



The Solari Report

SEPTEMBER 17, 2015

The Offshore Financial System

with Lucy Komisar



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C. AUSTIN FITTS: Ladies and Gentlemen, it's my privilege and pleasure to welcome to The Solari Report a very special person, somebody I always love to talk with, and her name is Lucy Komisar. She is the publisher of *The Komisar Scoop*, and she is something very special these days, and that is a real investigative reporter. Not only is she a real investigative reporter, but one who has grappled with and who has understood and has the intellectual fearlessness and capability to look at the very complex international financial arrangements including the offshore financial system – something which for many reporters has been a mystery to them for years.

Lucy has really dug in and unpacked it. I'm very pleased she could join us today. So Lucy Komisar, welcome to The Solari Report.

LUCY KOMISAR: Thank you very much.

C. AUSTIN FITTS: You've accomplished a great deal. You've written many books, you've written many articles, and you now publish literally your own wonderful website, *The Komisar Scoop*, where you cover all of your different coverage including the offshore system. But where I would love to start is how someone with your background and many interests got so focused on the offshore system and really developed a specialty in covering it.

LUCY KOMISAR: It's because in the 1980's I was interested in movements for democracy going on around the world, and I went to many of those countries. For example, I went to the Philippines and I was there when Marcos was overthrown. I went to Zaire when Mobutu was in charge. I went to Haiti when a successor to the Duvalier group, General Avril, was in charge.



Every time I talked to oppositionists in those countries, they all said that the dictator has looted the country and the money is in Swiss banks. I didn't know about the Swiss bank system. I'd heard it referred to. If you went to a thriller in the movies, the bad guy had hidden money in Swiss banks, but it never really stuck with me.

I thought, "I'm talking to people on different continents – in Asia, in Africa, in Latin America – and they're all talking about Swiss banks. What's going on here? I'd better find out about it fast." So I began to investigate for myself what Swiss banks were all about.

I discovered that the system which was supported by the Western financial powers and the Western banks who participated allowed individuals and companies to set up secret bank accounts so that they could hide the money flows there. It could be because they didn't want to pay taxes so they were hiding taxes that would make profits and everything would be hidden in the secret account, or maybe they were criminals. Maybe they were drugs or arms traffickers. Sometimes they were intelligence agencies, and they all liked this secret system.

The first time I wrote about it was when there was an effort to get the Swiss to make the money that Jews had hidden in Swiss banks available to their survivors. The Swiss had said, "You can put your money here," back in the 1930's, "and it will be safe." But then when it came time to give it back to those who had the right to have it, they suddenly said, "Well, we don't really know where it is. We can't find it."

In the US, a number of controllers – city and state controllers – said, "We have our money in banks connected to the Swiss system, and we're going to pull all our billions of dollars out unless the Swiss government does something about finding this money." Lo and behold, the Swiss found that money that they couldn't find before.

When this happened, I wrote an op-ed that was in the *LA Times*. I said, "You know, it's not only about the hidden Jewish money. The Swiss banking system is a secret banking system. It's about many other things, and people ought to be aware of that. It's a very serious question."



That was really the first time anybody had written about something like that. It was about 1997, so we're talking about almost 20 years ago – 18 years ago.

C. AUSTIN FITTS: So let's look at that. Actually, go ahead.

LUCY KOMISAR: Then a little naively I thought, "Oh, I have just discovered something very interesting, and I'm sure a lot of people would like to know about it."

I had written something for the *Wall Street Journal* about my Stasi file. I had a Stasi file because I had written about the dissidence, and one of the editors was interested because they loved to write articles that were bashing the communists. So I somehow came in just on their wavelength to write this article about my Stasi file.

Then I thought – after I had 'discovered' the offshore system – let's go back to the same editor, and I did, and I said, "I'd like to write an op-ed about this offshore system; it's very, very important."

I wasn't going to write a huge take on it; I had to focus on something, so I gave him all kinds of ideas about the system and how terrible it was. He kept on shooting down all these different ideas about tax evasion and about how corporations can hide their profits. He finally came to agreement on a piece about how drug traffickers in one of the Caribbean islands were using an offshore system and how the corrupt government was facilitating that. They printed that.

Of course, sometime later I thought, "Lucy, you were very naïve. The people who read the *Wall Street Journal* are using offshore bank accounts to hide their taxes and to finagle the profits and records of their companies. Did you really think the *Wall Street Journal* was going to run an op-ed against it?"

"I had a Stasi file because I had written about the dissidence, and one of the editors was interested because they loved to write articles that were bashing the communists."



I had the same experience with the magazine of the Council on Foreign Relations which I'd been a member of since 1994; I still am. The editor was interested in the general subject and gave me an assignment to do it, and his name is Hogan by the way. He's no longer an editor there. He was there for many years, and I guess he'd been an editor of *The Daily News* in New York.

I turned in this very extensive article about the offshore system, and then I got a call from his secretary saying, "Where should we send the kill fee?"

I thought, "This is odd." This editor never told me that there was anything wrong with the article; he never suggested that I should make some changes. He never even personally said, "We think we don't want to run it." It was the rudest turn-down I've ever gotten in my life. I realized because I'd been a member just for a few years – I'd been a member since 1994 and this was the late 1990's. The Council on Foreign Relations' members is overweighted with bankers and businessmen. I said, "Lucy, you have the same problem you had with the *Wall Street Journal*. These people don't really want to know the truth about the offshore system."

C. AUSTIN FITTS: Can I just stop you for a minute?

LUCY KOMISAR: The powers that run the media that run big think tanks like the Council on Foreign Relations like their system because the people who run them are the tax dodgers and corporate tax dodgers. Those are the intelligence agencies that like to use this to do nefarious jobs.

So that article, by the way, got published by *Dissent Magazine*, which is a social democratic magazine. They didn't seem to have a problem with it, but it took me a while to understand that I had really gotten into something which in my initial naiveté I was not aware that this powerful system is not just used by some drug traffickers and some funny people in an island in the Caribbean, which the *Wall Street Journal* thought that was okay to write about. It's really used by really powerful interests in the United States. That's why it has been so hard to deal with it.



C. AUSTIN FITTS: Let me just point out something because you mentioned the problem with the article and the Council on Foreign Relations. You're the founder of the International Tax Justice Network.

LUCY KOMISAR: There were probably about 30 of us at the founding meeting, which was in Porto Alegre in 2003.

C. AUSTIN FITTS: And you're the author of *Citigroup: A History and Culture of Tax Evasion*.

LUCY KOMISAR: Yes.

C. AUSTIN FITTS: When you wrote that report, Bob Rubin, former Secretary of the Treasury, was probably head of the executive committee on the Council on Foreign Relations.

LUCY KOMISAR: Yes, of course.

C. AUSTIN FITTS: So if you look at the executive committee of the Council, which I've done several times, basically you're talking about people whose institutions are deeply dependent on the offshore financial system.

LUCY KOMISAR: Yes.

C. AUSTIN FITTS: Yes.

LUCY KOMISAR: I mean Citibank is a very dirty bank, and that's what my report showed. This was sponsored by the Tax Justice Network to present at a meeting of the counter-Davos, Davos being the big meeting in Davos, Switzerland held every January of the people in power – what people will call the ruling class.

So we had a counter-Davos meeting, and we gave a prize. The president of Citibank was then a man named Prince. He was invited, but he didn't accept the prize. So actually we have the trophy that was made for him on my dining room table. It was nice to keep it.



C. AUSTIN FITTS: Let's go back because the offshore system involves many places. I once built a map of the commonwealth, basically the Crown and the commonwealth and their entire offshore system. Obviously you've got the Swiss, and now you've got Dubai and sort-of the Middle East system which has really exploded since after 9/11, and then of course you have the commonwealth and the Crown. That system is very extensive. So we're talking about many places.

LUCY KOMISAR: Probably. Various reports have put it at maybe 70, but then you also have to consider the Americans and the British – the countries themselves. Think of New York and London. I once did an interesting story when I was in Buenos Aires. I met an interesting guy who was a city official. He had issued a ruling saying that any purchases of property in Buenos Aires had to be real people or real companies, and you could find out where they were.

What was going on was to avoid paying property taxes, people were setting up offshore accounts, buying the property in the name of the offshore account – not their own name – and so there were no records saying that they owned the particular property and they weren't paying their taxes.

This guy, who was a terrific guy, thought, "Let's not allow that anymore. If you want to buy property, you have to have a real name."

Interestingly, the Brits are now concerned because so many Russian and other criminals have bought property in London that the property market is through the roof, and the properties are owned by people and companies that nobody knows who they are. This is now happening in New York, that huge numbers of buildings – the very expensive buildings, and a large proportion of apartments – are often empty because they're being bought as a way to launder money. You have dirty money, and what are you going to do with it? You buy a \$5 million apartment. Nobody lives there, but it's just your little bank.

I discovered from doing the research on Argentina, and I met a journalist who told me this story – and this was filmed by the way, so it was set up.



Somebody went to Citibank in Buenos Aires and said, “My wife and I have a company and we’re selling it to some Brazilians, but we don’t want to pay taxes on the money that they pay us for the company.”

The Citibanker said, “Oh, don’t worry at all. We will open up an account for you at Citibank in New York City, and we will arrange for the payment to go directly from Brazil to your account in New York. The American bank, even though you own the account now and you’re from Argentina, will not tell Argentina that you have a bank account there,” which, of course, they were using to launder money.

They put this on TV in Argentina. It was a great moment, and the guy who I interviewed wrote about it in the book he wrote about the history of Citibank in Argentina. So I used that in one of my stories, but immediately there was a special section of Citibank that was supposed to be for wealthy individuals, and they closed the bank in Buenos Aires and they moved all the accounts to Uruguay, which is also a money-laundering place. They just closed, and this guy no longer had a job, but it was indicated that he was paid off so he didn’t suffer too much – the guy who was the Citibanker who had arranged to do this.

“The guy who I interviewed wrote about it in the book he wrote about the history of Citibank in Argentina.”

The point really is it was shown that in New York City Citibank was laundering money from people from other countries. Are they still doing it? I bet they’re still doing it because there are no rules that have changed that require the Americans to trade the information of who owns their accounts if the account owners are foreign to give that information to the foreign countries. So New York is offshore for people in other countries, including in this case Argentina.

C. AUSTIN FITTS: How big would you say the offshore system is?

LUCY KOMISAR: How extensive? The problem is that people have guessed at the percentage of the super-rich and how much money they have offshore. I’ve seen something like it’s one-third of their wealth. It’s



trillions. It's many trillions, but the thing is that if something is secret it's very hard to know what the numbers are. People are guessing because the banks for international settlements in Switzerland has some sense of the money that banks even. They don't know who owns all this money, but there is some sense of what they have.

We do know that huge numbers of people or companies have bank accounts in Grand Cayman, and it's over many, many times the number of companies and people that exist in Grand Cayman. So there are many judgements about where it is, but we don't really know.

The real question, though, is why does it continue? We sort-of know the answer: the people in power want it to continue because their friends do it.

I have another Council on Foreign Relations story. One of the members there, a guy in the finance business who is well-known and a nice guy – I like him a lot – when I have gotten to know him there when there are meetings and invited speakers, I very often ask a question about offshore. People now expect that I will do that.

At one point after I asked a question about offshore to a guest, this fellow came up and said, "But, Lucy, don't you understand? The taxes are too high."

This nice guy was basically admitting to me that he probably had an offshore account because the taxes are too high. Well, the answer is that in a democracy if you think something is wrong, you get together with other people and try to get your representatives to change it. You don't break the law because you disagree with the law, but I think that's the problem.

The real answer was said to me by Robert Morgenthau who used to be the District Attorney of New York. I had interviewed him for that article that ran in the *Wall Street Journal* about the little drug trafficking island in the Caribbean, which is the thing that they thought was most important. I asked him, "How do you deal with this?"



He said, “All you have to do is say that American banks will not accept wire transfers from any banks connected to the offshore systems. If you cannot move your money from Grand Cayman to New York, the banking system there is over in a heartbeat.”

C. AUSTIN FITTS: Right.

LUCY KOMISAR: The Americans really have done this for other reasons. For example, it names some banks in North Korea. American banks are not allowed to accept transfers from these banks in North Korea. It names some banks in Syria. So the US Treasury already – without even going to Congress, with so many of its members who represent the people with the money who like to keep it hidden – has for security reasons, the Treasury has the ability to do this.

I think it’s a big security problem if drug traffickers and terrorists and tax cheats can use the offshore system to the detriment of our country. That’s a major security problem. There’s no reason why the Treasury department tomorrow – today – cannot do this and the offshore system. Of course, the other major powers should do it as well, but if the Americans took the lead and said, “If you can’t move your money,” because the dollar is an international currency. Suppose the Germans did this. The euro is not an international currency. It’s a very important currency, but a lot of trade in the world gets denominated in dollars. The money digitally flits through New York.

In fact, Morgenthau was very funny. He used to go after offshore crooks, and sometimes they had nothing to do with any kind of operation or activity in the US. He would say, “Well, they did this in dollars, and the dollars came through New York. I’m in New York, and I’m in charge.” He actually put some people in jail and won some cases.

As long as the dollar is the international currency – the most important one – you can do this, but they won’t do this because the people who put into office the people with the power to do this are the ones who are using the system.



C. AUSTIN FITTS: Lucy, if you step back and you look at both the offshore system and then you look at the dark pools, which are ways of trading and exchanging and settling securities which are now non-transparent, and then you look at the derivatives, is it fair to say we are probably watching larger and larger percentages of the financial system go dark?

LUCY KOMISAR: That's right, and when things are done secretly you don't know who the trader is. A lot of this is dirty money. In fact, supposedly one of the reasons why Robert Rubin at a certain point didn't want to go after the offshore system was that there was a feeling that drug money was fueling the American economy. One didn't want to make it more difficult for drug traffickers to move their money into the American economy. I think that without having definitive proof, it's certainly something that I had heard said.

Dirty money fuels the Western economies. What are these people going to do with their money? There are just so many fancy houses they can buy. It does fuel the real estate market, but then they want to invest it. They want to put it someplace and it helps the economy. It doesn't help all the people who are suffering because of what the drug trafficking does to neighborhoods, but it helps the people who are concerned about raising stock prices in Wall Street.

C. AUSTIN FITTS: It's very interesting because if you look at Rubin's history of Secretary of the Treasury, he and his team were the people who engineered the nuts and bolts of the subprime mortgage lending and the reengineering the student loan industry so kids couldn't file bankruptcy or didn't have the normal consumer protections. So it was Rubin and Summers and Hawke who stripped basic consumer protections from a lot of the debt world and made it possible to start to really bubble all these things that were part of the strong dollar policy.

I remember I had a colleague in London who was writing about the extraordinary fraud going on in the American system being engineered from Treasury. It was after Rubin left, so he was back at the Council on Foreign Relations.



He was seated next to him at dinner. Rubin turned to him and looked at him and said, “You need to understand there’s nothing you can do about this. This is the way it’s going to go.”

So this was a guy who clearly knew what he was doing, and I’ve always called it a financial coup d’état, but to me the offshore system was absolutely essential to engineering the coup.

“So this was a guy who clearly knew what he was doing, and I’ve always called it a financial coup d’état, but to me the offshore system was absolutely essential to engineering the coup.”

LUCY KOMISAR: Yes, he had positions on the Council on Foreign Relations, but he was never a paid person there. He went to Citi, but these groups worked in tandem.

C. AUSTIN FITTS: Right. And it was very interesting because after Enron I was looking. There was \$4 trillion that went missing from the Federal Government. I was part of a group of people who got the Federal Government to pass a law requiring audited financial statements. Then reports kept coming out every year explaining why they couldn’t produce their audited financial systems. That’s how we found enormous amounts of money that went missing during that period starting underneath Rubin, and we were able to document \$4 trillion missing.

I was trying to figure out, “Okay, how are they laundering this money?” That’s a lot of money to launder. You can’t launder that through pizza restaurants. So I was looking at Enron because all the people involved with the defense contractors who were running the information and payment systems at the agencies where the money was going missing were also on the board of Enron. So I thought, “Okay, maybe that’s where Enron is getting these magical earnings that no one can describe.”

When Enron went down, I think it was the Cayman Islands that put out a press release because Enron had over 700 subsidiaries in the Cayman Islands. They put out a press release about a month after it went down saying that they would love to cooperate with the United States officials, but as of yet they hadn’t gotten a request to cooperate.



Then a big part of Enron was folded into or sold to one of the Swiss banks, and there went the opportunity. You thought, “Wow! That was quick!”

LUCY KOMISAR: The US now is doing a lot of deals with Swiss banks in which they have to promise to do x, y, and z, but they basically are letting them off the hook for paying money. It’s basically ‘pay to play’ or ‘pay to get out of trouble’ and that is what is happening.

Whenever they do these ‘pay to play’ and plea bargaining, it means they never can get into the records. They never can do discovery.

If you actually brought some company or some bank to court, you could do discovery and find out what’s going on, but in all of these cases they don’t do that. It’s basically blackmail.

C. AUSTIN FITTS: There’s another side to this, though, that concerns me. I know a lot of perfectly legitimate people who have money in other jurisdictions because they’re afraid of lawlessness by the US government, and there are plenty of examples of that.

If you look at some of what’s been done to the Swiss, I know lots of perfectly legitimate Swiss institutions and money managers who have really been bullied. In other words, there are good guys and bad guys, and they’re bullying a lot of good guys who aren’t up to the tricks that the bad guys are up to.

LUCY KOMISAR: The question is whether or not some of these good guys can say, “Look, you don’t have anything on us,” but I think you’re right. They’ll figure out some way to make it difficult. Unless you come forward and say, “We’re going to pay this,” then they may go after you and you have to at least pay a lawyer to get out it.

C. AUSTIN FITTS: What the US is demanding of a lot of Swiss is that they give them all their data, including on clients and customers who have nothing to do with the United States. The US government, unfortunately, has a record of being very lawless in many instances. If I



was a Swiss money manager, I would say, “You want that information because you want to control this market share, and I don’t trust you. As a matter of law I can’t compromise my client’s privacy, including the non-US citizens.”

It’s a pretty tricky issue, and it gets pretty complicated. It also gets into something which you know a great deal about, which is the payment systems and clearance systems. You’ve written about SWIFT and the international clearing systems. Those are essential to understanding both the global financial system and the offshore system, but it’s a complicated topic. Maybe you could describe a little bit about how the clearing and payment systems dovetail.

LUCY KOMISAR: What I wrote about was a situation with a company called Clearstream which is an international clearinghouse. I wrote about it because somebody who had worked there was fired after he saw some funny things going on, and one of this colleagues who also saw some funny things going on – who was in good health – was found dead.

There is a book on Clearstream that’s in French called *Revelations* by Ernest Backes and Denis Robert. It talks about how there were secret accounts and they were used to move money.

What happens is a clearinghouse is generally for stocks and bonds. That is, if you’re selling something to somebody, you don’t go to their office and say, “Here it is. Here’s the stock certificate. You give me the cash or the check.”

It goes to a clearinghouse and your broker moves what is really just a digital value either representing the shares or representing money into the clearinghouse account that the broker has and the participating broker for the other side does the same thing. So one side then provides the digital shares and the other side provides the cash. So this goes on both inside countries and also internationally.

I was writing about Clearstream which is international, but there was a belief that some of these accounts were secret accounts and they could be



used for nefarious reasons, particularly by intelligence agencies. This is not something that's gotten much attention in the United States. It's gotten a little bit more attention in Europe.

Based on the research I've done, I know that the CIA was very interested in this when some of this was revealed, and there were some investigations. It's an interesting story that I'm continuing to look at. That's basically what I have written about.

Some of the things I'm looking at I haven't written about yet.

C. AUSTIN FITTS: One of my favorite things on the homepage of the *Komisar Scoop* is your questioning of CIA Director John Brennan, and that was just this last March at the Council on Foreign Relations. Charlie Rose was doing an interview and you asked him a question about the offshore system.

LUCY KOMISAR: Well, I got up and introduced myself and I said, "How significant is the use by terrorist groups of the international offshore bank and shell company system which is also, as we know, used by international criminal groups as well as tax evaders and all types of bad guys? If it is significant, is this now the time to bring some transparency to the system by saying that nontransparent system banks and other institutions cannot have access to the American financial system?"

Of course, this is what I had indicated before, really the answer to deal with this. What Brennan says is, "There are a variety of reasons why there needs to be, I think, greater transparency in some of the international financial activities that go on – terrorism being one of them." Then he went on and on about why this is really necessary.

He said, "Terrorists have been enterprising and creative in terms of how they take advantage of the opportunities. The US Department of Treasury and other institutions of the US government have been very, very effective and successful working, again, with international partners to try to uncover and uproot this." That's a lie. (He didn't say that; I'm saying that.)



He went on, “It’s not just for tourism purposes.” (I never mentioned tourism.) “It’s for organized crime, narco, cartels, and others. But absolutely we need to do more.”

More? They’re not doing anything to deal with the offshore system except going after bank accounts that are hidden bank accounts, but there is a lot more and it does have to do with terrorists and all kinds of corruption. Of course, he just slid out of the question.

Transparency, yes, but he wouldn’t say whether transparency should be required of the offshore system. It couldn’t exist without the complicity of the international financial system, which is very nontransparent. The American banks often host correspondent accounts through which criminal offshore banks move clients’ money.

Now most people don’t know about this. A correspondent account in a bank in New York or LA or Chicago is an account owned by and in the name of a bank in another country. When its clients want to move money into the US, it collects that money and it goes into the correspondent account in some bank. It could be Citibank or Wells Fargo Bank. From there that foreign bank, since they control the account, can move the money anyplace it wants.

This is a way of laundering foreign money. Correspondent accounts were used a lot by Mexican drug traffickers, but they’re used by everybody.

C. AUSTIN FITTS: Right.

LUCY KOMISAR: There is no way that you can deal with this unless you know whose money is being moved. But they can move it in one bunch of cash, and of course they can say, “It’s from our good client, ABC.”

So the Treasury Department is not affective in dealing with this issue,

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and basically the big cases that it got, that was because they were whistleblowers. It was not anything that the Treasury figured out itself.

C. AUSTIN FITTS: It's interesting. I was helping out a reporter who was investigating narcotics trafficking in the 1990's. At one point she sat down and had a lunch with a very high level DEA leader who had recently retired. He explained to her, "Look, they batch all the wire transfers and they run through the New York Fed. They know where every penny is all the time. They could stop this any time they wanted."

She called me and said, "Augh." What we're looking at is something that is very integrated in the system. It's an integral part of the global empire, if you will, and the empire is very financially dependent on it. At the very top, the empire is running it.

So the reality is that once you start digging into the offshore systems and the payment systems you see that.

Another thing you see, and I want to get back to your work with taxes, is that one of the things that is happening in sovereign governments all around the world is that as the offshore system has grown up, more and more money is basically protected by very complex schemes that make it technically legal from paying corporate taxes. So we watch the contribution of large corporations. As the large corporations get a larger piece of the general market share within a country, their contribution to taxes goes down. So their command of market share within a country goes up at the same time their contribution to taxes and paying for sovereign government costs goes up and up.

The externalities of their operations get hit to the citizens. Of course, the big one was \$27 trillion of the bailouts, but there is a fundamental flaw in the more that they take, the less they contribute.

LUCY KOMISAR: Yes, the more they take, the more powerful they are, and they have these deals where with the complicity of Europeans they use countries such as Ireland and the Netherlands to move their money around, to make believe that what they're earning in this country they're



really earning in another country. I mean, it just seems to me that what you're earning is what you're earning, and that these accounting tricks should not be allowed. They should be basically unacceptable by the Treasury and by the IRS, but they're not. They sometimes nibble around the edges but they don't really deal with what is going on systemically.

It's really a tough thing for the people in power who are put there by the people benefitting from the system. They nibble at the edges, but they don't get to the heart of it.

Basically the offshore system should be abolished. There's no reason to have this kind of system of the secrecy – both corporate and individuals. They make a big fuss in Europe now about agreements between the US and other countries for tax information sharing, that we will send information about the money held in our accounts by your citizens so you can see whether or not they're reporting it.

It's illegal for them to have the account, but they have to report it on their taxes. Do you know what's missing that's never mentioned when these things are discussed? It's only about citizens; it's not about companies. Do you know how easy it is to set up an offshore company? You can actually do it in Nevada or Montana, and nobody knows who owns the company.

You set up a company in Montana – or Delaware, of course, but these new ones are making it even more nontransparent – and that company opens a bank account in Switzerland or the Grand Cayman or someplace. When there is a transfer of information, that's not included because that's not a person; it's a company.

We were told that companies were people? Remember, “Companies are people”? Not when it comes to sharing tax information. Companies are no longer people.

C. AUSTIN FITTS: It's interesting. If you look at the legal fees and the licenses and other things you need to do that, you need to have a certain amount of resources to play that game. It's not like a city cop can do it because



there's a certain overhead to get in the game.

LUCY KOMISAR: I can do it on the internet. Just go onto the internet and look for 'set up offshore company in Montana' and you can do it. It's not that difficult. Most people probably don't have enough money to make it necessary to hide. It becomes a little complicated, but people have written articles about how easy it is to set this up, and you don't have to hire a lawyer; you just have to go to a website and set it up.

The system is organized at various levels, so those are not for the big companies to use. Mostly they tend to be doctors and dentists and people who get money independently and want to hide it. Very often those are the people who get caught when they do these kinds of things. You never get a Google or a General Motors or a very big company getting caught. They do the legal cheating because it's legal; it's accepted. When you buy the lawmakers, you then make the laws.

C. AUSTIN FITTS: Right.

LUCY KOMISAR: That happens. These things are legal because the people who use them are buying the people who make the laws.

C. AUSTIN FITTS: I always ask, "What can we do?" I think the most important thing we need to do is to understand and accept that this truly is run top-down. It's not an accident. It's not something we can't do anything about. This is a way of accumulating power, and those in power want to keep it this way. It works because that's what they want.

LUCY KOMISAR: When I started writing about this, nobody was talking about offshore tax evasion. Now increasingly there is a lot of talk about offshore tax evasion. But what I haven't heard yet is the call for ending the system – not just catching this one or that one – but for ending the system and doing what Morgenthau says, do not allow money from offshore venues to enter the financial system. That's really the answer to it.

Somebody like Senator Carl Levin, who retired and is unfortunately no



longer in the Senate, he talked about this. He knows. It's not like they don't know what's going on. He had over a dozen hearings from the late 1990's. He knows exactly, and unless there is willful blindness, the people in power know exactly what is going on. Until the public begins to understand that you have to move from the tax evasion and they have to understand how much more they're paying or how much services are diminished because the people hide the money and the people don't pay the taxes, and then connect it more to the criminality and the way it affects people's lives.

Then they have to get to the system. That's the one thing that is missing, making the connection between some individual problems and the whole offshore system. Until the system is changed, we're just squeezing the balloon at one end and then it pops up in the other end.

“That’s the one thing that is missing, making the connection between some individual problems and the whole offshore system.”

C. AUSTIN FITTS: Right. So grossly oversimplified, this is what I believe. You can squeeze money out of the onshore system, move it to the offshore system, but at some point the trust breaks down in the onshore system, the infrastructure breaks down, and you've liquidated what can be liquidated and it's stopped working, including for the people who have their money in the offshore system.

If you look at the anger about inequality and you look at the deflationary thing we're in and if you look at the extent to which things don't work, the people in the offshore system can't get any returns on their investments because the fundamental global onshore economy has stopped working.

LUCY KOMISAR: Well, they get it by stealing. I mean, whatever they get, I'm not running any benefits for the big corporations who use the offshore system to launder their profits. That's what they do, they launder profits.

Money laundering is a phrase that's used to discuss how you move illegally-acquired money through the financial system, but profit



laundering is how you move legally-acquired money through the offshore system so you don't pay taxes on it. That's what we're talking about. They're making the money, and I don't think that's the problem. The problem is they're sequestering it for their own uses.

C. AUSTIN FITTS: Right. Well Lucy, I can't thank you enough for joining us on The Solari Report. Can you just give us a minute or two of how we can follow your work, how we can support you, and how we can stay in touch with Lucy Komisar and what she's writing about?

LUCY KOMISAR: You could go on my website which is www.TheKomisarScoop.com, and you can subscribe in the top left. The stuff I do takes so much time that I don't put up stuff frequently. If you subscribe, you're not going to get inundated.

I also have a Twitter @LucyKomisar. It's the same. Sometimes when I do Council on Foreign Relations meetings, that's pretty easy to put up because some of the people are so outrageous, like what the CIA Director says. It's pretty easy for me to put that up, and often I include the video because they have the video of the public meetings. I include that with the Question and Answer, and they're rather amusing.

You can always contact me. My email is on the site, and anybody who wants to send money I'd be happy to give an address. I should contribute on that, but I haven't done that.

C. AUSTIN FITTS: You should.

LUCY KOMISAR: I know. You're encouraging me to do that. You can contact me at LucyKomisar@TheKomisarScoop.com and send an email and I'll be glad to give whatever information is required to be the recipient of a donation.

C. AUSTIN FITTS: I think there are very few people going at this. Sometimes I think to large scale international fraud you're like a diamond drill bit because it takes such intellectual capacity and courage to go after this. It's complicated stuff, and to nail down some of the things that you've nailed



expended or flexed even a tiny fraction of the muscle that they actually possess on this issue.

I mean, truly, the citizens could delete the entire student loan system tomorrow if we tried, and that may well happen. As the default rate, as we discussed earlier, exceeds 40% or as it approaches 50%, at some point everybody is going to step back and say, “Wait a minute. This is a joke.” At that point the student loan system will evaporate.

C. AUSTIN FITTS: What has been happening in terms of getting this discussed? Although I have trouble taking the Presidential primary process seriously at this point because of the corruption in that, but it is a time when we all talk about these things. What’s happening in terms of getting this discussion elevated within the campaigns?

ALAN MICHAEL COLLINGE: That’s a great question. Back when Obama was running the first time, student loans had made it onto the map. After that *60 Minutes* piece in 2006, which was pretty influential, student loans were officially on the radar screen at that point. By the last election, I’d say they were maybe number three or number four on the domestic policy agenda of the Presidential campaign.

This campaign, student loans are among the first or second domestic issue that is being mentioned by nearly all of the candidates – certainly all of the democrats. So the profile of student loans has been raised dramatically. However, I have to say that none of the candidates so far have put forth anything that would deal with this problem.

They have crafted some very artful and convincing ways of talking about the problem, but nobody yet has proposed anything that would actually deal with the predatory lending system and would address the problems of the 44 million people who are walking around with \$1.5 trillion debt.

If you look at Bernie Sanders, Martin O’Malley, and Hillary Clinton, all of them have posed these sort-of ‘free college’ plans for down the road, and they look good, but quite frankly they’re very unimpressive. They look to me like more of throwing money at a problem without actually



down it takes enormous energy. I just don't know anybody who does it with your clarity and coherence, so I deeply appreciate your work.

If there's anything we can do to support you, will you let us know?

LUCY KOMISAR: I will.

C. AUSTIN FITTS: Okay, and if you write another book you have to let us know right away because we'll promote the bejesus out of it.

LUCY KOMISAR: I'm actually working on two.

C. AUSTIN FITTS: Okay. Just let us know.

LUCY KOMISAR: It won't be tomorrow.

C. AUSTIN FITTS: I know. Lucy, you have a great day.

LUCY KOMISAR: You too.

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Nothing on The Solari Report should be taken as individual investment advice. Anyone seeking investment advice for his or her personal financial situation is advised to seek out a qualified advisor or advisors and provide as much information as possible to the advisor in order that such advisor can take into account all relevant circumstances, objectives, and risks before rendering an opinion as to the appropriate investment strategy.