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# The Solari Report

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September 08, 2016

## The Real Rate of Inflation with Charles Hugh Smith



Catherine Austin Fitts



Charles Hugh Smith



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**C. Austin Fitts:** Ladies and gentlemen, it's my opportunity to welcome to The Solari Report someone who has joined us before, Charles Hugh Smith, and who is the author of a wonderful website [www.OfTwoMinds.com](http://www.OfTwoMinds.com). It is for people who really want to understand the economy and what it means to them and what they can do about it, and understand that it doesn't have to be the way it is. It is really one of the best sources today, and Charles has written some great books. We're going to be talking about them during this interview, but I recommend [www.OfTwoMinds.com](http://www.OfTwoMinds.com) very much, and I recommend his books and his writings.

We are focusing on two articles he did recently that inspired me to say, "I just have to have him back on The Solari Report." One is called *The Burrito Index* and the other is called *The Real Rate of Inflation*. We are going to explore and talk about what is the real rate of inflation and what you and I can do about it.

Charles, welcome back to The Solari Report, and congratulations on all of the great work you're doing.

**Charles Hugh Smith:** Thank you very much, Catherine. Of course, I applaud your work and specifically providing a platform for people who are outside the mainstream. I think that's really our job. The overview is that we're providing the public access to ideas, concepts, and data that is difficult or impossible to find in the mainstream media.

**C. Austin Fitts:** Right. At this point I don't even call them the 'media' anymore.

I am a great fan of John Williams of *Shadowstats*. I said, "John, will you please keep track of some of the basic commodities – foods that we eat? That's really the data we need."



When I saw your *Burrito Index* I just couldn't stop laughing. I thought, "Somebody has done this. This is fantastic."

Why don't we start with the *Burrito Index* and tell us about how it started and what it tells us.

**Charles Hugh Smith:** As we know, the official rate of inflation as measured by the Bureau of Labor Statistics and other agencies is about 1%- between 1% and 1.5%. Our general experience in the real world is that this is understating the reality that we experience when we buy things, not just goods like TVs or iPhones, but services such as healthcare and higher education.

I thought, "Since I'm a freelance writer, I have to keep track of expenses really closely," because we're always seeking deductions. I have a record of things such as the cost of burritos going back a decade or so. I thought, "Why don't I just use a real world measure, which is apples to apples."

I use the precise item made of the same stuff, and I find out what is the actual rate of inflation. I did the calculations, and I came up with an inflation rate of 160% since 2001 – roughly 15 years –which the official rate said that there has only been 35% inflation total since that time.

Then I followed through with some other larger expenses like my own healthcare insurance, which I can track. It's the exact same plan with the exact same services, and I can track the price over the last decade or so. I did the same with higher education. Of course, both of those have soared in multiples of what the official inflation rate is.

It calls into question the official inflation rate. We have to ask: Why are they suppressing the rate of inflation, and what is it doing to American households?

**C. Austin Fitts:** Right. I talk a lot about the slow burn. The slow burn is a

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combination of tremendous and hidden inflation on the expense side. But let's say you were living on your savings, and in 1990 you were getting 8% on your bank deposits. Now you're getting zero.

Your revenues are going down – or if you're a worker bee, they've flat lined – and your expense inflation is eating you alive. You're caught in a vise, which you can't see unless you can look at the kind of numbers that you are showing in the *Burrito Index*.

**Charles Hugh Smith:** Right. Catherine, part of what I consider some of your slow burn is the inflation that I say is hidden in plain sight. That is the inflation that we don't see unless we are extremely observant and through, which is the reduction in the packaging so that we're getting less of what we used to get. Like the 16-ounce package is now 13 ounces.

There is a lot of inflation where the price tag is the same but we're getting much less goods and services for our money. So the net result of that is a decline in our purchasing power. Never mind what the price tag is; we're getting less for our money.

The other thing is a decline in quality. That's very hard to tell, but we all know what that is. It's some paint wearing off appliances in a matter of years when they used to last decades; computers and electronics that all fail within three or four years which used to last a decade. It goes on and on.

Really the price inflation of the *Burrito Index* is measuring one aspect of inflation or loss of purchasing power, and if we combine it with decline in quality and quantity, then it's actually even worse.

**C. Austin Fitts:** I wrote a piece last year called *Shadow Work* where I added, in addition to the can of tuna fish costing 25% more, it shrunk in size 25% and there is a greater percentage chance you will get food poisoning. I added 'Shadow Work' which is the transfer of more and more work involved in either getting, loading, managing whatever the product or service is, and enormous amounts of work transferred to you. So on top of all of these things you are also using time. That is part of the inflation effect.



**Charles Hugh Smith:** That's a very profound point because that's a fourth source of inflation – our own labor. The example that I think of is: Look at how many patches and fixes and downloads and all this stuff we have to do to manage to keep our computers and our internet functioning.

**C. Austin Fitts:** Right.

**Charles Hugh Smith:** It's a huge time-sink and that's a whole other aspect of it – the administrative decline or the loss of our purchasing power in things functioning.

**C. Austin Fitts:** As you said in the *Burrito Index*, you used two examples. One was education and one was healthcare. One of the things I wanted to ask you about is: When Obamacare went into effect, I was looking at from my vantage point, the middle class family in America had \$100 - \$2,000 a month of discretionary income. Obamacare was going to wipe it all out.

You had an entire world of companies – from retail companies to casinos – who were living off that \$100 - \$2,000. I could never understand what the plan was.

In other words, they were coming in with a healthcare policy that was not only going to wreak havoc with the general population, but it was going to wreak havoc with the entire world of companies who fed off that \$100 - \$2,000. If you listen to Washington and the Fed talk about what this meant economically, you almost wondered whether they had any idea of how the economy worked or not.

**Charles Hugh Smith:** I think that is an excellent point, and it ties into the structure of our economy and why the slow burn is the experience of the bottom 95%. The top 5% is doing well. I've posted charts on my blog about spending in the households of the 95%. The spending is stagnant or declining for the reasons you've just pointed out; there is less discretionary income because it's being sucked up by student loans and healthcare and the big ticket items. But the 5% spending has soared because they are the ones benefitting from the Fed boosting asset inflation.



To go back to your point, there are two things that we might want to discuss. One is that the structure of the US economy is – no surprise here for your listeners and readers – like a cartel state form of crony capitalism. We have the healthcare sector with all these different cartels that have healthcare and hospitals and the pharmaceuticals. They all have immense political power which they purchase with their profits.

Obamacare was this sausage that Washington put out. All the cartels have to be satisfied that their share of the take will either go up or remain the same. Political scientist, Francis Fukuyama, famous for *The End of History* back in the early 1990's, latest conceptual idea is that we live in a 'veto-ocracy' where these powerful political interests can veto anything they don't like. So there is no way to get ahead.

Obamacare is like the sausage that you get in Washington when any powerful special interest can veto anything that might impinge on them. So your point, I think, is really important for us to understand. This system is self-destructive. If you're satisfying those cartels in the healthcare sector, then you're taking money out of households that they need to support the other cartels – the telecom and so on.

**C. Austin Fitts:** Right

**Charles Hugh Smith:** I think the net result is that the system just keeps encouraging, as we all know, households to take on more debt. Their real income is declining, and their purchasing power is declining and the only way to stay even is to borrow more money.

**C. Austin Fitts:** Here is what is interesting. I wrote a big piece that will get published, and I'll send it to you when it's done. It was inspired by Greenspan yapping about our problem being they were expecting and projecting productivity growth to grow, and instead it has declined, which is essentially a symptom of what you're talking about.

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I would say that we have a negative return on investment economy as Washington extracts more to keep the negative return going. That game has been kept going with debt.

There was a great quote from the German finance minister in Shanghai at the G20 meeting in February. He said, “The debt finance growth model is over. There are no changes that aren’t real reforms.”

What he was saying was the day of ignoring fundamental productivity is over because now the cartels are just stealing from each other, and there’s not enough juice to keep it going. I think we are in very interesting times because it’s exactly what you said. The cartels are now stealing from each other, and there is not enough juice to feed them all- something has got to give.

**Charles Hugh Smith:** I think that is a very good summary of the status quo economy and something that you have covered in depth is the way that the status quo masks reality to keep the game going, even though they must know that it’s faltering.

We look at this official inflation rate of 1.5%, and as far as I can tell, the best estimates on comparing apples to apples in specific cities or metro areas over time, the real inflation rate is between 7% and 12%. We have to ask: What would happen if people realized or it was widely accepted that the real inflation rate is 7%?

Of course, that would collapse the whole travesty of the mockery of a sham because who is going to accept one percent of their money in a Treasury bond if inflation is really 7%? Who is going to accept Social Security cost of living increases of 0% or 1% if they are losing 7% of their purchasing power?

This ‘fakery’ and phony statistics are really core to keeping the whole thing afloat.

**C. Austin Fitts:** Right. I despair every four years when there is a Presidential election, but one of the things that I will say in this Presidential election is that it’s almost as though there are cracks in the trance. It’s causing real conversations about issues exactly like this because you have the general



population, I think, losing faith. They were patient through the bailouts, and patient to see if things came back. Now what they're realizing is: If you look at how the economic model works, it's ultimately shrinking the pipe; it can never work.

I can't tell you how many people I've spoken to – very well-educated people and very establishment – who are just saying, “Well, I'm voting for Trump because I think he'll just destroy the whole scene. I think he'll make a terrible President and will blow up the system.” If the system has a negative turn on investment, the most productive thing you can do is just simply block it or stop it. There's no reform. It's interesting.

Let's turn to your book, *Why Our Status Quo Failed and is Beyond Reform* because I think more and more people are agreeing with you; it is beyond reform.

**Charles Hugh Smith:** Right. I have to say I'm not really breaking any new ground in the book. Most people who read outside the mainstream media are aware of some of these obvious issues. I start out by looking at two things: How money is created and distributed in our economic system and what the consequences are of that, and the consequences of political capture – the money to special interests' ability to purchase political influence and control.

If you look at those two factors alone, never mind all the other problems and racquets going on, and just look at how the money is created and how it's distributed and don't reform that, then the reform is just fake. Nothing is going to change. If you don't end the ability of moneyed interest to buy political regulatory capture, then you're not going to change anything either. Whatever 'reform' is passed is quickly watered down or neutered or actually turned to the moneyed interest to their agenda.

In other words, it actually increases their power under the guise of reducing it or limiting it. You can't reform a system unless you change the way money is created and distributed. You end the ability of money to buy political influence, and I don't see either of those things changing because those are the core and the beating heart of the entire status quo.

**C. Austin Fitts:** One of my favorite books to inform real solutions is called *The Evolution of Cooperation* by Robert Axelrod, who is an economist in





in Michigan. One of the things he talks about is the extent to which, if you have transparency, a group of people – a society – will shun the dirty players. I constantly say, “Crime that pays is crime that stays.”

Of course, part of what keeps the money racket going is an absence of transparency. I was quite intrigued when Julian Assange of WikiLeaks put out a \$20,000 reward to information leading to the capture of whoever killed the DNC staffer. He was going right to the heart of breaking the power of the game that you’re talking about.

If there is accountability on enforcement, crime can’t pay. I notice the heat on Assange dramatically increased after that. It’s almost as though we are finally getting down to the heart of where the real controls are.

You say that there is nothing in the book that people outside the mainstream don’t know, but here’s what I will say: One of the things I love about your writing is that you are very precise and you are very organized and you have a way of bringing it all together and integrating it in a way which is very easy for people to read.

If you want to get down to a clear, coherent picture of these issues, I think you do a really exceptional job. Even if we know a lot of this, I think it’s worth looking at your presentations. I think they really help communicate them.

**Charles Hugh Smith:** Thank you.

**C. Austin Fitts:** Let’s turn to *A Radically Beneficial World*. This is one I have not had a chance to read, but it’s fascinating. The subtitle is: *Automation, Technology, and Creating Jobs for All*.

I would like to point out that a report came out in Tennessee saying that 50% of the existing jobs are going to be automated. We’ve just changed the policy so that people can go to the community college for free because it’s clear that we’re going to have to educate the work force of the future, not the current one. I’m very interested to read and hear what you’re saying in this one.

**Charles Hugh Smith:** This is a book that proposes another approach to



keeping people employed, and employed not just for income and not just so that they can make money, but also so that they have purpose and meaning. I think what's really lost in the mainstream debate over automation and technology is many people – usually academics and people who have comfortable jobs in the government – often say, “This is going to be wonderful. The robots will do all the work, and then we're just going to be able to sit around and be creative and have all this wonderful leisure.”

But humans aren't really made like that. Sebastian Junger's latest book is called *Tribe*. He's talking about the veterans of America's wars in Iraq and Afghanistan when they come home and have 'leisure' and are totally lost and depressed. His point is that even as horrible as war is, they felt comradeship and camaraderie in the tribe that was their unit. When that was taken away from them, they are completely lost.

This idea that humans thrive with nothing to do, purposeless lives, no goals, and no meaning is absolutely 100% wrong; we actually need purpose and goals and we need to be able to connect with other people in a meaningful way. Most of us find that through work or community has a purpose.

I think we all sense this. I think we should organize our society so that this becomes the default instead of something that is difficult to set up. I suggest – that we need to encourage with the software tools we have to create new opt-in tribes that would support a community economy that would be outside of this commoditized, globalized, multi-national central state kind of model for the way we now have for employment.

I also suggest that we need crypto-currencies that are not controlled by any government. If you're going to rely on governments to create the money and then pass the money out to their cronies, guess what? There is no way that the money is ever going to trickle down.

You need a source of money that is not controlled by the central governments, and you need a way of organizing the local economies that is not under the control of the government or corporations.

**C. Austin Fitts:** Right, you absolutely need local currencies. You either need to be able to keep systems which are private and encrypted locally, or you need



to do them offline – or both. It doesn't have to be either/or, but you have got to find a way to make your local digital systems private and encrypted or else you are going to be simply harvested again.

**Charles Hugh Smith:** That is right. There is a balance, of course, in using the internet to benefit local communities and households. It's always a battle between spoofing the spies. There is a growth in the white hat hacking community, too, where tools to misdirect or mask IPs and other things are becoming more available.

There is a sort-of war about transparency on the internet and privacy. I don't claim to have visibility on how that is going, but it's not a one-way battle. The privacy sector does have some tools.

There is obviously no substitute for a real community – real people doing something real in their own locale. I think there is something positive about the tribal abstract tribes that people join on the internet. Those are no substitute for the real thing, but in terms of transmitting information and knowledge, those networks are useful.

**C. Austin Fitts:** If we really had a market economy, I think the optimization would be both ways. Some would be global by tribes or networks or sector. Some would be local. That's what you want – financial relation optimization. It's not either/or; you need both.

The living systems are by place, so you want to realign the financial system and the living system so that they give each other energy, whereas right now they have a win/lose relationship.

The thing that scares me the most right now is the leadership that we have. There is a great quote from a guy who used to be the executive director at Davos and now teaches at Oxford. He said, "Basically everyone at Davos thought the solution was more government money for everything because that's how they made money. You bring government to do something, and then your company makes money on it. They really didn't know how to function in the market."

If you walked into any local economy in America, I can identify an infinite



number of ways of making that economy much richer, stronger, and more resilient, but it means you have to change a whole series of rules that have been created by the cartel so that they can suck up everything and aggregate it to big companies.

**Charles Hugh Smith:** Right.

**C. Austin Fitts:** It is very destructive of the economy and that is where the rubber is going to meet the road. How do we reoptimize? How do we bottom-up? By network is the way you're describing.

We are going to have to blow around those government roles. They are just destroying too much productivity.

**Charles Hugh Smith:** I totally agree, and I think you are right about the market and the feedback that is part of being a natural living system. As you said earlier, the key to that is transparency. That's one key. The other key is, of course, to opt in. We can't be forced to use any cartel system.

Probably one of the more radical ideas that I proposed in this book is a labor-backed currency. This is not an idea that I see much being written about, but my conception would be that we create a crypto-currency that is decentralized – similar to bitcoin – and it's distributed to people working in their local community economy.

That is the other problem: If you want to develop – or as you say 'strengthen or enrich' – another local economy, where is the money going to come from? The convention view is, "It's going to come from the government." Then you're already backed into that dependency and what I would call the 'fraud triangle'. It's just one racket or fraud of some kind that you're supporting by taking the government's money.

We need a source of money that can then be traded. We all know that money

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has two purposes – as a trading tool and as a store of value. We tend to think that money has to do both, but there have been many examples throughout history where money is just for commerce. Then you transfer that money – if you have surplus – into a store of value money.

I think we might want to look at the option of having multiple currencies rather than being dependent on the dollar or any one currency. Then people can pick and choose what works for them. A local-based currency is one way of expanding commerce. If people don't have any money, they are obviously limited.

**C. Austin Fitts:** Right. Well, on the rare examples where a local area or a network has been left to do a currency, it clearly creates lots of opportunities for economic activity that wouldn't happen otherwise. I couldn't agree more.

Let's turn to your book *Get a Job, Build a Career, Defy a Bewildering Economy*. I think of you as somebody who has been able to successfully make your own pathway in this economy, which is the exception, not the rule. You have certainly walked your talk.

Tell us a little bit about that, as well.

**Charles Hugh Smith:** It's a fascinating topic. Yes, I do feel that I am a bootstrap expert, if you will. I don't approach this necessarily from an academic point of view.

In the big picture what we're looking at is an economy in which capital and labor are shifting. So the old standard viewpoints of neoliberal Keynesian economics or Marxist economics don't really work anymore because the underlying economy is changing. What we think of as capital is money or cash or borrowed money that is put into a factory or something, and labor is hired to perform some task, and then the owner of the capital makes a lot of money etc. But actually we're seeing, with the rise of the knowledge economy, capital is largely intellectual now. There is still, of course, a need for mining and factories and industry, but much of the value creation in our economy is now being done with, what you might call, social capital and intellectual capital and human capital.



If you want to prosper in this new economy, you are going to have to own your own capital. That doesn't necessarily mean having \$10 million – although that certainly helps– but it means having resources and capital forms that are scarce. Value flows to what is scarce. So if all you are offering is your hours of time, that is not scarce, the value of that labor is going to be low.

I am outlining a way for people to identify their own interests and what they can do to create value by acquiring scarce forms of expertise or social capital.

**C. Austin Fitts:** I also think one of the keys – and you will see this across all industries – is the guy making the margin is the one who has the direct relationship with the customer. If you look at how you run your website and publish your books, you have a very intimate relationship with your reader. You are marketing direct, and marketing through Amazon or other websites, and you are communicating directly with your reader and you are also selling.

You have a direct relationship with retail, and you have figured out how to do retail. I think that is the part of success in many different sectors. The guy who is providing to the retailers is the one who is getting squeezed.

**Charles Hugh Smith:** I think you are absolutely right about that. Let's take an example where a lot of people are in the so-called 'gig economy' or the freelance economy. To take your idea that you just described, let's say that you are an Uber driver. You are limited in how much you can make on that because Uber is the intermediary, and they are skimming the overhead and profit.

The way that I think about it – and I'm not suggesting this or saying that it's possible, but I'm rather using it as an example – is I would be an Uber driver, take as many rides in my local area as I could, and then pass out my own business card and say, "I will give you a 20% savings over whatever Uber is," and then I would build my own network. Then I get to keep the profit and overhead.

**C. Austin Fitts:** Right, but you want to make sure that the day that Uber introduces driverless cars, you have the cards and the relationship with everybody who would never get into a driverless car.

**Charles Hugh Smith:** That's right. Then you would have to figure out a way





to add some value to that by saying, for instance, that you could accompany a person who is in a wheelchair and is going to their clinic. You could accompany them and provide a service that the car couldn't.

**C. Austin Fitts:** Right.

**Charles Hugh Smith:** It's very much about trying to figure out what is scarce in an economy in which there is a lot of abundance. There is abundance of a variety of things. We have to figure out what is scarce and how we add value or create value, and that is a challenge. There is no point in saying that it is going to be easy; it's not.

**C. Austin Fitts:** Right. It's not going to be easy, but I really believe in always being useful. In a million years I never thought I would do *The Solari Report*. I was burnt really badly by the *New York Times* and *The Washington Post*.

When it happened I said, "I'm not going to talk with corporate media anymore; I'm just going to talk with people. So if anybody writes me an email and asks me questions, I will just answer their questions." I kept doing it for years, and finally it got so time-consuming that I said, "I'm just going to have to charge money for this because I can't possibly do this for free because I've got to hire people."

One thing led to another. The next thing you know, I've got a business. But it was just by trying to answer people's questions. I really think you have to have a servant/leader mindset. "How am I going to help people be more productive? How am I going to be useful?"

If you look at it that way, I think you will find that sweet spot.

**Charles Hugh Smith:** I think you are right. A lot of what I recommend in the book is to have an entrepreneurial mindset, which is how I would describe what we're talking about. Even if you are going to work for someone else, you're going to create a lot more value and help people become more productive if you have an entrepreneurial mindset that you develop.

Of course, part of what makes an entrepreneurial set-up work – and you just described it for yourself – is you created an enormous network of people who



were interested in your views and who came to you for answers or for information. I think there is a lot of insight into that.

If you want to create value, you need to connect into or build a network yourself of like-minded people. Then opportunities arise in that network. As you said earlier, it's a living system; it's adaptive. You can get ideas from people, and then people have problems and you can help solve them.

**C. Austin Fitts:** Right. All I am doing is channeling the intelligence back that gets sent to me.

**Charles Hugh Smith:** That's right.

**C. Austin Fitts:** Let's talk about the shift to a multipolar world. I don't know if you saw that Brzezinski just had a new article. I will oversimplify and say, "The unipolar thing didn't work, and so now I guess we're going to go to a multipolar world."

What that means is the market share of the dollar can probably be expected to continue to fall.

**Charles Hugh Smith:** Yes, and hopefully the market share of all centralized forms of domination will decline.

The context I think of about the multipolar world is: Maybe what is really happening is even beyond the shift from unipolar to multipolar. Maybe it is the degradation of the entire centralized model – the centralized model of creating money, the central banks, and the centralized model of government. Maybe what is really happening is we are entering into a golden age of what we might call neo-tribalism where people are starting to make their own connections and deal one-on-one and get rid of the intermediaries.

In a way, the central banks and the central governments are just intermediaries that are skimming the productivity and the wealth and suppressing everybody who is under their thumb. What would be an ideal circumstance would be a super multipolar world in which there were tens of thousands of tribes – both local community-based and also based on interest or information networks – that worked directly in a peer-to-peer kind of economy and bypassed



centralized forms of money and centralized forms of governance.

In that scenario, government and central banks become irrelevant. They just don't count anymore. Everyone just bypasses them. They exist in form and still beat their chests about how important they are, but everyone is just working around them. That would be the model that I would find very exciting.

I think we can see parts of it coming into fruition.

**C. Austin Fitts:** I agree with you because fundamental economics are pulling towards decentralization. The cartels are fighting back through Washington and Wall Street and the financial centers.

**In that scenario, government and central banks become irrelevant.**

You have this tug-of-war going on, but fundamental economics and productivity ultimately have to win out. That's why I think it is important to recognize that there is only so much further the debt growth model and the sovereign government debt can hold on. I see this as being a very critical time.

What has surprised me, and the one fly in the ointment, Charles, is I did a lot of work in the early 2000's trying to encourage people to get out of the big banks because I think the more you involve these complex systems that do fraud in your life, the more risk you have. I was saying the same thing then: "Get these complex systems out of here – out of your data, out of your pocketbook, out of your life."

I did an interview with Helen Chaitman, who is one of the lead attorneys for the Madoff victims, and her new book *JP Madoff* points out that directly or indirectly 50% of Americans bank with JP Morgan Chase.

**Charles Hugh Smith:** Oh my gosh!

**C. Austin Fitts:** Exactly! Now I have a theory about why that is, and I have a great audio seminar with Adam Trombly on entrainment technology and subliminal programming. One of the things that I ran into as an investment advisor was entrainment was being used on my clients to trick them into doing



investments that weren't good for them. That got me into the study of entrainment technology, subliminal programming, and mind control used through the cell system, through the internet, and through the day-to-day telecommunications and software that we use.

I've become convinced that this is really having a dramatic impact, and it is increasing with the cell network – the smart grid and the smart systems. I think smart meters are a part of it.

My big concern now is that 5G is rolling out, which will include virtual reality and holograms and they will take the intensity of that technology up. There is a part of the population that is not going to withdraw from these complex systems, and they are going to be drawn in with this technology.

**Charles Hugh Smith:** I think that is definitely a legitimate concern, and to support what you described, look at how corporate America is salivating over virtual reality. *Bloomberg* and *Business Week* and every headline say, "This is going to be fantastic! It's going to be a trillion-dollar market! Billions will be made!"

It starts, of course, in the entertainment and pornography sectors, but everybody else is salivating for the same reason you just described, which is never really delved into in the mainstream: What can be sold once you're immersed in virtual reality? When you're swimming underwater in that beautiful coral atoll, where will the ad for Citicorp be? It will be somewhere.

**C. Austin Fitts:** Exactly.

**Charles Hugh Smith:** It will be everywhere on your screen. It will be on the shell in front of your face. Who knows where it will be, but it will be somewhere. It's very hard to extract yourself from the Matrix, which is why that film resonates in the media, even in the mainstream. People realize that you're in or out. It's very hard to extract yourself from that.

**C. Austin Fitts:** I don't know. I find it very easy to extract myself.

**Charles Hugh Smith:** It's true. I was talking with Chris Martinson at Prosperity, and he was saying that he doesn't own a TV like a lot of people. He was watching something in an airport waiting for a plane, and said, "My gosh!



This is an Attention Deficit Disorder machine.”

**C. Austin Fitts:** Right.

**Charles Hugh Smith:** That’s basically all it is. It disorients you, distracts you, and it programs your thinking. As we all know, you have to limit your exposure to entertainment and the media. If you think you can get away from it and watch six hours of it a day, it’s not going to work.

**C. Austin Fitts:** I find your work to be very useful as an alternative. One of the things you do is bring it down to a very grounded day-to-day and use numbers. If you look at your numbers – whether it’s in the *Real Rate of Inflation* or the *Burrito Index*, it’s very trance busting. I think math can bust any trance. I think there is going to be a portion of the population that continues not to be in the trance. I think it’s contingent on all of us to keep building that field.

We have to find a truly productive pathway through all of this, but certainly coping with the new 5G technology is going to be a very interesting dynamic.

Charles, it’s been really wonderful to have you on The Solari Report. Could you just review with us through your website and how we access your work and keep up to date and get your books?

**Charles Hugh Smith:** Thank you very much for the opportunity. Come visit me at [www.AtTwoMinds.com](http://www.AtTwoMinds.com). There you will see some links for my books. You can read chapter one and see what other people are saying about it. Look at my archives and see what I have to say about things.

I do appreciate what you said about my site, Catherine. I do try to use numbers and charts etc. because we are constantly inundated with those subliminal ‘fake’ numbers. That is what they use to persuade us that everything is going great. I do try to back up what I’m proposing with some sort of data.

We can only change what we measure. If we don’t measure outside of the normal measurements, we are really blind to a lot of what is going on.

Thank you so much for the opportunity to discuss what are very important topics.



**C. Austin Fitts:** I have one more quick question: Tell me what you are going to be up to for the next three to six months. What is in the hopper for Charles?

**Charles Hugh Smith:** Well, I'm working on a book that develops the idea that privilege is at the heart of the sickness of our society and economy. Privilege is the source of inequality and poverty. Privilege has a lot of different manifestations, but the ideal that we're talking about is a transparent, peer-to-peer community economy where privilege has been eradicated. We're all equals. I think that is a key thing that we need to focus on.

The system that we have now creates privilege and protects it. If you have privilege dominating your system, then it's going to fail. We need to be able to say that there is a way of living that eliminates privilege. That's what I'm working on.

**C. Austin Fitts:** Can I tell you a very interesting story?

**Charles Hugh Smith:** Yes!

**C. Austin Fitts:** In the 1990's I was doing very large multi-billion dollar auction sales. I hired AT&T Bell Laboratories because they had built an optimization technology to route telephone calls when bandwidth was still scarce. Then Bell Laboratories took that technology and used it on all sorts of operation research issues. One of them was scheduling airline crews.

What they had built up over decades was this fantastic database that could show you what the cost of a rule was, whether it was a government regulation or a union rule. As they scheduled the pilots and the stewardesses and such, they would have to build in the constraints for the different rules. So they could take them out and show you proforma what the cost of a rule was. It was very fascinating.

One of the things they discovered was that there were great constraints on the model because of the seniority of the pilots. They discovered that if you could cancel the seniority of the senior pilots, that not only would the optimization of the system improve, everybody would be better off, including the pilots. So the senior pilots could get more preferences in scheduling if they cancelled their own seniority.





**Charles Hugh Smith:** Wow!

**C. Austin Fitts:** In fact, when I send you the productivity piece, I will write much about privilege because I agree with you. The source of the problem is privilege, and that works because the people doing it think that secrecy is imperative on a variety of issues.

I couldn't agree with you more. I think privilege is killing the system. We could get away with that as long as we could use debt to finance it. With the debt sovereign wealth financing game coming to an end, the question of privilege versus productivity is going to be front and center.

I can't wait to read your book!

**Charles Hugh Smith:** Thank you. I will personally send you a copy once I get it done. I think your story is extremely profound. We could do a whole series on that.

**C. Austin Fitts:** Yes we could. The one thing I wanted to add on your website for everybody listening is that I never go to [www.OfTwoMinds.com](http://www.OfTwoMinds.com) where I don't end up having a good laugh. You have a way of addressing very serious topics and breaking the trance that always leaves you laughing.

If the news of the day is too dire, head over to [www.OfTwoMinds.com](http://www.OfTwoMinds.com) and get yourself a good belly laugh while still getting a major dose of reality.

Charles, again, it has been great having you. You have a wonderful day.

**Charles Hugh Smith:** Thank you so much, Catherine. It's been my pleasure.

**C. Austin Fitts:** Goodbye.



### **MODIFICATIONS**

Transcripts are not always verbatim. Modifications are sometimes made to improve clarity, usefulness and readability, while staying true to the original intent

### **DISCLAIMER**

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.