index," and the fact that the Dow Jones Index and the Popsicle Index, or the well-being of children, has been out of alignment. So as the the Dow Jones Index goes higher, the Popsicle Index is going lower. We can continue to run the economy that way, but it ultimately leads to depopulation where financial interests and centralization win out over the well-being of people. We can also move to a win-win relationship between the Dow Jones Index and the Popsicle Index. But it means evolving into new models and adapting new technology.

More importantly, we don't need to just align the Dow Jones Index with the Popsicle Index, but with all living things. We need to live in harmony with our environment. We need to leave a diverse environment, a healthy environment for the next generations – one which is as good or better than the way we found it.



So how are we going to create these alignments, and who's going to do that? How's it going to work? Most importantly, as Tina Turner says, "We can do this nice or rough." Increasingly, the fear in the air comes from people concerned that this is going to be or is getting rougher.

### **ASK CATHERINE**

Tonight I'm going to first address questions. We've got some good questions for *Ask Catherine*. I thought we would clear those first before I do the Wrap Up.

For the Wrap Up, we have ten stories – it's our way of describing the first quarter – and then a section on *Heroes* and *Let's Go to the Movies*. We're reviewing *Unlawful Killing*, the documentary made about the death of Princess Diana and the subsequent formal inquest into her death.

First question, which is a series of questions, and I'm going to answer it in a series – step series. Number one, "It appears that events in Cyprus presage our destiny." Yes, I will be talking about that as the last story in the roundup tonight. "Eventually, our government will be taking our money, or a large percentage of it, which is in IRAs or savings accounts." Well, it's more complicated than that; there are many different ways that a resolution of unfunded liabilities can hit our financial position. Let's talk about some of them.



One is debasement of the currency and inflation. That's been the preferred choice. It's continuing as we speak. ShadowStats estimates that inflation is now running February-to-February 2012 to 2013 at 9.6%. If you look at the price of food, it certainly fits with that. Debasement has been the greatest source financing this and it has significantly cut into the purchasing power of our assets. Another is extension of the retirement age; one of the ways to address the unfunded liabilities is to simply move back the date at which people are eligible for Social Security or other retirement benefits.

Lowering the life expectancy, as I described in the *Solari Report* before is another. A recent study announced last year that Americans with only a high school education since the early '90s, their life expectancy has lowered five years for women and three years for men. That's a big savings in the Social Security trust fund.

Mandating savings – we've seen plans to do more to pressure people to put funds away in IRAs and 401Ks. And of course, there's always the risk that these plans are increasingly used or forced to finance Social Security and other subsidy payments – so forced into Treasury or Treasury-like securities.

We've seen proposals that we've covered on the *Solari Report* before proposing that those funds be swapped into essentially a government annuity. Also, a big source of funding is forcing monies on shore.



Part of the Cyprus story and a story we're seeing today with headlines in the *Guardian* and the *New York Times*, about leaks about holders of offshore deposits is a symptom of this phenomenon. There's been an explosion over the last few decades of funds held offshore. The more those monies can be forced back onshore, that's a much bigger pot of money. In fact, today in the *New York Times*, we see estimates of \$32 trillion, so it's a much bigger pot of money than is sitting in IRAs and 401Ks.

Of course, there's always increased taxes. There's always confiscation of real estate. And of course, the way this has been resolved throughout history, there's war.

What to watch for in terms of 401Ks - I do encourage people not to keep all their eggs in any basket, including in IRAs or 401Ks. I personally don't have any as a result of games the government played with me during the litigation. You can read that story up on the blog if you do a search for 401Ks and my name.

I think the signs you need to see of pressure to change the rules on 401Ks, IRAs, and that will include defined benefit plans, you need to watch legislative proposals. We cover that on the *Solari Report* and on the blog. I'm the first to point that out if I see things happening. It will come up – the danger is it comes up in a big budget deal that touches Social Security and gets rolled in there, and it's far from the biggest squabble going on at the time. So when you get a big package, particularly one that touches Social Security, that's the time to



watch out for surprises.

What I do is I watch the policy leaders and think tanks working on proposals. These are fairly complicated changes to implement, which means the firms responsible for implementing need sufficient time to work out the details to go operational. And so that usually gives you a sense of the timing. Those are the two things to watch out for.

The third thing, a very important issue related to increased taxes or increased capital controls, whether formal or informal, are any enforcement issues that give greater central control. This is why I put such a great emphasis on the gun control issue and also emphasis on the rolling out of the drones, because these give central authority more power to implement unpopular or unconstitutional financial kinds of things.

And so if gun control should happen, if drones should roll out, then you're going to see an acceleration of these kinds of tax and financial proposals. So you also want to keep an eye on that.

The next part of this several series of questions is, "I feel tempted to take my money out [of my IRA and 401k], but I do not know where to put it." Read my blog post, "Rethinking Diversification." I think that will help. There's no magic bullet here. It's a matter of having your money in a variety of different options, including those things that reduce your expenses permanently.



So rather than invest, for example, in securities, you can invest in doing those things around your home base that will permanently provide the capacity yourself so you're a lot less sensitive to inflation or anything that would dramatically reduce the cash you had to pay for ongoing expenses.

The question continues, “Even gold and silver can be confiscated, and if one puts money overseas, our government can demand that country to give it to them.” Again, there are – ultimately, the only stash that is really under your control is the stash that is under your control.

So having it overseas is not necessarily going to be beneficial. Yes, the financial institutions abroad will respect the U.S. government. So if the U.S. government passes a law and says they've got to send all the money back, they will.

There are advantages to having money in different places, including other countries. So I continue to encourage certain kinds of offshore accounts. But the theory is – the theory that you can “get away” from what we're dealing with is naïve. We're operating – dealing with a force that wants to control globally. It's not just in North America.

If you go elsewhere, you're going to run into the same problems, including U.S. jurisdiction and U.S. law. The biggest issue you need to be concerned about is not so much money, but food, because ultimately we're looking at a two-pronged effort to control the financial system and control the food system, and of the two the food is the bigger part. So





think not just in terms of money, but in how you can make sure you can provide a fresh food supply for yourself. And also think in terms of how you can operate at lower expenses if you need to.

Coins continue to be a great form of stashing. For now, don't worry about FDIC insurance or SIPC insurance. Those are good for now. We're going to have to see how things evolve, but for now, if anything, money's going to be coming back into the United States seeking the protections of those kinds of government insurances.

“Maybe I should consider my mattress. Thank you.” Don't forget family and friends. Yes, cash under your mattress helps, but one of the things you will find over time is that people who will support you are in turn are often a good investment. I'll never forget during the Iceland crisis, a reporter walked up to a woman who was coming out of the bank, and she said, “I just pulled out all my savings,” and he said, “What are you going to do with it?” and she said, “I'm going to pay off my mother's mortgage. My mother will be there to help me. Who knows if the bank ever will?”

Another question, “We are all forced to use fiat money the world over. I just spoke with my cousin in Sweden, and as I plan to visit there very soon she wanted to warn me that I cannot change dollars at the bank as I usually do. You must use a card. Even she cannot withdraw cash from the bank. They must use a card. This is new, and I find it very interesting in the wake of the Cyprus mess.” Yes, there's a



real push to go to virtual currency globally, and it's one of the things that is most concerning. It's another reason why you don't want to get trapped inside the system.

Anything we can do to prevent the system from going all-digital in the United States we certainly want to try and do. But again, it's a reason to have things outside of the digital system, as I described, to do more for yourself – to have gold and silver, to have some cash out of the system. If they do get total digital control, then we're all going to have to operate within the system unless we want to go 100 percent off-grid and self-sufficient.

Another question, “For the past few years, premiums on 90 percent junk coins have ranged between zero and two percent. Currently, they are eight to ten percent. Please explain why the premium is suddenly so high.” Actually, the premium on 90 percent silver as of Monday was 10%, not 8 to 10%. And at 10%, when I talked to Franklin Sanders, he couldn't clear his orders. To clear all of his orders, he had to go to 12%. It wouldn't surprise me if it's higher by the time Franklin joins us next week for the “Precious Metals Market Report.”

I'm going to talk more about this in two of the stories we cover for the wrap-up tonight. Suffice it to say that what is happening in the precious metals market represents serious shortages and strains in the physical market which are part of serious geopolitical strains. If anything, it says that precious metals – gold and silver – are quite dear. The premiums that



we're seeing right now we haven't seen since 2008 or Y2K. We're going to be talking tonight about how you could have such shortages and strains and people fighting for precious metal and the price going down. It's the nature of a very unusual world that we're living in today.

## **THE TOP TEN STORIES**

First quarter wrap-up – we're going to talk about the ten top stories. Let's dive right in.

### **STORY #1: WE REMEMBER AARON SWARTZ**

Story number one is “We Remember Aaron Swartz.” I want to mention we have slides on the Instant Teleseminar so you can follow along with each story with the slides. I encourage you to take a look at them. They're quite great.

Story number one: We Remember Aaron Swartz. The world is full of very gifted people who have been working for freedom for you and for me. It's always painful to see one of them harmed or killed. When you do, it's a reminder of the importance of what they were doing. Aaron Swartz death in January reminds us of the importance of the battle over the future of the Internet. The Internet has inspired an explosion of many things, good and bad. The Internet's ability to allow us to communicate, to create new markets, to innovate, to understand what's happening never ceases to amaze us.

The future of the Internet is something that's very important for the future of the world.



We also experienced the mysterious deaths of several important gun activists in January and February, which underscored the extraordinary desire to push through gun control right after the election. There was an initial post-election arrogance that usually comes with winning a presidential election. It's now backed into the sticky mess of gun control. The opposition is unbelievably strong, getting more organized every day. I interviewed earlier this week Larry Pratt who's going to be joining us next week on the *Solari Report* – I'll play the pre-record next week.

Larry is the President of Gun Owners of America, and needless to say, I think the administration has been very surprised to see the extent of the pushback. There's a remarkable number of people in the middle of the country, particularly in the rural areas, who understand the relationship between gun control and what this can mean to a whole variety of freedoms, including financial issues, including things like IRAs and 401Ks. We know that this is one where it is essential to draw the lines in the sands.

One of the actions that that each one of us can take as a response to the death of Aaron Swartz and the gun activists is to look around in our family and networks. There are young people around us who are doing important things and building our future. One of the more fun things to do in coming clean is taking practical steps to support them. If each one of us does what we can and what we enjoy doing, it can make an enormous difference.



## **STORY #2: THE MYSTERIOUS DROP**

We've had 12 straight years where gold has outperformed the Dow. In the first quarter, gold was down 4.4 percent. It's down even further now, and the Dow is up 11%. That's a very wide split or divergence. Especially because since 2008, until the middle of 2012, what we saw was as the Fed applied monetary stimulus or the Treasury applied fiscal stimulus, we would see risk assets trade up together. So the stock market and gold and silver would trade up together.

Now we're seeing this divergence. Gold is not just consolidating since 2011, but that consolidation going on much longer than expected into this year –much longer certainly than I or Franklin Sanders expected. The question is, “What is up?” Now, let's look at some of the things going on. The first thing we saw, as of February, I was on Morningstar looking at bond funds and realized that the long Treasury bond funds on average tracked by Morningstar over the last six months had had a negative (7.6)% return.

Now, that's a very interesting statistic, because nothing can frighten the central bankers and governments more than the thought that the sovereign debt market might spiral against them, and interest rates might spiral against them. One of my favorite quotes is from James Carville as a result of his experiences in the Clinton administration as political advisor to the Clintons – “I used to think if there was reincarnation I



wanted to come back as the President or the Pope or a 400-average baseball hitter. But now I want to come back as the bond market: you can intimidate everybody.”

Watching the long Treasury bond market go down (7.6)% is something that can intimidate a lot of very powerful people. At the same time, as I said, ShadowStats is saying that their calculation of real inflation was 7.6%. The government’s calculation is much lower. Certainly if you watch food and gas prices, inflation is hitting the average pocketbook pretty hard.

We also saw real fears about the nature or stability of the financial markets that have been going on behind the scenes.

At the same time, we see a real effort by different central banks and sovereign governments to pull their gold back to home base. So the Bundesbank announces it’s pulling gold back from the U.S. and Paris. We see the Swiss organizing a petition to require a referendum that the Swiss government pull its gold back to Switzerland. We see Via Mat, one of the biggest depositories and transport companies in the world, throwing U.S. clients out in Europe. We have a Dutch bank alleged to refuse deliveries in physical and all sorts of signs throughout the physical market that gold [inventories are] going “snap, crackle, pop.”

Now, when you have those kinds of shorts in the market – so when you have banks who are holding gold in unallocated positions – and they have a lot more obligations to deliver gold than they have actual gold, I call those “shorts in the



collateral market.” When you have those kinds of shorts in the collateral market, it can put real pressure on the financial system. It can cause defaults. It can cause a real breakdown in relationship between all sorts of banks and trading partners, including central banks.

It can also, at the end of the day, cause war. So in that kind of situation, you’ll hear many commentators in the gold market insist, “Well, when there are those kinds of shortages, the prices will go up.” Well, that’s not entirely true. You have to remember the people who are responsible for that market have the ability to print as much paper money as they want. If you’re the Federal Reserve, you can print as much money as you want, and it’s much cheaper to use your resources, whether it’s your ability to print paper, or what you and the banks that represent you can do through the Exchange Stabilization Fund and funds like it, it’s much easier to push the price down in a way that lowers the “snap, crackle, pop” and allows you to buy in gold and silver from retail to help you cover the shorts.

The question is, “How can you bring in more inventory to help you cover the shorts?” Rising prices isn’t necessarily going to do that. Rising prices, if anything, is going to sound the alarm throughout Europe and America, and you’re going to have more retail buying and competing. It’s going to be harder to cover those shorts. So my guess – and of course, it’s a guess because we are operating in a world without sufficient information – is that this is a symptom of



extraordinary geopolitical stress. It wouldn't surprise me that if you and I knew what the insiders know, you might be glad that the gold price is low. You may feel that it's a good thing.

I once said in a recent interview that a gold price of \$2,500.00 meant war, and I believe it. So we don't know what the insiders know, but it wouldn't surprise me if what the insiders know is for now we're all better off with a low gold price than a high one. I also think that this represents an effort to cut off the leakage as more and more Americans watching what's happening with the bailouts or watching the instability and the lawlessness are going to physical gold and silver. And I also think that this is absolutely part and parcel of the appearance of Bitcoin. There's nothing more that the global G7 leadership would love than for virtual currencies to get prototyped and emerged.

Now, whether Bitcoin – you know, put aside who started Bitcoin – they can use something started at the grassroots, or they can use something financed and sort of arranged by the top and made to look like it's grassroots. Who knows? But the one thing that is not in your and my interest is going into a world of virtual currencies. We've gotten a lot of questions about Bitcoin, and it was one of the reasons I asked Eric Hughes to join us on the *Solari Report* in the first quarter. We talked about why it is so dangerous to get involved in Bitcoin.

Then about a week after we did the interview, the Treasury announced that it was going to subject Bitcoin to the same rules and regulations as the money transfer businesses such as





Western Union. I sent it to Eric, and he wrote back, and said, “This is as not surprising as is possible.”

I don’t know what ultimately happens to Bitcoin, whether it gets taken over and used as the one-world currency, or whether it gets hacked and destroyed, or whether it gets regulated into the ground as a lot of these innovations are. The one thing I will tell you is though the price is running up, and it’s being hawked by a lot of people, one action you can take is avoid Bitcoin because this Bitcoin is not going to be the solution.

It’s much easier – it’s much more practical to invest that money in making sure you have a fresh food supply. What they want to do is – what you’re watching is an effort to cut off leakage in a variety of ways, and it is a serious leakage for people concerned about the bailouts in the developed worlds to move to gold and silver, and that’s going to put pressure on the physical market. One of the ways to deal with that is to push the prices down in a way that encourages people to find other solutions but gold and silver.

We’ll talk a lot about it with Franklin next week. I believe that the chances that the primary trend [in precious metals] is going to reassert itself this year is approximately 80 percent. But there’s a 20 percent chance – other people would argue it higher or lower – that it will not. We have to be prepared for it to go either way. And the pain is not over, so we may see more drops from here. So be prepared for the primary trend to go either way, and remember that the risk of all asset



classes is rising.

I've had more than a few people tell me they would come out of gold and silver, but they don't see where to go. If you look out across all the financial markets and all the different asset classes, we're not dealing with a financial problem, and it's not a problem in the precious metals market. We're dealing with geopolitical risk that impacts everything and raises the risk on every asset class.

### **STORY #3: A POPE RESIGNS; A POPE IS CHOSEN**

Story number three – something I covered a lot on the blog and in the *Solari Report* this quarter – we have a pope who resigns, and a pope is chosen. Pope Benedict resigned in the face of a litigation and financial meltdown in the largest organization in the world. It was a remarkable thing to watch. I've asked the question, and I don't know the answer. How in the world the Vatican took the complete fall for the pedophilia networks and their partners got off scot free. The only thing I can surmise is it's a lot less dangerous to sue the Vatican than it is to sue the intelligence agencies.

We have a new pope. He's a Jesuit from South America. It's a big deal for a non-Italian to be the pope, although he is of Italian descent. His early pronouncements have been very interesting - very much back to basics. [He says] that the church should be a serious spiritual organization, not the



equivalent of an NGO, and the church's mission is to serve the poor. As I said, the Vatican and the Catholic Church is the largest organization – largest bureaucracy in the world. So how this new pope responds to the new challenges will be a very important ingredient in global leadership.

The reach and the moral of authority of his position should not be underestimated. It's a reminder that one of the things we can all do is support the spiritual leaders who we choose and like and who stand firm for basic principles. The reason this is so important is our fundamental political problem is lawlessness. Call it corruption. Call it whatever you want, but for lawfulness to have a foundation, that foundation must be based in cultural and spiritual strength that creates the conditions upon which law can be based.

You know, law can't happen because we all know it's smart money. It has to be based in much deeper and more strategic reasons than that. And so the debate over who was going to be the pope and the pope's first pronouncements are a reminder of how important that is for all of us. So find the spiritual and cultural leaders who stand firm for basic principles and support them.

#### **STORY #4: A CHANGE IN THE MODEL**

One of the most fascinating things for me over the first quarter was the opportunity to watch *House of Cards* on Netflix. A fascinating TV series – all the shows put up at once for the first season by Netflix online, made by Netflix,



produced by Netflix, distributed online with very interesting multimedia designs. The protagonist is played by Kevin Spacey, and at various times he will turn and stop playing his role, but talk to the audience – very Shakespearean in delivery.

And then as he does texts to various people, the text clicks across the screen. So it's a multimedia design. Netflix's success with *House of Cards*, plus a deal with Facebook, doubled the market cap of Netflix in a matter of months. Quite extraordinary. The bell went off to say that the traditional TV model is very much in play.

We've seen that across the board, not just in media and entertainment, but in many industries where crowd-funding as a mechanism to collect up collaborative work from many different places or to finance from many different places or to distribute – so whether it's creation, distribution, financing – we're seeing a crowd-funding and a wide collaboration model starting to shift many, many things.

I talked recently about Kickstarter. Kickstarter, when it started, in the first year the National Endowment of the Arts gave away about \$160-plus million. Three years later, Kickstarter was giving away \$120 million more. In 2012, the NEA was down to \$147 million, I think, and Kickstarter was about \$260 million-plus. So in three years, we have somebody go from being nonexistent to being significantly bigger than the NEA, processing donations from 2.2 million



people.

We saw a crowd-funding website, Mosaic, when it opened finance four solar projects in January. We've seen several lists that I've posted up on the Internet of the most innovative companies – companies doing amazing things, and many of them using this model. I encouraged in *Let's Go to the Movies* that you watch a new, very inspiring and hopeful documentary called *Naked Brand* about the demassification of the marketing model, basically saying if companies want to market successfully, they need to make products that are really useful and have people pass it by word-of-mouth. It was basically saying, we all need to be real.

A reminder of that demassification was that McDonald's allowed a local branch in Australia to change its name. So it's something other than McDonald's. That was up on the blog.

The action for all of us is to understand that the impact of online delivery, of mobile delivery is revolutionizing the business and operational model in sector after sector. So watch *Naked Brand* if you have the time. Learn about crowd-funding, and see what it might mean to your industry or place.

Beware the speculative deals coming. Of course, we see the SEC announcing that it's going to allow businesses to use social media. That was out this week. But of course, the regs for crowd-funding, allowing companies to raise equity off their website or in through crowd-funding websites on the



Internet is coming. So beware the speculative deals. But it's going to have a profound impact on every place and every industry.

## STORY #5: THE FEDERAL GOVERNMENT OPERATES WITHOUT A DEBT LIMIT

We saw a recent study from Harvard. Why are we not surprised? Turns out Iraq and Afghanistan cost \$4 trillion to \$6 trillion. If we look at the situation in Iran, one of the key budget issues is exactly how are we going to continue to manage our interaction, particularly with the military, in the Middle East.

We've lived through in the first quarter the fiscal cliff, then Sequester, then various wranglings on the debt limit including operating without a debt limit. That's quite amazing, because if you look at the charts of the rise of U.S. Treasury debt over the last two decades, what you can see is it tracks very remarkably with the rise of the gold price. So the fact that we let go of the debt limit, that we're issuing extraordinary amounts of U.S. Treasury debt, unprecedented budgets, and the gold price is going down is even the more amazing.

We saw the government – and this is how hard it is to finance yourself at this point. We saw the government sue S&P on February 5 regarding mortgage fraud for \$5 billion. It's really the pot calling the kettle black. If you look at the mortgage fraud, the government led it, not allowed it to happen. They engineered it and lead it, so blaming S&P for the mortgage



fraud is a little bit ridiculous. To me, it looks like a preemptive strike. They wanted to make sure S&P and the reigning agencies knew not to downgrade them in the face of the fiscal cliff Sequester. But I tell you, it's one way to keep your rating; certainly very sobering for S&P and for their holding company, McGraw-Hill.

Many Americans, as the fiscal cliff and Sequester rolled out started to realize the impact of Obamacare. I put several articles up on the blog. It's something that's going to have a dramatic impact on every household in America. We need to each individually make a decision as to whether we want to participate and budget for the cost of not participating in it.

During the first quarter, the QE3 continued as the Fed continued to buy up lots of mortgage paper and essentially finance the U.S. government. We're now really in printing mode as opposed to selling-treasuries-all-over-the-world mode.

The whole process of the fiscal cliff and the Sequester has been an extraordinarily exhausting experience for the Congress. We saw tremendous partisanship through the campaign and, of course, after the campaign. The President won – but as Senator Shelby said, “The President won, but so did I.” So everybody's feeling like they're representing their constituencies, and tensions are very high.

There was an NPR show on disability that I posted on the blog two weeks ago where someone from Washington, D.C.,



wandered around Alabama and discovered in fact what we've been saying on the *Solari Report* for a long time – that local economies are deeply, deeply dependent on government checks of various kinds, including disability. They finally realized one of the many issues that make it so difficult to change the federal budget, because we have local economies that are extremely dependent directly and indirectly on the federal budget, and that's part of the price of buying control.

The more you use the federal budget to control everybody and everything, of course, the worse the budget situation gets and around and around we go.

One of the things that slipped in through the federal government [during the 1<sup>st</sup> Quarter] was what's being called the Monsanto Protection Act, which essentially protects Monsanto from a wide variety of litigation. There's a good article up on the blog this week, and I would encourage you to read it. It was an example of the extent to which the federal mechanism is being used to engineer control of the food system, which as I've always said is so important to getting control of the money system and vice versa.

The big budget issue is going to be military strategy. When we started Afghanistan and Iraq, we had at that time approximately \$12 trillion of debt. So we basically increased the debt by 50 percent to engage in the campaigns in Iraq and Afghanistan. You can't keep doing that. And so exactly how is this supposed to work? It's one of the reasons on the *Solari Report* we're going to be doing a *Solari Report* this year on





the strategic issues facing the U.S. military.

What's your action out of this? You need to take whatever steps you can to reduce your dependency on government subsidies and operations, whether it's your household or the businesses you work for. The more you can operate on basic fundamental economics, the better off you're going to be if subsidies get diminished or go away or the rules controlling them just get more and more complicated. Number one is take steps now to provide for a healthy, fresh food supply. What happens if the food controls get more and more and more, and grocery stores get more and more – or bigger and bigger percentage of the food supply is GMO?

And that's also a financial issue. There are many, many things we can do, and we've talked a lot about them on the *Solari Report*, to lower our – or increase our ability to get wonderful, fresh food at lower prices. It takes planning and organization. If you look down the road two, three, four, five years, I can't think of anything that's more helpful to our health or budget than thinking now about how you can organize locally to make sure you have a fresh food supply, including in the worst case.

## **STORY #6: CHINA'S NEW LEADERSHIP**

If you think we're grappling with corruption in the United States, China's really had a time of it over the last decade. Part of it is the tremendous growth and strength of the



economy and the bulge of monies coming into the state-run enterprises and sovereign wealth fund. Up on the blog over the last week and a half, e-commerce sales in China have now surpassed those in the U.S. and are expected to be double the U.S. in a matter of years.

We had the economists proclaim Chinese online company, Alibaba, as likely to become the world's largest company. That means a company started by a Chinese schoolteacher in the late 1990s is likely to have a larger market capitalization than Apple or Google, or for that matter Exxon Mobil. It's worth meditating about that. That's quite extraordinary. It's a very interesting article worth reading.

So we saw Chinese political leadership turn over late last year with – and that's going to change the president this year. What we're looking at is leadership which is more conservative, more committed to cleaning up corruption. Their background is engineering-oriented.

I'll never forget being in Beijing in 1997. I was with one of my employees who was a PRC citizen. We were sitting – it was the day of Deng's funeral, and we were sitting outside the legislature reading the Beijing newspaper.

And Henry looked at me, and he said, "You know what the problem is between the United States" – there was a big war going on at the time between the Clinton administration and the Chinese administration. And he said, "You know what the problem is?" And I said, "No. What?" And he said,



“Most of the people who work in your Congress are lawyers.” He says, “Most of the people who work in our political apparatus are engineers.”

And he said, “This is basically a fight between the lawyers and the engineers. The lawyers keep telling the engineers what to do, and the engineers keep saying, ‘But how?’”

It was very funny. It’s not dissimilar to what’s happening now. If you look at the Chinese leadership and the new group in China and Putin firmly ensconced in Russia, we’re up against a more formidable and a tougher and harder leadership – willing to be more aggressive than we have been in the last ten years.

We certainly see that with North Korea screaming and yelling about nuclear wars. The Americans have to take their threat seriously. The ability of the North Koreans to move on them are very – as a practical matter – very small. The developed world has very significant investments in South Korea, which are extremely important to us, so I don’t want to underestimate the tensions that it’s causing. But it couldn’t be happening without the Chinese be willing to have it happen, and it wouldn’t surprise me if it’s happening as a diversion for a much deeper and more dangerous story going on in Iran.

The concern in Israel and in different parts of the world about what the Iranians are up to is real, and we’re going to be talking about that in the next story.



But bottom line, by 2050, expect the market cap of the emerging markets, in no small part thanks to China, to be bigger than that of the United States and Europe. The growth in the BRIC nations, and particularly in Asia, is explosive. It's going to change everything.

The action that each one of us can take is to take the time – if you have the opportunity, heaven sakes, head out to Asia and experience the sense of growth that's occurring in that part of the world. Get to know more about the people and the culture, because it's going to become a much bigger part of our life here in the United States.

I should also note during the quarter, the Moscow bourse did an IPO for \$500 million. For those of us who remember the war against communism, the fact that the Moscow bourse is doing a \$500 million IPO really tells you times have changed.

## **STORY #7: HUGO CHAVEZ DIES YOUNG**

I want to talk about not just what is happening in Venezuela, but we have had for many years a few nations that have held themselves out – certainly outside of the Anglo-American alliance, outside of close, intimate relationships with Europe and the United States, who've been independent and tried to stay out of the central banking model as we know it. So some independence from the clearing systems and in their currencies and local economy, these nations are the biggest leakage.



If you're trying to centralize control into a one-world government or into a digital currency, these nations are a threat, and empire needs to bring them into a fold. Now, China and Russia have a vested interest in that not happening. The reason is that a world with multiple power centers leaves them with more power. A world consolidated into the developed nations, particularly into the so-called American Empire or the G7 Empire, is not necessarily to their liking, and particularly because we're talking about a force that wants to control the food supply and the reserve currency, and that gives central powers very, very tight control.

As a result, the beat-down we've seen on the outlier nations has been steady. We've gone after Iraq, then we've gone after Afghanistan. We've gone after Libya. Libya came into the fold last year. Now with Chavez dead we see a much greater likelihood that [Venezuela and] Cuba can be brought inside the model. That leaves the big outliers to be North Korea and Iran with Iran being the more formidable of the two. So one thing to keep in mind is how this plays out. It's hard to tell.

The big question, of course, is, "Will there be war with Iran? How would the U.S. military deal with that as an operational matter with the military exhausted from Iraq and Afghanistan and the budget in a very, very tight way?" How will that be? It is a process that could get very dangerous because the people who don't want centralized control have the capacity



to be quite violent and, of course, get together on this. I'm reminded – I've been thinking all week long about one of my favorite Rumi poems. He says, "Sit, be still and listen, because you're drunk, and we're at the edge of the world."

As we watch what happens, it's important to remember one thing: if all the outlier nations get pulled into the system, what you will see is that the beat-down that happens domestically within the United States will probably accelerate and could even accelerate a lot. Right now, I would say the focus of the leadership is controlling the leakage globally and winning the global battle. However, once the leakage – once that leakage is tightened down, the shifts to global government and currency will accelerate, and that means much more centralization here as well as globally.

Now, of course, the action always is what can we do? As this process continues, I think we're going to see more and more sides harden. We're seeing, as I said, stronger leadership in China, stronger leadership or more forceful leadership in Moscow. All sides are going to harden, and I think things that we can do to create peaceful and economic connections directly, culture to culture, and be prepared to deal with any internal beat-down that may come, is useful.

The complexity of our situation though is this. Either way the empire goes, whether win or lose, both of them could be very bad news for the American middle class. So rather than pick sides, I would pray for peace and just continue to build the peaceful and economic connections we need so that as



the legacy systems fight, there's something else that's growing.

## **STORY #8: INSTITUTIONAL INVESTORS BUY BULK HOUSING**

I'm going to be talking about this a lot more in the last week of April. We saw institutional investor Blackstone, announce it now owned \$2.5 billion worth of residential homes. That's 16,000 houses. Bloomberg in describing it wrote, "The market which has been dominated by Mom & Pop investors" – people owning one or two or a small number of real estate properties – single-family homes that the rented in their communities – "could total 12 million homes and be double the size of the institutional multifamily market. JP Morgan analyst, led by Anthony Pallone, wrote in a note yesterday, "A corporate structure with institutional capital around the business makes sense."

Now, this is much longer story that we'll talk about later this month, but we had Fannie Mae do a bulk housing deal that they closed in November, and we see reports of institutional investors, in addition to Blackstone, coming in all across the country. As I said before, I think one of the impetuses for gun control is investors want to make sure that as they move in and buy up real estate, reengineer real estate and securitize real estate and start marketing all sorts of deals with enormous profits, that the local population is not armed.

I'll tell you why. What we're going to be seeing is we're going



to be seeing federal agencies and the federal government transferring properties at prices to – into institutional investors at prices lower than what the original homeowner would have been willing to do a work-out at. And that’s not including all the money that Treasury and Fed has poured into buying up and reimbursing financial institutions for this paper. So we’re going to see a situation where on an individual property, between the Treasury, Fed, the bailouts, the securitizations and the bulk deals, the American citizen and taxpayers paid 300 percent of the mortgage.

The numbers are going to be pretty ugly, and get ready for the securitizations that’s going to sell it all back – try and sell it all back into our IRAs and 401Ks.

The action you can take is you need to know that this money is coming into selected markets, and different markets are different. So if you’re looking to buy a house, you need to understand you may be facing some stiff institutional competition depending on where you are. Depending on your circumstance, you may want to see where the institutions are going and where they’re not and possibly avoid some of those markets. Obviously, for some it will lead to significant capital gains; but again, more on that at the end of the last week this month.

## **STORY # 9: THE DRONE DEBATE GROWS**

I have made an extraordinary effort to keep drone information up on the blog. I think it’s extremely important,





because once you get a significant cluster or a significant infrastructure of drones over the United States, it's going to change the political and enforcement equation dramatically.

On March 6, we saw Rand Paul in the Senate hold up the confirmation of CIA Director, John Brennan, with a 12-hour filibuster on the dangers of drones. We saw McCain screaming and yelling saying that Paul was radically over exaggerating the danger of drones.

Not at all – I assure you he is not exaggerating at all. We saw municipal pushback where different municipalities are trying to outlaw it. I don't think that this is a matter of the drones killing us. I think it's a matter of the drones significantly reducing human enforcement employment and lowering expenses and also allowing enforcement to be centrally controlled. It's a way of overriding the control of the sheriff. Right now, a sheriff can stop any federal enforcer from coming into a county and making any federal enforcement if the sheriff deems it's not constitutional.

I assure you, you get enough drones up, that could change.

So anything you can do to stop the – to support your local sheriff and legislature, the city councils and the state legislatures in stopping and ruling out drones in your area, I assure you, like gun control, drones are not something you want. This has a very direct correlation with what can happen with taxes and the financial issues. So think of keeping drones out and keeping gun control out as a way of



giving you leverage in all the different financial issues that could come in front of Congress over the next year.

With that in mind, we see Google launch its Google Glass project. And much debate about what the rights of an individual are to walk around with a video camera videotaping everybody and everything around them without their permission. You know, if you had said to me, “Can you get the American people to voluntarily walk around with a video camera surveillance device that will allow the intelligence agencies to record everything they say and do?” I would have said it was impossible. But I guess if you can make it fashionable enough – but Google Glass is going to trigger a remarkable conversation.

Needless to say, it’s not something I would recommend, of course, unless you want to live on the *Truman Show*. We did the *Truman Show* on the *Solari Report*, and it’s the story of a community that’s on camera 24 hours a day. I don’t think that’s something you want to be. So I would recommend you not use Google Glass.

## STORY #10: OUT MOST IMPORTANT STORY OF THE QUARTER – CYPRUS RINGS THE BELL

The problems in Cyprus are much deeper than financial problems. And as I said, we’re not looking at a financial system problem; we’re looking at geopolitical problems. Cyprus has been in the middle of a squabble, among other things, between Russia and the Americans, including over the



very rich gas deposits in those areas – gas deposits which are big and deep enough to threaten Russia's hold on Europe by supplying natural gas and oil to Europe.

So Russia has tremendous interests in what's going on in that area, as does the U.S. The problem started in 2011 when the Navy confiscated arms that the Russians were sending to Syria. They got stockpiled on Cyprus. That exploded. The official explanation was they were left in the sun. I have a hard time believing that. It caused \$3 billion of damage to the local economy, including to the power supply. Then of course the Greek bailouts hit. So one thing led to another, and we see the banks in Cyprus, which had run up a very large offshore business hit hard.

Their offshore deposits estimated anywhere from \$35 billion to \$70 billion included – 50 percent included offshore Russian deposits. Again, very much Russian interests – and after the explosion, the Russians had extended credit to Cyprus, so very much Russian financial interests were embroiled in the story as well.

The first bailout proposal, with permission of the ECB and the IMF proposed a haircut – essentially a tax on insured deposits. The insured deposit in the euro zone was €100,000. That is amazing that the IMF and the euro zone would agree to essentially abrogate a portion of the deposit insurance.

That sent off bells and whistles around the world. The final proposal had been cut back. There was no haircut on insured



deposits, but there were capital controls - Bank of Cyprus not permitting insured deposits to be pulled out while they tried to ensure that there was no bank run. The problem is if my insured deposit is not liquid, it's not really insured, and that raises the specter of a two-tier euro-dollar market where some euro insurance is liquid, and some is subject to all sorts of games and threats of taxes and capital controls.

We see livestock owners in Cyprus saying they have to slaughter their herds because they cannot get their money to buy feed. Needless to say, the first and second proposal sent a chill throughout the euro zone. At the same time not surprisingly – and this is what you see when you try and start to shrink the financial system – the cash in the offshore havens is up for grabs, because this is a clear signal to the offshore havens that they won't be protected. We see Putin offering amnesty to Russian bureaucrats and offering to let them have a certain period where they can bring the money home.

I'm sure everybody wants that money coming home, and everybody needs it to finance the sovereign government operations. We also see Putin now returning from the BRIC conferences where the BRICs are developing more ways of financing and working with each other and trading with each other without having to go through the developed nations. We see Putin announce war games in the Black Sea, north of Turkey, close enough to Cyprus to make anybody nervous. We also see, as I said, a big leak of confidential documents on



holders of offshore deposits described today in the *New York Times* and the *Guardian*.

Needless to say, I think there's a war on the offshore havens, whether it's a regulatory war or this kind of spin war. There are plenty of sovereign governments who want the taxes and need the cash onshore to continue to finance operations.

Now, [the events in Cyprus] also set off bells and whistles in the United States, because if the IMF would agree to this, how long might it be that instead of just doing it to offshore deposits, including in the euro zone, how long is it going to be that FDIC might do such a thing? At the same time, we saw an explosion of discussion from the moment Cyprus happened about the regulator plans for work-outs, writing down banks, including writing down some or all of the uninsured deposits.

Now, these kinds of plans are exactly what was asked of the regulators when Dodd Frank passed after the bailouts. The clear political feedback is that we don't want to have too-big-to-fail. We want banks to be able to fail. We want regulators to create resolution processes that will permit for bankruptcy or bankruptcy-like processes without threatening the financial system. And so the clear political message from the American people and from people critical of corruption in the financial system, including myself, is you need to think through how you're going to bring banks down that need to fail, and you're going to do it without too-big-to-fail policies.



The Fed and the Bank of England published a joint proposal as of December 2012 as to how they were going to do this. And of course, the chatter after Cyprus was how deeply offensive this was, and, “Isn’t this terrible? They’re talking about converting uninsured deposits into equity or writing them down completely.” Well, of course, that’s what you have when you don’t have a too-big-to-fail policy. When banks fail, the uninsured deposits fail, and they can become equity, or they can get written off, but that’s exactly what happens.

So if you don’t want too-big-to-fail, that’s what you get. And I think the chatter has gotten, for me, deeply offensive, because you’re putting regulators in a double bind. If you say they can’t affect too-big-to-fail, but then they can’t affect the writing down of uninsured deposits. One way or another, that has to come. We have tremendous speculative and excess capacity both in the offshore system and in the global banking system. And that has to shrink.

Now, at the same time, why was Cyprus so important? I think Cyprus was so important and very important to me because I’ve spent a lifetime trying to explain to everyone I work with and everyone I live with and everyone I talk to that we can’t have a system where we believe we’re okay if we’re ignoring the fundamentals and letting the fundamentals go to hell. So when I served as the Assistant Secretary of Housing - FHA Commissioner – I heard bankers say, “Why do I care if there are drugs in the neighborhood? I can just sell my



mortgages into Fannie Mae. If the properties foreclose. I don't lose money.”

Or I have somebody say, “Well, I can afford to bank in this bank that's full of derivatives and bad management because I have insured deposits, so what do I care?” I remember squabbling with a senior civil service person from the Department of Defense. \$2.3 trillion had gone missing from the Department of Defense the year before. He was arguing with me, and I realized, “Oh, my God, he thinks he's going to get his pension even if this happens.” So he thinks \$4 trillion can go missing from the federal government, but 10 or 20 years from now his pension is going to be good.

So I've lived my whole life in a society where people think we can just cover our own deal and take care of ourselves and the fundamentals can go to hell, and it's not our problem. And the reality is it doesn't work. Government guarantees cannot protect you from a failure of the whole system, and the system can't succeed unless we're all part of it. It's a little bit – I always equated this to deck chairs on the Titanic; you may have and I may have a government guaranteed deck chair on the Titanic, but if that Titanic sinks it won't do us any good.

And we have borrowed and guaranteed our way into a place where the whole – the fundamentals are rotten. And at some point, we need to evolve the financial system into a system where we can start to take responsibility for the whole. And we can do that collectively. That's an equity-based system as



opposed to a debt system. And what I saw happen was that Cyprus rang the bell, and my guess is that's not an accident, because what you are hearing the leadership say, "We don't have the capacity to keep this going forever, and the longer we keep it going the worse it gets."

So now we're going to have to have accountability. Either we're going to have to have bailouts, or we're going to have to have resolutions that are not based on too-big-to-fail. Uninsured depositors are going to lose money, and people without guarantees are going to lose money. But the next step is coming, which is if nothing works, nothing can work, including debt and government guarantees. So the theory that we can put our money in an offshore haven and be safe from the fundamentals not working onshore is ultimately not true. And ultimately, government guarantees can't protect us from the fundamentals not working.

And so Cyprus was inevitable, but the bell has rung. And the whole planet, in my opinion, needs a debt for equity swap. And whether we debase the debt or write down the debt or abrogate the debt or swap the debt for equity, something has to give.

So what does that mean to you and me? What each one of us needs to make sure is that we bank at banks and credit unions that have excellent governance and management, that are run based on fundamental economics, that play an important role in the economy that they serve.





You want to avoid banks that are defined by corrupt practices and that have speculative trading operations and particularly derivative positions. Yes, you want to keep deposits in an insured form, and, yes, you want to have coins and tangibles sufficient so that we can live through a capital control period. And that's not just for financial system reasons. Katrina can happen where you are or where I am, and the ATM machines are not going to work. A war can happen. All these things can happen. I don't expect it in the U.S. right now.

The U.S. can always print money to support the FDIC system relatively – if anything, these events are bringing money back in and making it stronger. But war and violence that lead to temporary capital controls is not completely out of the question. So even if it's only a five percent chance, if you're prepared you don't have to worry. It takes time to get prepared for these things. So Cyprus is the bell, and it's the bell that calls us to action.

## **1<sup>st</sup> QUARTER SOLARI REPORT HIGHLIGHTS**

Okay – highlights of the first quarter. It was a fabulous first quarter. We have a new great production team, and they're doing a great job. It's made an enormous difference to the quality of our productions. Under "Coming Clean," we had a very useful *Solari Report* on vaccine exemptions. I find that many subscribers do not understand the power and the rights they have to get exemptions and to exercise exemptions for themselves and their children. And so we had Alan Phillips back – wonderful attorney – the leading attorney that I know



– expert at helping you understand your rights in this area, and it’s a wonderful resource if this is something that you’re grappling with.

We had Dr. Laura Thompson, my nutritionist, come on and do a program on detox. We just ran through all the different modalities available to you, and a wonderful, wonderful resource if you’re doing a physical coming clean.

We had, as I said, Eric Hughes came to talk about the non-revolution in digital systems. But Bitcoin – and as I said, his quote when the Treasury announcement came was – it was basically, “This was to be expected; this is not a surprise.”

Jon Rappoport and I, one of my favorites, talked about singularity. Singularity is a philosophy that essentially says machines are going to become smarter than we are and run us all. It’s a philosophy that is very dangerous. I’ve always done everything I can to sort of put the pin in the singularity balloon. And sitting down with Jon and talking about it helped me understand why such philosophies are so important to taking us into a very controlled environment. And of course, I believe in out-of-control, so that *Solari Report* was near and dear.

We had Neil Howe, wonderful historian, on the hero generation. We talked about the next generations coming up and why their leadership is so important and so hopeful. Very inspiring one.



Solari Circles – we had some subscribers say, “How do I get together – bring my family or my friends together and start to invest together?” So Paul Ferguson, the treasurer of my Solari Circle, which we just finished after seven years – just closed down – joined us to do Solari Circles.

Chuck Gibson gave a great equity overview in January. We’re going to have an even better one coming up on April 18<sup>th</sup>. I really encourage you to listen to that one.

There have been great innovations on the blog. We’ve been doing Solari Stories – little video snippets of topics of great interest in the policy debate today. And then after every *Solari Report*, Justin Boldenow, our audio/video producer, has been making something called “Just a Taste,” highlights with slides posted up on the blog for you in the following week.

Two other *Solari Reports* that were great during the first quarter. Edwin Vieira joined us on militias, the legal mechanism under the Constitution, for reengineering governmental financial flows through the state. It’s a very hopeful possibility in terms of finding real evolutionary change of a very positive nature. We can all sit here and say, “No more taxes,” and we can all sit here and say, “No gun control.” Ultimately we need to reengineer how we’re doing things. We need to reengineer it in a way which can build significant new wealth and make the pie bigger and get us back into alignment.

That’s where a lot of the debt-to-equity structures can



happen. But first, you need a legal and enforcement mechanism. If you look at the different things we can do with the money that are very positive and reduce the risk for everybody – top, middle and bottom – we need legal mechanisms under the Constitution to do it. And so Vieira’s work is very intriguing.

## **OUR HERO: SIXTO RODRIGUE**

Finally, this leads us to our hero for the quarter. One of our favorite movies this year was *Searching for Sugar Man*, the wonderful documentary about Sixto Rodriguez, marvelous artist and musician from Detroit who spent years in this country going unnoticed and yet was a smash hit in South Africa.

The South Africans had become convinced or had been led to believe that he was no longer alive. Of course, he was alive and kicking and working in construction in the United States. It’s the story of a man who stays true to himself, and he stays the course. He doesn’t try and work his way up the machinery. He’s quite authentic. He simply does what he does, and he is what he is, and if that means he’s got to go work construction, he will.

Paul Ferguson put me onto the documentary months ago. I thought I was bringing it to the *Solari Report* as a real grassroots hit, and then before we got it to you it won both the British and U.S. Academy Awards. I think this a real sign that those systems are needing things that are authentic to



affirm themselves. That's a good thing.

This is the story of a man who stayed true to himself who is deeply talented, deeply giving and concerned about the people around him and the human race. A marvelous human being, very both giving and talented, he wins the crowd without the machinery, and finally the machinery affirms him. So it's kind of a fairy tale. It's a wow, and if you haven't seen the documentary, *Searching for Sugar Man*, I can't recommend it to you enough.

## **LETS GO TO THE MOVIES**

Which brings us to *Let's Go to the Movies*. We had posted *Unlawful Killing* this weekend, and when we posted it, it was still available for free on the Internet. The production team and I watched it on the Internet. Since then it's been taken down. We posted a link to the story on the blog post about the efforts to take it down. It doesn't surprise me. Once I saw it, I was amazed that it was available. It tells the story of Princess Diana and of her death and the formal inquest into her death which determined that her death was "an unlawful killing" – which I believe means that she had been murdered with premeditation.

It doesn't say who did it. The inquest didn't address that issue. Among other things, the documentary does show a note written before her death by Princess Diana saying that she believed that Prince Charles was arranging for her to have a car accident – a very chilling part of the documentary. And



it reviews the possible reasons why she might have been assassinated. It leaves conclusions on that topic to the viewers, and it leaves it to them to reach their own conclusions.

I'm a person who's uniquely disinterested in celebrities and royalty and aristocracy – that's my history. I'm much more interested in the nuts and bolts of what makes operations and money go and getting something done in the. If I'd been in the military, I'm sure I would have always been out in the field. I have a wonderful cousin who's an actress who sat me down one time – she was fascinated by Princess Diana and watched everything she did, followed her every move, and finally she sat down, and she said, "I'm going to make you watch a series of videotapes I've made of different interviews and speeches she's given on television."

She sat me down in her living room in New York, and sure enough I spent a couple of hours watching and listening to Princess Diana. I realized that this was a remarkable woman who had come to understand the power of her position in the media to shift the model to something much more humane than what was happening. She had evolved into quite an extraordinary manipulator of brand for the benefit of the people. What the documentary shows is the dangers at the top. It shows how fragile the system is.

It shows how tight the rubber band has been pulled, and it shows yet another example of someone with enormous charisma which has given them the independence that then



allows them to try and promote change in a variety of ways and promote humanity in a variety of ways that threatens not just a lot of private and political interests at the top, but threatens to push the red button in a way that the wider audience truly doesn't want to have happen. They say they want to have happen, but as we've talked about countless times on the *Solari Report*, they want their leadership to keep the red button from being pushed.

What happened to Princess Diana is not unlike what has happened to Aaron Swartz and the gun activists, Chris Kyle and Keith Ratliff and John Noveske. We see people fighting for freedom and yet run into the violence that occurs throughout our society.

I wanted to close by reading a poem. It's up on the blog. It's one of my favorite from Sir Stephen Spender. It reminds me of so many of these people that we've lost and many who continue with us. It's important to remember the value that they bring into our lives. Our assets ultimately are not in gold or in silver or in insured deposits or even in our food supplies, but in life and in each other.

“Near the snow, near the sun, in the highest fields,  
See how these names are fêted by the waving grass  
And by the streamers of white cloud  
And whispers of wind in the listening sky.  
The names of those who in their lives fought for life,  
Who wore at their hearts the fire's centre.  
Born of the sun, they travelled a short while toward the sun



And left the vivid air signed with their honour.”

So Princess Diana, Aaron Swartz, Chris Kyle, Keith Ratliff, John Noveske, you’ve left the vivid air signed with your honor, and we thank you.

## **IN CLOSING**

In closing, coming up, we have next week’s “Precious Metals Market Report,” a great deal to talk about – we’re going to talk about what I’ve talked about tonight with the big drop, and answer lots of questions. I want Franklin to give you a detailed report on the physical market. We’re also going to play Larry Pratt’s prerecord on the status of gun control. Lots of good news there. Franklin and I will discuss that and how it relates to what we’re seeing in the financial markets.

On April 18<sup>th</sup>, Chuck Gibson, “Equity Markets Overview,” we’ll be talking about where the bond market will go. The concern of anybody who has any participation in the equity markets, whether you’re an investment advisor or you’re an investor, is there is a long history of the equity markets always returning to the mean. If they return to the mean, then they have a ways to drop from where they are now. However, the question that needs to be asked, and what we’re going to be talking about on April 18<sup>th</sup>, is for the last two – three decades, we have printed and created an enormous amount of cash and fixed income investments.





We've been printing, printing, printing. That money has stayed in the bond and fixed income markets. Where is it going to go, particularly if interest rates go up, and what will that mean to the equity markets? Very important question, because if it shifts into the equity markets, we may not revert to the mean for a long time.

And then on April 25<sup>th</sup> – a *Solari Report* that is not for everybody. Jon Rappoport has been deeply interested in the story of Hamilton Securities Group and the litigation I experienced in the '90s. So we've agreed to do a *Solari Report* where we talk in detail about what happened and what that means to the key issues facing the transition that's going on in the U.S. housing markets today.

As you watch the institutional purchasing and the different manipulations in the real estate market, it may be useful background if that's an area in which you're interested.

So until next week with Franklin Sanders on "Precious Metals," please remember don't worry about whether or not there is a conspiracy; if you're not in a conspiracy, then you need to start one.

Ladies and gentlemen, good night, and good luck.