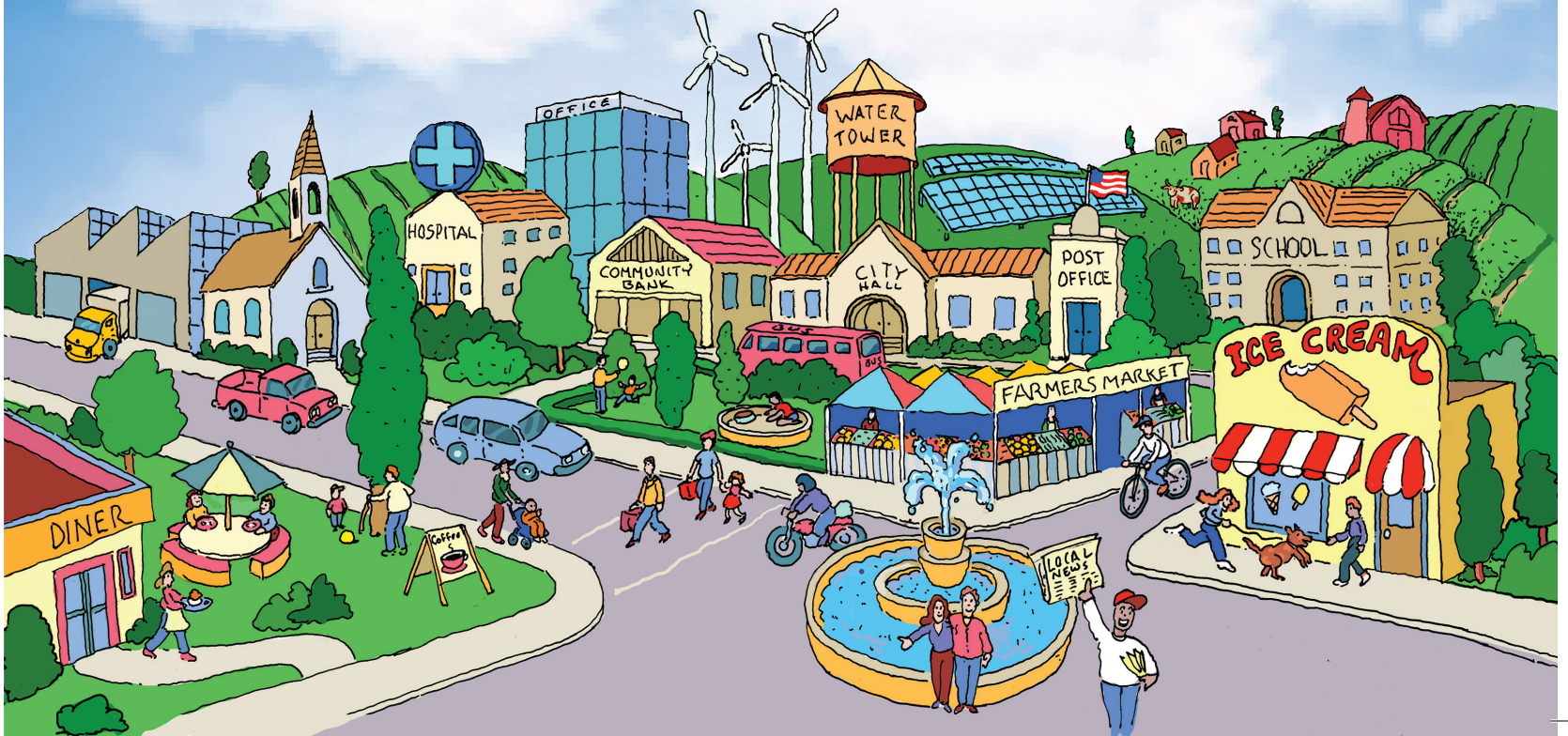


The Solari Report

BY CATHERINE AUSTIN FITTS / 2ND QUARTER WRAP UP VOLUME 2016 / NUMBER THREE

PRODUCTIVITY, PROSPERITY & THE POPSICLE INDEX

Building Trust Between People, Places & Money





The Solari Report 2nd Quarter 2016 Wrap Up
Productivity, Prosperity & The Popsicle Index
by Catherine Austin Fitts

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“**The Popsicle Index** is a quality of life measurement coined by Catherine Austin Fitts as the percentage of people in a community who believe that a child in their community can safely leave their home, walk to the nearest possible location to buy a popsicle, and walk back home.”

— WIKIPEDIA, “*QUALITY OF LIFE*”

Introduction

“The debt-financed growth model has reached its limits. There are no short-cuts that aren’t reforms.”—WOLFGANG SCHÄUBLE, GERMAN FINANCE MINISTER, AT G20 MEETING IN SHANGHAI.

The debt growth model is done, and we are entering a period of institutional reform. We must emerge good leadership forward. If our leadership fails us, war, organized crime and lawlessness will make our choices for us. Who you choose to be, to support or to shun in your daily life will decide our future.

No other question is more important than “who leads?” As sovereign individuals, we can choose to lead. In so doing, we must support and align ourselves with other leaders around us who are effective in the wider world. One of our first Solari Report slogans was, “Who’s your farmer, who’s your banker, where’s your money?” As millions of people allocate their time, attention, and resources every day, thus we invent our world together.

Trust in political and banking leadership in the United States and the G-7 is low and falling. Consequently, I want to revisit the fundamental issues of how we create a prosperous world based on productivity rather than secrecy, force, and government debt. Understanding that a world both productive and human is possible is the first step to shift the course of events and ensure that technical innovation underway serves humanity and life.

We are publishing our 2nd Quarter Wrap Up in the following parts:

We are publishing our 2nd Quarter Wrap Up throughout July in the following parts:

- **News Trends & Stories:** We start with a rich discussion with Dr. Joseph P. Farrell for News Trends & Stories. Part I begins with a deep discussion of Brexit, clearly the most momentous event yet of 2016 thus far, and covers Economy & Financial Markets and Geopolitics. In Part II, we cover Science & Technology and The Big Questions. Our web presentation includes a complete list of trends and links to the sto-

ries that best summarize events in the 2nd Quarter. Carefully culled from our website weekly, the Solari Report team’s goal is to ensure that you are exceptionally knowledgeable about current events but with a minimum investment of your time.

- **Financial Markets Roundup:** In the third week, I will review the 2nd Quarter financial market performance. Our web presentation includes supporting charts covering the financial and commodities markets. We will also publish the latest Blockbuster Chartology from Rambus, making this a particularly rich discussion of the equity and precious metals markets. .

- **Productivity, Prosperity & the Popsicle Index:** In the fourth week, I will publish my review of productivity and prosperity, of why political and business leadership is concerned and what is possible if we take the necessary steps to create a prosperous society.

Brexit has “rung the bell” on the unipolar world. The United States must adjust to a multipolar world. The signs are everywhere. This is a time of great opportunity – a time when you can make a difference. We wouldn’t miss it for the world. We are very glad to be sharing the road with you.

Speaking of “the road,” I look forward to seeing many of you during the 3rd Quarter. I will be in New York, Zurich, the Rhone Valley, Lake Constance (Germany) and Amsterdam, then road tripping from Tennessee to and from California through Santa Fe, Las Vegas, Reno, Davis, Palo Alto, San Francisco, Pasadena, and Austin, Texas.

On behalf of the entire team at the Solari Report, I wish you good hunting!

—Catherine Austin Fitts

“Brexit has “rung the bell” on the unipolar world. The United States must adjust to a multipolar world. The signs are everywhere. This is a time of great opportunity – a time when you can make a difference.”



I. Productivity, Prosperity & the Popsicle Index



“Therefore all things whatsoever ye would that men should do to you, do ye even so to them” — JESUS CHRIST, SERMON ON THE MOUNT, MATTHEW 7:12

I. Introduction: Meditations on Productivity

These days I often quote Wolfgang Schäuble on the Solari Report. Schäuble is the German finance minister who said at the G20 meeting in Shanghai this February, “The debt-financed growth model has reached its limits. There are no short-cuts that aren’t reforms.”

If you live in the G7 countries and are younger than 70, you have lived your entire life in the midst of long-term growth in financial liquidity – a “wind in the sails” – resulting from the growth of debt, particularly sovereign government debt. Indeed, most people have no understanding that this debt phenomenon is less than permanent. For them, that financial “wind in the sails” is simply assumed as part of how things are.

I emphasize this point because the “wind in the sails” is destined to become an opposing headwind as the long-term bull market in bonds comes to an end, as interest rates turn negative, and as sovereign governments struggle with high debt loads that limit their future borrowing capacity. The planetary “debt for equity swap” is on – we just don’t know if, as Tina Turner says, it will be “nice or rough.” Rough means we write the debt down. Nice means we dramatically increase equity values with increased productivity and prosperity.

Without freshly infused cash from more government debt, we will have to solve our political differences in ways other than paying each other off with more government money. Without issuing more government debt, it becomes prohibitively expensive to opt for more government-rigged monopolies, contracts, purchases, and wars. It also becomes prohibitively expensive to meet our retirement obligations and provide a social safety net. These two facts raise the question of productivity and its relationship to prosperity.

Let’s start with some definitions:

Productivity is a measure of the efficiency of production.

Labor productivity typically refers to the value of output for an hour of time input.

I like to consider human productivity more broadly than just what happens within the organizational machinery of production. I use the term both ways in this discussion – both the more limited labor productivity as well as more broad-based human productivity in the whole economy and society.

We may be productive at work, but if we are spending private time on transport systems that break down and defending home and person from criminals, fraudsters, and “surveillance capitalists,” we are not very productive in our lives outside of work. At some point, low productivity outside of the workplace is bound to impact workplace productivity.

Increasingly, government is funding the rules and operations that destroy broad-based productivity. Government keeps the cash flow going even when such activities lead to lower broad-based productivity.

For purposes of this discussion, I will refer to the two as “labor productivity” and “human productivity.”

Prosperity is the state of flourishing or thriving. Prosperity often encompasses wealth but also includes other factors that can be independent of financial wealth, such as happiness and health. Widespread prosperity generally depends on widespread productivity.

The Popsicle Index is the percentage of people who believe a child can leave home, go to the nearest place to buy a popsicle or snack, and come home alone safely.

Specifically designed to be a subjective assessment of safety, your Popsicle Index is whatever you feel it is. Bankers cannot fund academics to rig the numbers or prove your numbers wrong, something that too often happens with both public and private statistics.

Safety is a critical component to creating the conditions for a person to be productive individually and for a community to be productive together through markets, which depend on trust.



“**THE POPSICLE INDEX is the percentage of people who believe a child can leave home, go to the nearest place to buy a popsicle or snack, and come home alone safely.**”

Video: The Popsicle Index <https://www.youtube.com/watch?v=4uOq5XFfVHw>

For many years, I have written about the United States having a “negative return on investment” economy. Private corporations have a positive return on investment. However, a look through corporate profits into what is happening in government finances and the environment on an integrated basis indicates that a positive private sector return on investment is steadily resulting in a liquidation of living systems. This liquidation can continue as long as government is funding the financial costs and externalities with government debt and enforcement, and as long as our natural ecosystems do not collapse. The result is a negative return on investment to taxpayers.

What is happening with labor and human productivity is a reflection of these positive and negative returns. Labor productivity has been rising – but human productivity has been falling in alignment with a negative return on investment system. In essence, the system is not optimizing. Instead, it is organized to create central control through corporations and banks that are owned and controlled by private investors.

I have described many examples of creating a positive return on investment for private players at the expense of taxpayers and living systems in my own writings. Two examples are “The Myth of the Rule of Law” <http://www.dunwalke.com/gideon/q301.pdf> and my online book “Dillon Read & Co. Inc. and the Aristocracy of Stock Profits.” [<http://dunwalke.com>] The recent drop in the homeownership rate inspired another, more recent example here.

Meditations on the Falling Homeownership Rate <https://solari.com/blog/meditations-on-the-falling-us-homeownership-rate/>

Without government debt providing subsidy, the laws of economics require productive operations that attract investment by producing positive returns. Such investment needs success based on market economics **and** a sustainable environment to create lasting prosperity. Otherwise, our

Planet Earth becomes expendable.

This model differs profoundly from the model by which we currently operate. Our current leaders grew up with a government debt growth model that generally debased our living ecosystems. Many of them understand neither market economics nor cultures in which growth is fueled by broad-based equity investment, interacting gainfully with the natural environment.

The problem, moreover, is not just political leadership. An entire population organizes its lives and operations in response to programmed media, financial incentives, cheap capital, and entitlements, developing the wrong habits, the wrong skills, and investing time and money unproductively. We are financially dependent on unproductive activities.

Economically unproductive behavior has continued for long periods of time because it was subsidized by government debt. Now it can't be, so we must change. That is what the German finance minister meant when he said, “*There are no short-cuts that aren't reforms.*”

Collectively, we have built up significant public and private overhead that we can no longer afford. Take away the cash flows associated with government subsidies, government contracts, government spending, government credit, and money disappearing in trillions from government accounts, and very few operations and households could survive in a market economy.

Like a rubber band that has been pulled way too far for 70 years, the snap back could be painful and could happen much too fast.

It is not surprising that we are hearing more talk about “productivity” and “prosperity” (and its flip side, inequality and poverty) in the financial and economic news. Some of this is coming from the leaders who have made a pretty penny on the debt financed growth model and are looking for scapegoats rather than exploring real solutions or leading real change.

Some excellent scapegoating comes from recent interviews with Alan Greenspan who, as Chairman of the Fed, governed the greatest explosion

“**Economically unproductive behavior has continued for long periods of time because it was subsidized by government debt. Now it can't be, so we must change.**”



of fraudulent debt and disappearing money in history, culminating after his retirement in \$27 trillion of bailout. This bailout I refer to as the “financial coup d’état.” My total count is \$40 trillion stolen or missing and the Department of Defense Inspector General just announced an additional \$6.5 trillion missing during the 2015 audit. So the financial coup is now bleeding into a financial “endless agony.”

I sometimes describe the financial coup as “the leadership deciding to simply take the boomers retirement savings in a financial coup d’état before the boomers “wasted it on nursing homes.” This coup was described to me by the president of the largest pension fund in the United States in the spring of 1997 as follows: “They have given up on the country. They are moving all the money out, starting in the fall.” That fall was when the financial coup d’état began – the fall of 1997, the beginning of the federal 1998 fiscal year. You decide where the money went. Some possible destinations have been back door financing of government expenses, investment in China, India and the other emerging markets, private investment pools, private endowments in support of world governance, black budget weaponry, underground bases, secret space programs, super-secret dividends – we have no way to know for sure.

Here is Alan Greenspan in *Newsmax* politely trying to blame the global retirement savings deficit on slowing productivity. He seems to imply that the way now to address the deficit is to abrogate retirement obligations and social contracts.

<https://www.newsmax.com/Finance/Street-Talk/Alan-Greenspan-economy-entitlements-productivity/2016/05/26/id/730990/>

Alan Greenspan: Global Economy Running Toward ‘State of Disaster’

Alan Greenspan, former chairman of the Federal Reserve, said the global economy’s inability to produce goods and services efficiently is going to cripple the ability to pay for pensions and health programs for the elderly.

“We have a global problem of a shortage in pro-

ductivity growth, and it is not only the United States but it is pretty much around the world,” he told Neil Cavuto at Fox Business. “Populations everywhere in the western world, for example, are aging and we’re not committing enough of our resources to fund that.”

***Productivity**, the measure of hourly output per worker, has declined as businesses have slowed their investment in plant and equipment to boost efficiency. Meanwhile, the massive increase in private and public sector debt that **has helped to boost the economy** in the past is now dragging on growth.*

Greenspan says governments are going to confront another major financial crisis as economies struggle to pay for entitlement programs.

“Entitlements are crowding out savings and, hence, capital investment. Capital investment is the critical issue in productivity growth and productivity growth in turn is the crucial issue in economic growth,” he says. “We’re running at the end of this period to a state of disaster unless we turn it around.”

The U.S. government needs to get its fiscal house in order to cover social programs.

“We should be running federal surpluses right now, not deficits,” he says. “This is something we could have anticipated 25 years ago, and in fact we did, but nobody’s done anything about it and this is the crisis which has come upon us.”

He wants to see presidential candidates discuss reforms to entitlement programs.

“Until we can rein in entitlements, which have been rising at 9 percent annual rate in the United States and comparable levels throughout the world, we are going to find that productivity is going to maintain at very low rate of increase,” he says.

“There is a very large migration from being a worker into being a recipient of social benefits. If we stay down at the 2 percent economic growth or less in the United States and elsewhere, we’re not going to be able to fund what we already have legally obligated to spend.”



“ Alan Greenspan, who as Chairman of the Fed governed the greatest explosion of fraudulent debt and disappearing money in history, culminating after his retirement in \$27 trillion of bailouts. This is what I refer to as the “financial coup d’etat.” ”



President George W. Bush presents the Presidential Medal of Freedom to Alan Greenspan. Source: White House photo by Shealah Craighead, Whitehouse.gov.

“Imagine a world where the Popsicle Index is 100% for every man, woman, and child. Before it can come, we must first visualize it in our imagination and believe it possible in our hearts and minds.”

The extent of Greenspan’s hypocrisy warrants an article of its own. His tactic is “projective identification” – the perpetrator attacks the victim and, in so doing, avoids responsibility and, in this case, sets the stage for another round of harvesting.

Whether the conversation about productivity and prosperity is designed to help us work our way to a place of true labor *and* human productivity and prosperity, or to find scapegoats to help the perpetrators of the financial coup “kick the can,” this discussion will continue.

Productivity and prosperity are important – these are issues you want to understand, including how to ensure as we go through this transition that your productivity and prosperity are rising, not falling, and that your actions encourage rising productivity and prosperity on a wider scale.

There is much we can do with technology and investment policies to improve labor productivity. However, ultimately the shift to real long-lasting human productivity must be inspired and seeded on a decentralized basis.

Imagine a world where the Popsicle Index is 100% for every man, woman, and child. Before it can come, we must first visualize it in our imagination and believe it possible in our hearts and minds.

II. The Absurdity of Discussing Productivity, Prosperity, & the Popsicle Index

Having a serious discussion about productivity, prosperity, and the Popsicle Index involves recognizing a certain presence of absurdity, which I need to address now.

The governance of our society is as secret as are many of the systems that control allocation of capital and resources. Based on both personal knowledge of the higher echelons of our leadership and research documented through the Solari Report, I believe that our leadership:

- Uses invisible weaponry, surveillance, and technologies of control not understood by the general population;

- Practices and profits from special breeding programs and slavery;
- Practices and profits from covert operations, disaster capitalism (using weaponry that mimics natural disasters), and false flag operations;
- Intentionally increases human toxicity through pesticides, global spraying, vaccines, and various forms of weapons and weapon testing that increase health care expenses and lower life expectancy.
- Extends the application of mind-control technologies--from a more limited covert use by intelligence agencies and secret societies, such as MK Ultra, up to a more broad-based application using smart phones, smart meters, cell phone and communication towers and networks, the Internet of things, smart TVs, and media as well as specific industries such as social media, casinos, and investments.

Discussing these practices is not yet socially and politically acceptable in most academic and business conversations about economic productivity. Although these practices may not yet have harmed the more narrowly defined labor productivity and, in some cases, many have helped to improve it, these practices have wrecked havoc with human productivity, requiring the issue of explosive government debt.

The goal of those who manage our economy is not to optimize, but rather to centralize political and economic power into what George H. W. Bush once referred to as “tighter and righter hands.”

A review of recent examples of disaster capitalism (see our Solari Report with Dr. Dady Chery on Haiti) makes clear the extent to which some leaders willingly wage economic and environmental warfare to centralize wealth. This willingness includes the destruction of local food self-sufficiency to create pools of cheap labor and export markets. What was done in Haiti is what has been done to consolidate agriculture in America: to destroy human productivity by destroying

highly economic small farmers in order to create pools of cheap labor for large corporations and to create new markets for higher cost agricultural interests.

This centralization in the United States has depended on financial fraud, narcotics trafficking, and covert operations outside the law, as we believe law to be. A growing part of the US financial system depends on hidden systems of finance, dark pools, and financial operations protected by national security law. After many years of trying to understand what is going on, I have concluded that our planetary financial system is designed to produce a secret dividend. A great deal of money is disappearing, and the money is going somewhere.

To the extent that both centralization and secrecy are required to generate and protect those secret flows, the two phenomena create significant privilege. This level of privilege also contributes to significant decreases in broad-based human productivity.

As CEO of Hamilton Securities, I hired AT&T Bell Labs to apply their optimization technology to mortgage auctions. In the process, the labs briefed me on their application of optimization technology to airline crew scheduling. Over many years they were able to price what the cost of various constraints were, including the cost of government regulations and union rules.

One thing that they discovered from years of results was that seniority rules for pilots suboptimized total results so that all the crewmembers were worse off, including the senior pilots. The senior pilots themselves would have gotten more of their personal scheduling preferences if they had cancelled their seniority privileges. In sum, complex constraints on optimization were expensive. The same phenomenon probably operates in many other sectors of our economy. So, we can say that centralization and secrecy translate into privilege, which diminishes both labor and human productivity.

If we have a society in which many successful for-profit entities depend on government subsidy with a deeply negative return on investment,

then this system is deeply unproductive. In turn, improving our labor-specific productivity for the most powerful institutions in this system will serve only to make the overall system more destructive. In short, in this current model, greater labor productivity is harmful both to human productivity and to total wealth.

If we talk about productivity honestly, then we must discuss how to stop tolerating habits that destroy human productivity broadly, and not just to discuss how to help labor produce more efficiently for less reward, except reward for large corporations and institutions. The (1) alignment between labor productivity and human productivity and (2) alignment between return on investment to investors and return on investment to taxpayers are the heart of the matter. As one ally put it in our discussion on productivity:

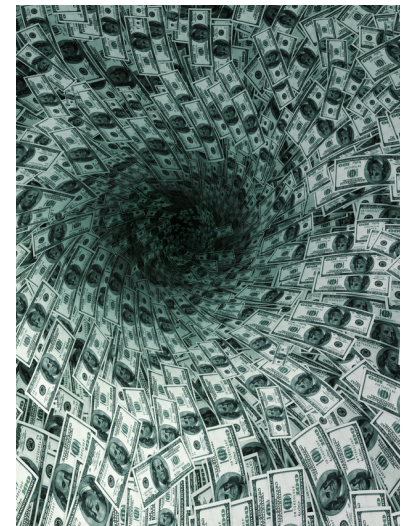
“From my perspective, productivity increases are a problem. In such a world, productivity going down is a good thing. Why do I want folks to become more productive at war, at corruption, fraud, financial manipulations, at destroying top soil, at destroying health, at turbo charging the destruction of life, culture, human civilization as we know it.”

This is why I keep talking about creating a win-win relationship between the Popsicle Index and the S&P Index – the creation of conditions of trust between people and the financial system.

We have a fundamental breakdown in trust of the kind necessary to create a competitive workforce and a productive culture and society. It appears in fact that whoever governs global society believes that digital and cellular technologies of surveillance and control can help to revert us to a system of high-tech slavery, which appears what the governing group prefers.

Let me give you two recent examples. Two opinions offered in the recent documentary *Vaxxed* and related Q&A sessions following its screening were as follows:

- If current practices related to the food system and heavy schedules of vaccines continue, one out of every two children in the United States, including 80% of the boys, will likely be autistic by 2032.



“ I have concluded that our planetary financial system is designed to produce a secret dividend. A great deal of money is disappearing, and the money is going somewhere. ”



“
Without debating what causes the spread of autism, its continuing spread will overwhelm our families, educational systems, and health care systems. Human productivity will be decimated.”

- The estimated costs of caring for a severely autistic child in the United States over his or her lifetime is \$5 million.

Without debating what causes the spread of autism, its continuing spread will overwhelm our families, educational systems, and health care systems. Human productivity will be decimated. This raises the question, what is going on here? Why have we not figured out what causes autism and stopped it?

It gets worse. NBC recently ran a news program seriously suggesting that we should microchip our children, as if humans were livestock.

NBC Video: Microchipping Your Children
<https://www.youtube.com/watch?v=PWGjaE-CxcPk>

As described in my article “The Data Beast,” <http://solari.com/archive/databeast>, this chip idea is reminiscent of an interview that Aaron Russo gave shortly before his death, in which he described his conversation with a member of the Rockefeller family. Russo was told that a digital financial system operated through radio-frequency identification (RFID) chips implanted in people would complete centralized control.

Aaron Russo talks Rockefeller Elite
<https://www.youtube.com/watch?v=7gwcQj-DhZtI>

The push to build out cryptocurrencies, blockchain technology, the smart grid, “wearable’s,”

and the ongoing and systematic destruction of privacy lead me to recall a note from a history book that I reviewed last year on the history of American slavery: *The Half That Has Never Been Told*. I am reprinting the review here:

*In **The Half Has Never Been Told**, historian Edward Baptist attempts to unpack the nuts and bolts economics of American slavery and the economic trends that lead to and resulted from abolition.*

Baptist argues that slavery was essential for building a Southern cotton machine that pooled enormous capital through the US textile industry and was critical to the success of America’s industrial economy. He also argues that slave labor was economically very productive. Using cotton pricing and production data and analysis of management practices, Baptist argues that picking quotas enforced with whippings and the threat of force systematically applied resulted in astonishing growth rates in picking productivity:

“A study of planter account books that record daily picking totals for individual enslaved people on labor camps across the South found a growth in daily picking totals of 2.1 percent per year,” Baptist writes. “The increase was even higher if one looks at the growth in the newer southwestern areas in 1860, where the efficiency of picking grew by 2.6 percent per year from 1811 to 1860, for a total productivity increase of 361 percent.”

Baptist contends that slave labor was significantly more productive than free labor:

“Many enslaved cotton pickers in the late 1850’s had peaked at well over 200 pounds per day...In the 1930s, after a half-century of massive scientific experimentation, all to make the cotton boll more pick-able, the great-grandchildren of the enslaved often picked only 100 to 120 pounds per day.”

At one point, Baptist describes the creation of large corporations used to build out cotton plantations in Alabama, Mississippi and Louisiana and the orders given to move thousands of slaves

out from the Southeastern coastal areas to provide labor. It was stipulated that 70% were to be young men between the ages of 18-36. Right after reading this description, I was researching the European refugee situation and discovered that the statistics provided by the EU disclosed that 70% of the refugees coming to Europe were young men between the ages of 18-36. Apparently, some things do not change.

Baptist covers the financial fraud common with financing the slave trade. There was no system through which the financial system could perfect their collateral. When slave owners got into trouble, they would default on their debts while selling the slaves into new territories and keeping all of the sales proceeds. The City of London was badly burned by Southern banks financing the slave trade. One wonders whether England would have abolished the slave trade if a working collateral system had been in place.

Baptist also describes the efforts to create retail investments to finance the cotton commodities' operations. In essence, retail investors hungry for income were eager to enjoy the income generated from the whipping machine — although the reality on the ground was not fully disclosed. It is a reminder of the speed at which private investors snapped up stock in private prison companies.

My favorite passage was a quote from Frederick Olmstead describing the diverse economies built by German immigrants as opposed to the centralized economies built by slaves. The German immigrants built much wealthier, more diverse and resilient economies. The problem was that it was not a centralized economy — a few people could not own and control it all. Again, some things do not change.

Throughout my life, I have dealt with a certain kind of person in America's leadership. Essentially, they are slavers. They believe in the systematic application of violence to get a greater "harvest" each year. In fact, what I describe as the slow burn is a new form of an invisible, "high tech" whipping machine. If you want to understand this mentality, read ***The Half That***

Has Never Been Told. It does a good job of describing the dark side of our culture — the part that believes in building personal wealth through force: whether mind control, assassination, genocide, depopulation, slavery, or war.

America is a country of contradictions. On one hand, we believed in personal freedom and the values of the Scottish Enlightenment. On the other hand, our leadership has often found the practice of slavery in its many forms to be economically compelling. While technology made it attractive for Northern Industrialists to outwit Southern plantation owners by abolishing slavery and shifting to more subtle methods, the increased ability to now use digital technology to perfect human collateral systems should give one very deep pause.

Proposals to integrate microchips into children or to persuade adults to adopt "wearable's," creating the technology to perfect human collateral systems at low cost, promoted by a leadership that historically practiced mind control and slavery — these proposals need to give us serious pause.

Indeed, I believe labor and human productivity are impacted by a profound and growing mistrust of the existing leadership, combined with the cumulative impact of mind-control technologies on media and telecommunications and increased financial dependency on debt and government sources.

In one sense, our society is losing its collective mind. Any sincere effort to address the issues of productivity and prosperity asks the questions "What is going on here and can our society get its mind back?"

We must also ask whether we want to improve the labor productivity of a system that is fundamentally psychopathic? Why try to improve the efficiency of a financial system that has stolen trillions of dollars and continues to steal? It seems that without hope of sufficient transparency and reform, letting the system fail may be the most productive choice.



“
America is a country of contradictions. On one hand, we believed in personal freedom and the values of the Scottish Enlightenment. On the other hand, our leadership has often found the practice of slavery in its many forms to be economically compelling.”



To a certain extent this dynamic may explain support for Donald Trump's candidacy for US president. If a system is destroying human productivity, destroying that system by electing an erratic person with no government experience who is likely to create chaos, thus threatening the system, may appear to some voters be quite logical. His election could be a step towards improving productivity.

III. The Establishment View

When addressing productivity and prosperity, it is important to understand the establishment view:

- The accomplishments of the establishment in increasing productivity globally in manufacturing and production process are impressive, as are improvements in prosperity and living conditions throughout the emerging markets.
- The establishment has significant resources to track and analyze the economy as traditionally measured – their data are useful.
- Many groups within the establishment have done a lot of interesting research on improvements we could make in defining, estimating, and tracking both labor and human productivity and prosperity.
- Members of the establishment committed to win-win solutions (of which there are many) are essential to the successful design and implementation of positive change.

The McKinsey Global Institute published a study last year that looks over the current status of global labor productivity and discusses the challenges of both slowing growth in productivity and in labor: "Global Growth: Can Productivity Save the Day in an Aging World."

McKinsey provides a great service by making these studies available publically on line. However, McKinsey does not permit its charts and graphs to be reprinted here. Consequently, I recommend that you take the time to access this study on line and review the charts and graphs.

Global Growth: Can Productivity Save the Day in an Aging World <http://www.mckinsey.com/global-themes/employment-and-growth/can-long-term-global-growth-be-saved>

The McKinsey productivity study is focused on the G20 as adjusted to include Nigeria, representing approximately 80% of global GDP. One of their partners summarizes the findings as follows:

"The problem is that slower population growth and longer life expectancy are limiting growth in the working-age population. For the past half-century, the twin engines of rapid population growth (expanding the number of workers) and a brisk increase in labor productivity powered the expansion of gross domestic product. Employment and productivity grew at compound annual rates of 1.7 percent and 1.8 percent, respectively, between 1964 and 2014, pushing the output of an average employee 2.4 times higher. Yet this demographic tailwind is weakening and even becoming a headwind in many countries."

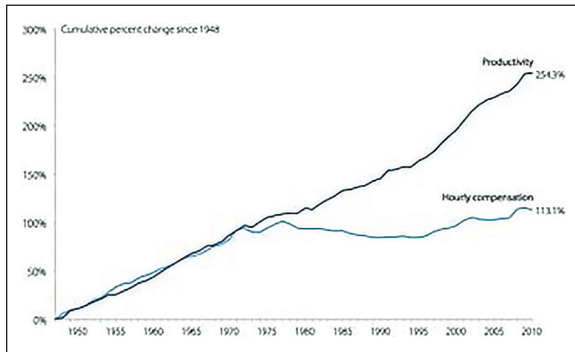
"The net result is that employment will grow by just 0.3 percent annually during the next 50 years... Even if productivity growth matches its rapid rate during the past half century, the rate of increase in global GDP growth will therefore still fall by 40 percent, to about 2.1 percent a year. Our new normal would then be economic growth slower than it was during the past five years of recovery from the Great Recession and during the energy-crisis decade of 1974 to 1984. Per capita income and living standards, in both the developed and the emerging worlds, will rise more slowly."

McKinsey raises numerous issues that inform our discussion. Let me mention three:

The first is that benefits of productivity growth in the United States since the mid 1970's accrued to investors. Little or none has been shared with labor as shown in the following chart of hourly compensation vs. productivity since 1948.



Growth of Real Hourly Compensation for Production and Nonsupervisory Workers Versus Productivity (1948–2011)



This raises the question, “If US labor has no incentive to contribute to productivity growth, what will the impact be on US productivity growth?”

Second, global productivity and prosperity have been driven by increasing productivity and prosperity in Asia, rather than across all the emerging markets. Indeed, convergence of per capita income towards G7 is an Asian phenomenon, rather than a development throughout the emerging markets. McKinsey indicates that the United States and Western Europe experienced approximately 1.5% to 1.9% productivity growth from 1964 to 2014. South Korea and Japan were 4.6% and 2.8% respectively. China’s productivity growth was an astonishing annual rate of 5.7%. In contrast, Mexico and Saudi Arabia clocked less than 1% annual productivity growth during the same period. As a result of slower productivity growth in the emerging and frontier markets, McKinsey indicates that the absolute gap between emerging and developing countries has not narrowed.

Finally, three areas of significant concern are productivity in government, education, and health care. McKinsey does not address why productivity is low in these areas. The fact is that growth in the corporate area and centralization has been bought with subsidy and unproductive practices in government – hence the dual problem of lower government productivity and exploding government debt. There is indeed tremendous opportunity for increased productivity



in these areas after reversing the negative return on investment model that feeds the centralized governance system. The bottom line is that you cannot address productivity effectively in these areas without addressing the whole shebang. We must align labor productivity with human productivity. The topic of low productivity in government, health care, and education is the “canary in the coal mine” within the productivity discussion. This lurking explains why there are so many fireworks over Common Core, and privatization.

McKinsey’s biggest concern is demographic aging. McKinsey underscores the demographic challenges faced by Germany, Japan, and Russia. India’s labor pool could expand by 54% over the next 50 years while China’s could shrink by one-fifth.

McKinsey lists areas where breakthrough increases in productivity are possible, including the following:

- Digital and physical infrastructure investment;
- Educational access and labor force participation for young people and women;
- Research and development investment;
- Improved regulatory environment; and
- Accelerating productivity growth rates across the emerging markets broadly.

They do not address numerous politically sensitive areas of opportunity to increase prosperity, for example –

“**If US labor has no incentive to contribute to productivity growth, what will the impact be on US productivity growth?**”

I. PRODUCTIVITY, PROSPERITY & THE POPSICLE INDEX



“
The establishment concern about productivity will accelerate. The United Kingdom Brexit vote in June was a clear message that the initial round of productivity gains from globalization has largely run its course.”

- Shifting more than \$1 trillion annually spent globally on military and weaponry into infrastructure, R&D and education, and other investments that increase productivity;
- Shifting hundreds of billions of dollars out of surveillance and the technologies of control to infrastructure, R&D, education, and other investments that increase productivity;
- Reducing organized crime and corruption used as an enormous global tax. This reduction includes secrecy and privileges enabled by assassinations and covert operations that allow some people to function above the law and prevent markets from functioning properly.
- Reducing government regulation that is used to create uneconomic monopolies, to

prevent startups, and to shut down economic small businesses and farms;

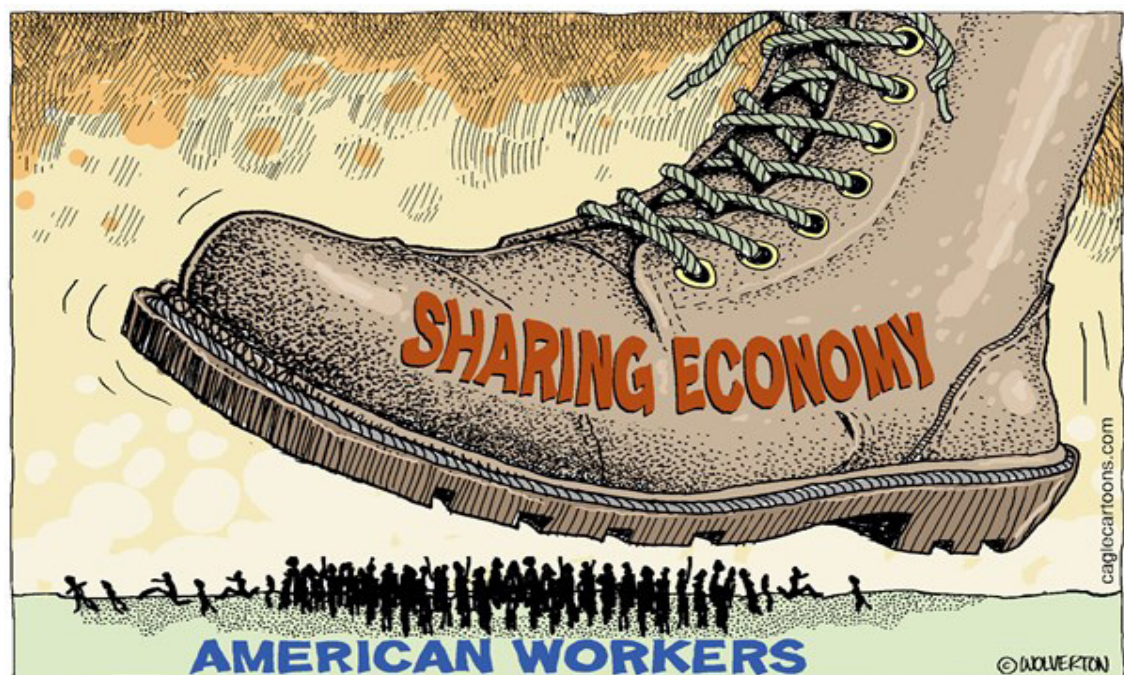
- Reducing government credit, regulations, and enforcement that create and maintain differentials in the cost of capital, allowing some to borrow for 0% while others are lucky to access capital at 30%.
- Reducing and eliminating slavery – currently estimated at 46 million people globally.

If we are going to address productivity and prosperity broadly, we need to look at all the factors affecting labor and human productivity and prosperity.

If you look at the extraordinary drain being put on the time and resources of the existing work force – whether through government taxes, regulation, enforcement or environmental and monetary debasement – it is hard to inspire workers to greater productivity.

Unless, of course, you microchip your workforce for ongoing surveillance and control. But is micro chipping really the optimal pathway to labor productivity? Does slavery produce prosperity? Slavers would argue that history answers “yes” (certainly for them) as long as these slavers can perfect collateral and prevent revolts.

This uncertainty is why the productivity discus-



sion leads us back to the questions of what is really going on and what the system goals really are. Do we all belong to one species capable of empathy and with a shared commitment to the rule of law? Or are we property whose purpose is to generate a secret dividend for overlords who chiefly want to increase the efficiency of the global “whipping machine”?

The establishment concern about productivity will accelerate. The United Kingdom Brexit vote in June was a clear message that the initial round of productivity gains from globalization has largely run its course. I have written in the 2014, 2015, and 2016 Solari Report Wrap Ups about the shift from the industrial Global 2.0 economy to a networked Global 3.0 economy.

Solari Report Wrap Ups Library <http://solari.com/library/wrap-ups/>

As that transition accelerates and the Global 2.0 industries are slow to change or close down, labor productivity will suffer. As Global 3.0 rises with significantly greater automation and labor productivity, unemployment will rise. Insofar as the financial coup abrogates retirement benefits or health benefits or both at the same time, the impact on human prosperity and productivity metrics will be significant.

Last week’s news announced that productivity in the United States had declined for the third straight quarter.

Productivity declines for third straight quarter <http://www.marketwatch.com/story/productivity-declines-for-third-straight-quarter-2016-08-09>

“US nonfarm productivity declined 0.5% this quarter, down three consecutive quarters. This is the longest negative stretch since 1979. The BLS calculates labor productivity, or output per hour, by dividing an index of real output by an index of hours worked of all persons, including employees, proprietors, and unpaid family workers. The Bloomberg Econoday economists’ consensus estimate was for a productivity gain of 5%. Instead, productivity declined 0.5%.

Commenting on the announcement, blogger Mish Shedlock noted--

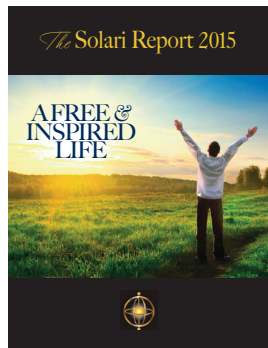
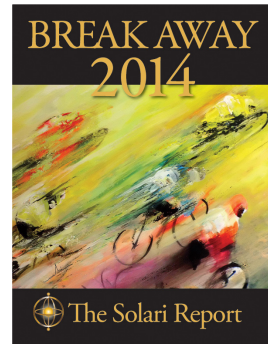
“Economists debate why productivity is so weak, but I propose cheap money. By holding rates so low, the Fed induced a proliferation of stores that have to be stocked, and manned. Overall sales may be up, but it is spread around on a number of stores rising faster than necessary. Unit labor costs are up thanks to new minimum wage laws. Higher minimum wages will eventually slow store expansion. Yellen will not like the result.”

There are other possible explanations. BLS employment statistics pumped up for the presidential election would also lower productivity growth. And low productivity growth would support a new push by US corporations for special tax legislation to repatriate large amounts of cash abroad, their claim being they could invest to create new productivity. And last but not least, if we are going to blame lower productivity growth to justify changes to Social Security and other retirement benefits reform after the election, it is best to start now.

Whatever the reason, the establishment is painfully aware that labor productivity growth in the United States is not rising. Further decreases in prosperity are not far behind. This puts the establishment in the middle between (1) a global governance system that appears to have an inelastic requirement for centralizing control and extracting secret dividends and (2) a general population that has no clear picture of what is happening but is increasingly frustrated as it watches its leadership systematically and intentionally shrink the economic pie.

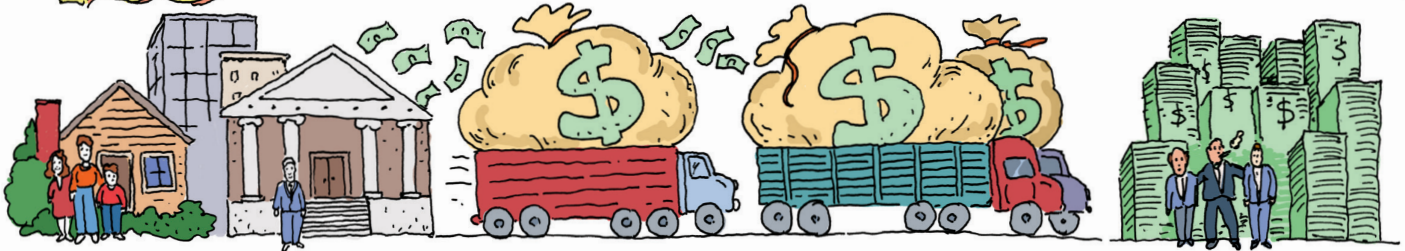
This is a critical time to shift support from members of the establishment with a track record of financial fraud and corruption over to competent members of the establishment focused on win-win and market-worthy solutions. Indeed, this shift is essential for labor to compete globally.

This is why I continue to stress the importance of supporting excellent leadership in all aspects of our life.



“ I have written in the 2014, 2015, and 2016 Solari Report Wrap Ups about the shift from the industrial Global 2.0 economy to a networked Global 3.0 economy. ”

You JUST COMPLETED THE TRANSFER OF \$40 TRILLION TO YOUR TEAM (SOME SAY STOLE) THROUGH A GLOBAL FINANCIAL COUP D' ETAT...



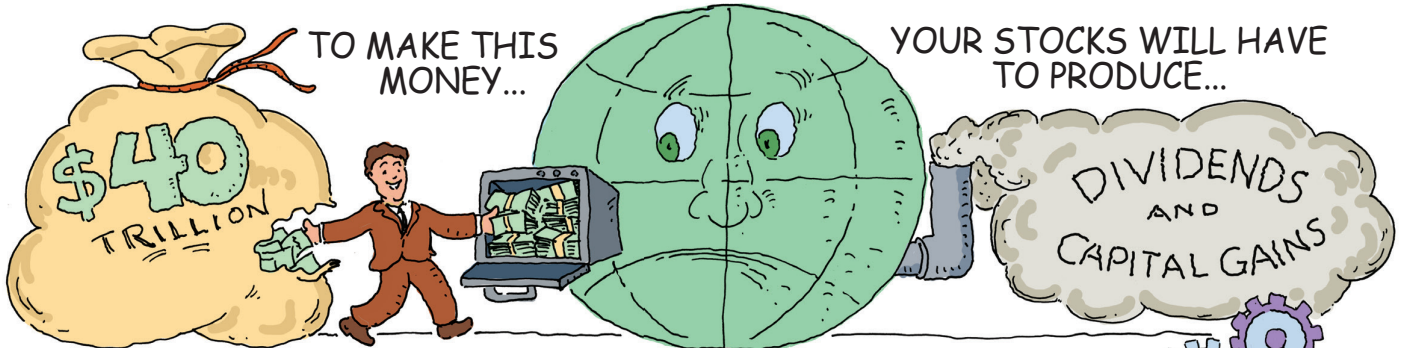
THEY PULLED IT OFF DUE TO: ✓ FINANCIAL ENGINEERING ✓ SPECULATION ✓ FRAUD



THEY RAISED HUNDREDS OF BILLIONS OF DOLLARS IN NOT-FOR-PROFITS AND FOUNDATIONS IN ORDER TO ENGINEER A "SOFT REVOLUTION" FOR GLOBAL CONTROL.



NOW YOU NEED TO REINVEST THE \$40 TRILLION TO GENERATE \$2 TRILLION MORE EACH YEAR TO RUN GLOBAL OPERATIONS



THINGS WILL HAVE TO WORK!



China's leadership has been trained as engineers who build bridges, high-speed trains, power and desalination plants. The U.S. Leadership consists of wealthy lawyers who make rules, tax loopholes, pass laws & litigate. **WHICH DO YOU THINK WE NEED?**



IV. The Wildcard: Technology

The wildcard in any discussion of productivity is new technology. Let's break the discussion down among different types of technology.

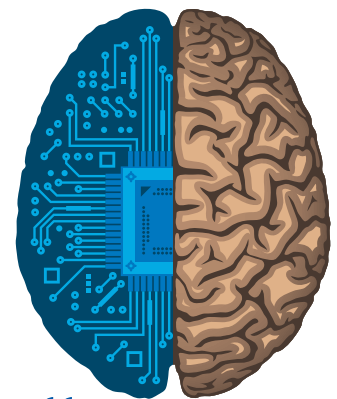
Warfare & Centralized Control: There are many indications of the existence of invisible weaponry and surveillance technology well beyond the knowledge of the general population. These include weather control, weapons that trigger what appears to be natural disasters (such as tsunamis and earthquakes), as well as highly invasive mind-control technology. Such technology makes it possible for a negative return on investment economy to continue without government debt growth. This return occurs through extraction of subsidy by force or mind control or both. Dominant parties can – in essence – command subsidy through force, resulting in feedback loops that progressively lower human productivity or destroy selected populations in a negative return on investment spiral. My question for many years is whether the dollar reserve currency system in combination with “natural disaster warfare” has worked as such a subsidy machine. Delivery of such weapons from space or their dependence on space-based surveillance makes the issues of becoming a multiplanetary society much more complex.

Cyber Insecurity: Many of our plans to increase productivity involve digital systems – the “Internet of things.” However, the reliability of these systems is deteriorating as social media and corporations focus themselves on “surveillance capitalism” and government and corporate competitors engage in escalating cyber warfare. Will digital systems bring greater productivity or simply a new, more invasive battle zone that lowers human productivity and extracts wealth for the players who control the technology or are good at cyber warfare?

Breakthrough Energy: A survey of long-standing breakthrough energy technologies as well as recent improvements in the efficiencies of renewable energy and battery technologies indicates that we can radically reduce our cost of energy.

Doing so could have significant implications for the dollar as the reserve currency inasmuch as the dollar has operated on an oil standard for decades. Cheaper energy would also significantly reduce centralized control unless the legal, financial, and technological infrastructure were in place to maintain tight central control. A question often asked on the Solari Report is whether centralized control is being implemented to permit the introduction of breakthrough energy technology. Regardless of whether centralized or decentralized, a significant reduction in the price of energy will generate explosive improvements in both labor and human productivity. It is worth noting that fracking technology and innovations in the traditional oil and gas industry have made a significant contribution to lower energy prices and increased energy self-sufficiency in the US economy in the last decade, albeit at a controversial environmental cost.

Robotics, 3D Printing, Driverless Cars, Drones, & Artificial Intelligence: We are in the midst of a new and significant round of automation that has the potential to significantly improve labor and human productivity. This will leave many existing workers without a role in production and squeeze many existing companies, corporations, and banks out of business. This is one of the reasons that the role of government as well as productivity in government, education, and health care are critical issues. In the United States, the federal government has been an inequality creation machine. This role will have to change if we want a successful transition. For example, if government uses automation to significantly reduce government employment while continuing to engineer the financial and enforcement system to enforce centralization and monopolies, inequality will increase dramatically. Another example is addressing productivity across sectors. Addressing productivity in the health care system is not just a matter of making health care processes more efficient or using on-line systems to reduce labor costs. It will require revisiting the industrial food supply and GMOs, vaccination policies, and uncompetitive practices by pharmaceutical companies.



“**If government uses automation to significantly reduce government employment while continuing to engineer the financial and enforcement system to enforce centralization and monopolies, inequality will increase dramatically.**”



“
Globalization is contributing to a significant increase in our investment in space.”

The Space-Based Economy: Globalization is contributing to a significant increase in our investment in space. We are becoming a multiplanetary civilization. This process has the potential to significantly divide the population between those who are participating in this process and the technology involved and those who are “in the dark.” In short, we could evolve into populations with radically and “inhumanely” divergent realities and productivity rates.



“
Media, social media, and telecommunications also come with entrainment and subliminal programming that have a powerful, trance-like impact that draws attention, but lowers productivity.”

Genetic Engineering, Biotech & Transhumanism: Jay Dyer recently joined me on the Solari Report for a discussion about what movies tell us about the mind-control technology to which we are increasingly subject. We realized during the discussion that we are watching an effort to use artificial intelligence to make robots human and at the same time an effort to re-engineer human DNA and integrate digital machinery into human bodies. There appears to be prototyping to see which is preferable – human robots or robotic humans. It is a chilling thought, one that raises deeply important questions about goals and objectives. If the goal is transhumanism, then why should I facilitate my own demise? I should care more about increasing transparency and promoting a governance system that respects me.

Media make a significant challenge. Our media are organized to sell an “official reality,” typically designed to make sure we do not see beyond our particular niche and not see our world whole. Divide and conquer memes are constant. They make us easier to control. They also wage war on many of the most productive members of our society and discourage cooperation.

I live in a small farming community. When the harvest is ready, the cooperation can be extraordinary. If there is a problem, such as bad weather, everyone pitches in. Grudges get put aside and everyone goes to work to help those in need – to make things go. It is a lesson in deep economic cooperation and teamwork. Cooperation is deeply imbued in the culture. Divide and conquer media destroy such cooperation.

Media, social media, and telecommunications also come with entrainment and subliminal programming that have a powerful, trance-like impact that draws attention, but lowers productivity. The result is that our current media creates mind-boggling worldviews that diverge widely from reality.

I used to be amazed by the frustration of the intelligence and enforcement operatives and Special Forces soldiers who implemented covert operations. They were regularly offended when listening to the leaders of organizations in the overt economy. Such leaders would describe their success based on explanations entirely ignorant of any appreciation for the covert forces that had contributed significantly to their success, including black budget technology and low-cost capital generated by illicit means.

I once listened to a Silicon Valley venture capitalist interviewed on a TV talk show. He explained that he had made his fortune on a private basis and wanted nothing to do with politics.

I could hear in my imagination two Special Forces guys, hoo-ha:

*“Does this a***** know how much money and work it took to engineer the technology into these companies in the Valley from Area 51? Does he have any idea the people who died or flipped out in*

the underground bases to make this happen?”

“Does he know the years of work and risk it took to bring in all those drugs from South America or to set up and teach kids how to make the meth labs? Where was he while thousands of people died or filled up the jails?”

“Does he know how much work it took to launder the cash and leverage it with all that mortgage fraud? Does he have any idea how many buildings had to be blown up or burnt down to cover up the transactions files to cover the tracks?”

“Millions of people were sacrificed and thousands worked our b***s off in secrecy to pour billions of cheap capital into this place and to pump and dump it to shake out the youngsters and activists. And this bozo thinks he made his money in a private market!”

“Will someone please take this guy down to South Central LA and rub his nose in a little reality s***!”

How do we use new technology to create productivity if the people who develop and control new technology understand so little of reality?

Making someone a multi-millionaire or billionaire and keeping him or her immersed in an adult fairy tale is simply another way to maintain control. New technology can be used to centralize control and limit productivity increases to labor in narrowly scripted ways while entertaining and distracting the general population in a manner that drains human productivity and prosperity overall. I cannot refrain from including the following link as an example of some of the issues involved:

Personal Stupid-People Consultant: A Personal Perspective on Why Corporate Culture in Decline

<http://www.zerohedge.com/news/2016-08-16/professional-stupid-people-consultant-personal-perspective-why-corporate-culture-dec>

I am not the sole person to see the divergence between dazzling technology creating Silicon Valley billionaires and the failure to translate new technology into broad-based productivity and prosperity. The *MIT Technology Review* just published a new article by its editor, David Rotman,

“Dear Silicon Valley: Forget Flying Cars, Give Us Economic Growth.” Let’s hope Silicon Valley listens. It’s worth reading.

Dear Silicon Valley: Forget Flying Cars, Give Us Economic Growth
<https://www.technologyreview.com/s/601682/dear-silicon-valley-forget-flying-cars-give-us-economic-growth/>

As the productivity debate intensifies, Silicon Valley and related corporate sectors are likely in for a rude awakening.

The potential impact of technology means that we must be prepared for a wide variation of possible future scenarios. For example, we could experience a crash up in the stock market as energy prices continue to drop. Alternatively, we could experience a *Kingsman* economic collapse if incomes are consolidated into the billionaire class through legal and financial force and surveillance and mind-control technologies literally drive society mad.

So, technology can pull the rabbit out of the hat, or it can drive us insane.

V. The Deflation Trap

One of the challenges we face is the possibility of deflation. The debt growth model depended on steady inflation. Debt was manageable through a steady debasement of currency. Monetary inflation helped to offset the labor deflation occurring through globalization.

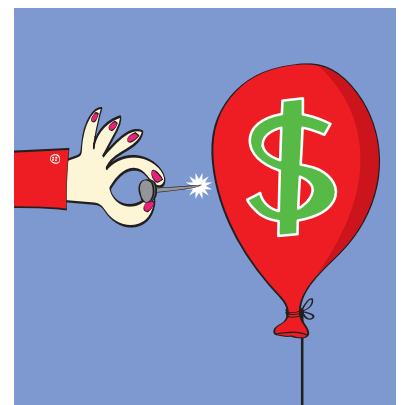
There are many methods to increase labor productivity significantly:

We can **re-engineer government** by reducing labor in the manner that private corporations have done. When I ran the Federal Housing Administration in 1989-90, I estimated that I could run my operation of 7,000 people with 250 people if I was free to redesign our products and automate. There is no reason to send federal taxes to Washington and then send the taxes back in a very paperful process between Washington, the states, and the local levels. The bureaucracies can be simplified and reduced readily.

We can **automate** significant numbers of func-



“**Dear Silicon Valley: Forget Flying Cars, Give Us Economic Growth.**”





“
The growth of Amazon’s equity capitalization is not sufficient to offset the defaulted debt of the shopping malls now going bankrupt.
”



tions with robotics, artificial intelligence, new fabrication technologies, and driverless autos and drones. Indeed, significant production can be decentralized: shifted back to the village, small business, household, or individual level.

We can **reduce the cost of energy** through implementation of breakthrough energy or increased efficiencies in renewable energy and battery technologies.

As we implement these “increases in productivity” we will collapse the demand for millions of businesses and significantly increase unemployment. We have been funding the growth of unemployment in the G7 countries by providing government benefits. Can we continue to do this? Furthermore, the growth of equity is not offsetting the losses created by debt, which can no longer be sustained. The growth of Amazon’s equity capitalization is not sufficient to offset the defaulted debt of the shopping malls now going bankrupt.

In other words, inflation “inflated” our income statements – both revenues and expenses – and our balance sheets – swelling asset prices and debt. If we “deflate” our income statement and asset values (assuming we are clever and reduce our expenses in sync with reductions in our revenues), how exactly are we going to shrink debt?

A second question relates to the “secret dividend.” It is a lot easier to siphon off trillions when nominal tax revenues are rising as a result of rising individual and corporate revenues. When tax revenues are shrinking, the fixed or growing overhead of a secret dividend makes the overhead more evident and in turn presents significant financial and political risk. This political risk helps to explain some of the gridlock in Washington.

Special Solari Report: Coming Clean Beyond the Fiscal Cliff

http://solari.com/articles/beyond_the_fiscal_cliff

For those trying to manage this situation, the combination of deflation combined with the inelastic demand for secret funding can be lethal. This may help to explain the commitment of the G7 central banks taking extraordinary monetary intervention.

How do you increase labor productivity if the result is a deflationary trap that throws you into war or collapse?

One of the interesting phenomena in the deflation trap is that some of the greatest constituents for maintaining the average income are the corporations that retail to the general population. If the general population has little income and becomes increasingly self-sufficient, the market for many large corporations will shrink or disappear.

It is a reminder of a story Martin Ford tells in his excellent book: *Rise of the Robots: Technology and the Threat of a Jobless Future* <https://solari.com/blog/book-review-rise-of-the-robots-technology-and-the-threat-of-a-jobless-future/>. Walter Reuther, the union official, told the story in a 1956 speech as follows:

“I went through this Ford engine plant about three years ago, when they first opened it. There are acres and acres of machines, and here and there you will find a worker standing at a master switchboard, just watching, green and yellow lights blinking off and on, which tell the worker what is happening in the machine. One of the management people, with a slightly gleeful tone in his voice said to me, “How are you going to collect union dues from all these machines?” And I replied, “You know, that is not what’s bothering me. I’m troubled by the problem of how to sell automobiles to these machines.””

VI. Prosperity

Prosperity has been tracked globally by statistics on GDP and Per Capita GDP or Income. We include summary statistics for 14 countries in the financial section of our Money Maps in the Annual Wrap Ups

Annual Wrap Up 2015 – Money Maps of the World

http://solari.com/Library/2015/money_maps.html

Annual Wrap Up 2014 – Money Maps of the World

http://solari.com/Library/2015/Q2/q4_money_maps.html

Finance														
	Australia	Brazil	Canada	China	France	Germany	India	Italy	Japan	Mexico	Russia	SAfrica	UK	US
GDP (trillions, 2013 est.)²	\$1.0T	\$2.4T	\$1.5T	\$13.4T	\$2.2T	\$3.2T	\$5.0T	1.8T	\$4.7T	\$1.8T	\$2.5T	\$0.6T	\$2.3T	\$16.7T
GDP Per Capita (2013 est.)²	\$43,000	\$12,100	\$43,100	\$9,800	\$35,700	\$39,500	\$4,000	\$29,600	\$37,100	\$15,600	\$18,100	\$11,500	\$37,300	\$52,800
Debt (% of GDP, 2013 est.)²	32.6%	59.2%	86.3%	22.4%	93.4%	79.9%	51.8%	133%	226.1%	37.7%	7.9%	45.4%	91.1%	71.8%
Exports (2013 est.)²	\$251.7B	\$244.8B	\$458.7B	\$2.21T	\$578.6B	\$1.493T	\$313.2B	\$474B	\$697B	\$370B	\$515B	\$91.05B	\$813.2B	\$1.575T
Outstanding Equity (2012)¹⁰	\$1.3T	\$1.2T	\$2.0T	\$3.7T	\$1.8T	\$1.5T	\$1.3T	\$480B	\$3.7T	\$525B	\$874B	\$612B	\$3.0T	\$18.7T
Gold Reserves (tonnes, 2014)³	79.9	67.2	3.0	1,054.1	2,435.4	3,384.2	557.7	2,451.8	765.2	123.1	1,168.0	125.2	310.3	8,133.5

You can find a wealth of prosperity and quality of life statistics at the IMF, World Bank, and CIA websites.

IMF – Research

<https://www.imf.org/external/research/index.aspx>

World Bank – Research

<http://www.worldbank.org/en/research>

CIA World Factbook: <https://www.cia.gov/library/publications/the-world-factbook/>

National statistics are available at sovereign government and central bank websites.

Bank of International Settlements: Central Bank and Monetary Authority Websites

<https://www.bis.org/cbanks.htm>

Regarding the United States, check out the Department of Treasury, the Bureau of Labor Statistics, the Federal Reserve, and the National Bureau of Economic Research.

Department of Treasury Resource Center

<https://www.treasury.gov/resource-center/Pages/default.aspx>

Bureau of Labor Statistics

<http://www.bls.gov/>

Board of Governor of the Federal Reserve – Economic Research & Data

<https://www.federalreserve.gov/econresdata/default.htm>

National Bureau of Economic Research

<https://www.nber.org/>

Whenever I spend time with US government statistics, including those that inform prosperity, I go to the John Williams website, “Shadow Government Statistics,” often referred to as “ShadowStats.” I have been a ShadowStats subscriber for many years. John does a great job of sorting through the various “adjustments” in government statistics.

John Williams’ Shadow Government Statistics

<http://www.shadowstats.com>

Within the United States, official statements for state and local bond issues often include an appendix with a wealth of economic statistics. You can find bond official statements for US, state, and local issues at the EMMA system of the Municipal Securities Rulemaking Board

EMMA – MSRB

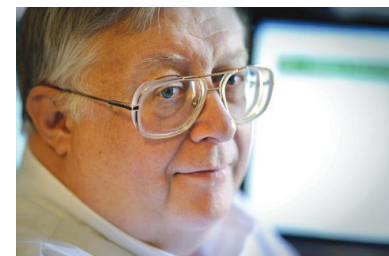
<http://emma.msrb.org/>

Government finances are available in budgets and financial statements for all the governmental jurisdictions, agencies and public corporations that relate to a particular location as well as their Comprehensive Annual Financial Reports (CAFRs)

Comprehensive Annual Financial Report

https://en.wikipedia.org/wiki/Comprehensive_annual_financial_report

As numerous economists have grappled with how to capture prosperity statistically, there has been some very interesting thinking on how to improve the way we measure prosperity and quality of life.



ShadowStats Newsletter

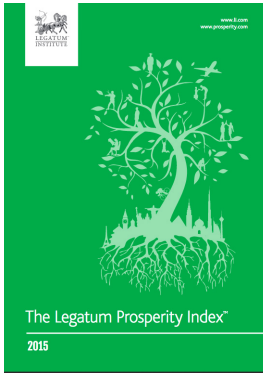
"John Williams' Shadow Government Statistics" is an electronic newsletter service that exposes and analyzes flaws in current U.S. government economic data and reporting, as well as in certain private-sector numbers, and provides an assessment of underlying economic and financial conditions, net of financial-market and political hype.

The Economist: “**The Trouble with GDP**”
<http://www.economist.com/news/briefing/21697845-gross-domestic-product-gdp-increasingly-poor-measure-prosperity-it-not-even>

“Gross domestic product (GDP) is increasingly a poor measure of prosperity. It is not even a reliable gauge of production.”

I recommend the work of the Legatum Institute in London. You can start with their annual reports on the Legatum Prosperity Index.

2015 Legatum Prosperity Index
[http://www.prosperity.com/#/!](http://www.prosperity.com/#/)



Top 10 overall rankings 2015		
1	Norway	
2	Switzerland	
3	Denmark	
4	New Zealand	
5	Sweden	
6	Canada	
7	Australia	
8	Netherlands	
9	Finland	
10	Ireland	

[View full ranking list](#)

“**Given the extent of the corruption in the United States and the world, breakthrough increases in productivity will need a spiritual and cultural revolution.**”

When I delve into the statistics on prosperity, here is what they say to me:

- Globalization has increased the size of the middle class globally and, for that group, its quality of life;
- The middle class in the G7 countries is feeling the squeeze of competing in the labor market and for resources with the growing global middle class. Polls show that Amer-

icans are depressed about their children’s future whereas Chinese are heartened.

- Centralization of control and nonalignment between the financial system and living systems has a very significant externalized cost. The deterioration of our natural ecosystems is an obvious result.
- Inequality is growing as a result of black budgets, organized crime, and government corruption, although every effort is made to blame technology.

My conclusion is no different from 20 years ago when I built a relational database infrastructure to map out assets, income, and equity flows and to identify opportunities by county in the United States, in order to increase productivity and prosperity. If we can sort out the governance issues creating inequality (big if) and align the financial system with living systems, the potential for exponential increase in prosperity is remarkable. If you integrate new technology at the same time, the potential for exponential increase is simply astonishing.

This is why I keep coming back to the governance question -- what is really running things and what are its goals?

VII. Creating Productivity and Prosperity

Creating breakthrough productivity and prosperity in America involves many different areas. Let me touch on some of the most critical.

Given the extent of the corruption in the United States and the world, breakthrough increases in productivity will need a spiritual and cultural revolution. In essence, we need to cleanse ourselves and return to a higher mind than the one that created the problems. I have explored these ideas in several Solari Reports on spiritual warfare and “coming clean.” Among other things, this change will require turning off mind-control technologies currently being applied. At this point, America is beginning to feel like a scene from “They Live.” If you have seen the movie, you will understand what I mean – we need to

put on sunglasses, turn off the broadcast tower that induces the collective trance, and get our minds back.

Creating productivity is a people issue. It requires raising and educating people who have the character, knowledge, intention, and skills to be productive. It requires building broad support for the leadership and members of the establishment who are focused on win-win and market-worthy economic solutions. This support includes shifting our business and bank deposits to the financial institutions, companies, organizations with excellent, trustworthy governance and management and paying attention to our local representation and policy issues rather than wasting time being entertained by the national campaign media circus.

With the right leadership and talent available, resources need to be allocated in a manner that encourages people and capital to engage in those activities that create the most prosperity and leave behind those activities that create the least or are destructive. Part of doing so will require creating attractive decentralized opportunities for young people as automation reduces centralized employment opportunities.

If we are going to move to a more productive economy, we need a clear, coherent picture of where we are. That means taxpayers and citizens need clear, coherent information about how their tax dollars are spent. They need sufficient intelligence to understand how to convert government spending, credit, regulation and investment from a negative return on investment to taxpayers to a positive return on investment to taxpayers – and to continuously improve the positive.

Using America as my example, here is the letter that I recently wrote to my congresswoman:

Open Letter to My Congressman

March 16, 2016

Hon. Marsha Blackburn
US Congressman
7th District of Tennessee
2266 Rayburn Building

Washington, D.C. 20515
202-225-2811
202-225-3004 fax

128 North 2nd Street
Suite 202
Clarksville, TN 37040
931-503-0391
931-503-0393 fax
305 Public Square
Suite 212
Franklin, TN 37064
615-591-5161
615-599-2916 fax

BY FAX, E-MAIL AND MAIL

Dear Congressman Blackburn:

Thank you for your service to the people of Tennessee. It is much appreciated.

I am writing today to offer a suggestion of something you and your staff can do to help revitalize local markets, create private jobs and income in Tennessee communities – and communities throughout America – and reduce our national budget deficit.

This suggestion will require no new laws or regulations and no new appropriations. It can be done within the existing administrative resources of federal agencies. Despite the minor expense involved, it can make an important contribution to reviving local and regional markets and economies.

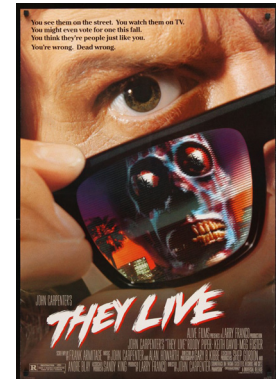
In Latin America, when the economy was restructuring and government budgets had to change, citizens implemented a process called participatory budgeting. The first full participatory budgeting process was developed in the city of Porto Alegre, Brazil in 1989.

Participatory Budgeting

https://en.wikipedia.org/wiki/Participatory_budgeting

The idea was for citizens to take responsibility to ensure that precious government resources were well used.

One of the challenges of implementing a



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Creating productivity is a people issue. It requires raising and educating people who have the character, knowledge, intention, and skills to be productive.”

participatory budgeting process in the United States is that it is difficult to find and aggregate the necessary data about government resources (tax and fee collections, appropriations, credit programs, asset inventories, mandates and regulations) in any given county or Congressional district.

Currently, in addition to the US government publishing a national budget and financial statements, states, municipalities and other government entities are required to publish the Comprehensive Annual Financial Reports or “CAFRs.”

Comprehensive Annual Financial Report (CAFR)

https://en.wikipedia.org/wiki/Comprehensive_annual_financial_report

However, there is a great deal more that the federal government could do to ensure that citizens can access, understand and aggregate tax, financial, credit and program data about their communities.

Items essential to such an effort include:

1. Accessing the federal tax collections, budget and financial statements for each federal agency on a place-based basis – by state, county and congressional district.
2. Accessing data on outstanding federal portfolios of assets and credit liabilities on a place-based basis. For example, this would permit community-wide strategies to deal more effectively with federal defaulted loans, mortgages and foreclosed asset dispositions held by numerous agencies and funds.
3. Accessing program data on a place-based basis. Combined with (1) and (2) above, this helps analyze performance and identify opportunities for re-engineering.
4. Accessing contract budgets for each agency, including scope of work, data on where the relevant work force is located and for what places services are produced. What the data will show is that there are numerous re-engineering opportunities where decentralized

local businesses can compete effectively to do contracting at a lower cost than current centralized contracting. This includes services that when done locally will reduce the cost of government unemployment compensation, housing subsidies and food stamps.

5. Making data available in GIS and other graphical software that makes financial and quantitative data and program impact more intuitive and understandable to busy citizens.

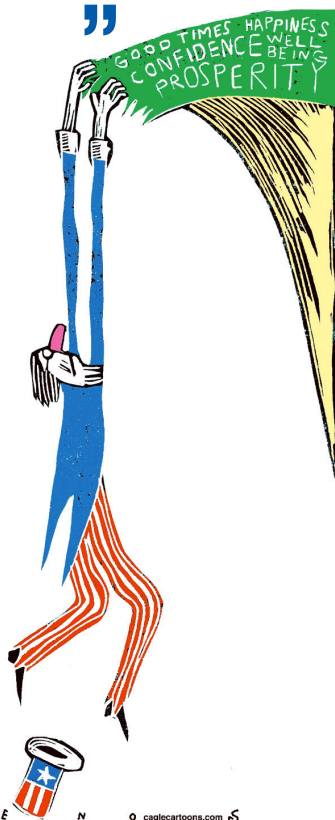
If you look at the resources in the offices of agency chief financial officers or the budget offices as well as the webmaster function, the agencies have the capacity to provide this if the political will exists to bring transparency to federal finances. Certainly, the Office of Management and Budget has the capacity to encourage or require such efforts.

This idea has been proposed and tried before, including when I worked in the Bush Administration and as an advisor to the Federal Housing Administration in the Clinton Administration. Among other problems at that time was that federal government financial transparency would have prevented the housing bubble at a time when federal mortgage credit was creating an increasing amount of economic activity.

However, debt growth by sovereign governments and quantitative easing by central banks are coming to an end. This presents an opportunity to refocus on fundamental productivity. Consequently, the pressures now facing the federal finances and the need to re-engineer the US budget to reflect changes in our economy may create an environment more open to federal financial transparency and citizen participation.

Federal financial and program transparency organized contiguous to the world that citizens experience personally in their day to day lives or the areas from which they vote for legislative representation– their county or their Congressional district – will provide essential raw material for citizens and local enterprise

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Debt growth by sovereign governments and quantitative easing by central banks are coming to an end. This presents an opportunity to refocus on fundamental productivity.
”



to dig in and work together to revitalize local economies and build family wealth.

If I can answer any questions for you and your staff or provide examples and greater detail, I would be happy to meet with you by phone or in your Tennessee offices.

Again, thank you for your service to the 7th District and the people of Tennessee.

Best regards,

Catherine Austin Fitts

CC: Hon Marcy Kaptur, US Congressman,
Ohio 9th District 2186 Rayburn Building
Washington, DC 20515 Tel: (202) 225-4146
Fax: (202) 225-7711

With a clear understanding of how government money is spent and government resources allocated, local leadership can participate in the re-engineering of domestic federal expenditures to improve government productivity, including the re-engineering of health.

Mapping Your Local Ecosystems

<https://solari.com/blog/mapping-your-local-financial-ecosystems/>

Some critical opportunities will include local telecommunication and media systems that protect local privacy and screen out entrainment and mind-control technologies, local control and reinvention of public schools and curriculums, implementation of local currencies, local equity vehicles and crowd-funding, increased local organic and fresh food supply with the help of significant reductions in food safety regulation, local energy self-sufficiency, re-engineering of the local housing stock and small-scale manufacturing.

The importance of our organic and fresh food farms both for reducing health care costs and for building economic resilience led us to launch the Solari Food Series with leading food consultant Harry Blazer.

Introducing the Solari Food Series

<https://solari.com/blog/introducing-the-solari-food-series/>

One area that offers significant opportunity is

federal government contracting. The federal government is currently funding a significant contracting budget, which we need to make transparent by company and agency. One significant re-engineering opportunity is to identify where we can provide comparable services locally on a much more economic basis. I suspect that government contractors are re-engineering their operations in anticipation of these pressures:

Lockheed Cuts & Runs

<https://solari.com/blog/lockheed-cuts-runs/>

Our recent Solari Report discussion with Sally Denton about Bechtel Corporation underscores the importance of realigning the corporate incentives of strategically important companies. We need what is good for them to be good for the taxpayers who pay them, depend on these operations and are liable for related risks.

The Bechtel Corporation with Sally Denton

<https://solari.com/blog/the-bechtel-corporation-with-sally-denton/>

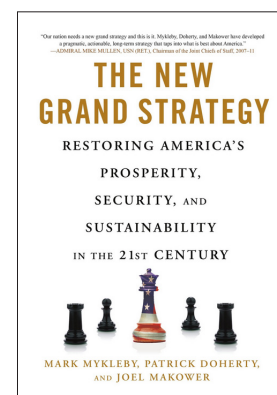
For an excellent overview of more local and national opportunities see a new book from the leadership team at the Strategic Innovation Lab at the management school of Case Western Reserve:

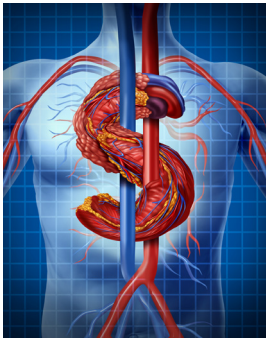
Book Review: The New Grand Strategy

<https://solari.com/blog/book-review-the-new-grand-strategy/>

What if the federal government will not allow for transparency or local participation to re-engineer federal flows in a manner that will improve productivity and return on investment to taxpayers? What if the government is focused on using taxpayer resources to implement central control in violation of the US Constitution?

One option is to create state and local escrows under the state court system for federal tax payments. Citizens within the jurisdictions can file their tax returns with the IRS and then pay the action payments due, if any, into an escrow account created locally for such purposes. The creation of such an account would be citizens exercising their authority under the US Constitution to assert the financial equivalent of a “citi-





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The health care sector in the United State is currently learning what the Soviet Union finally came to understand in 1989 – that centrally planned economics ultimately collapse of their own complexity and expense.
”

zens arrest.” The federal government has refused to obey US Constitutional requirements in the management of spending and is not in compliance with significant laws and regulations requiring audited financial statements and professional management of financial resources. The purpose of the escrow would be to assure that funds were spent in accordance with the Constitution and financial management laws. Funds for the military and the national debt could be forwarded to the Treasury on the stipulation of audited accounts. Funds for domestic application would simply be used locally for domestic purposes. This spending would be re-engineered to ensure that spending was as productive as possible. Consequently, if \$50,000 could buy and rehab an FHA foreclosed property to create a new home, there would be no obligation to instead spend \$250,000 to build a public housing unit, as I saw happen when I worked at the Department of Housing & Urban Development.

I am consistently told that insisting that government taxes be spent lawfully is not possible in the United States. I am not saying it would be easy. I am saying that this must happen if we are going to create a productive society and economy.

In theory, we can also make the economics work through depopulation or slavery. I don't know about you, but I would prefer organizing with my neighbors to re-engineer our government spending, regulations, and resources.

Assuming we can rebuild our local economies, the next step is to rebuild our infrastructure and proceed through the items on McKinsey's recommended list and the other recommendations in Section III.

Proceeding with radical re-engineering of our economy for breakthrough increases in productivity will raise a number of important issues.

Government employment: We have been re-engineering corporations for decades using automation and digital technology to significantly reduce labor costs. We have never applied this type of re-engineering aggressively to government. One reason was to simply maintain employment. One of the problems with re-en-

gineering labor in this manner in the United States is that we have engineered a wide variety of inputs – student loans, small business cost of capital, small business regulation, farm safety rules – to significantly reduce small business and small business opportunity. Much of this was to ensure various advantages and market share for large corporations. In theory, this gave them a broader base to compete globally.

If we want now to re-engineer government to increase labor productivity, we must free small business and farm creation to occur according to market economics. Otherwise, the productivity we gain by re-engineering government will be lost by literally making it impossible for local entrepreneurs, businesses and farms to transition the available labor in a manner that creates employment and prosperity.

Health Care: The health care sector in the United State is currently learning what the Soviet Union finally came to understand in 1989 – that centrally planned economics ultimately collapse of their own complexity and expense. It is important also to note that it is unconstitutional for a government to mandate citizen-payments to private monopolies. In our case, that mandate also wiped out a great deal of what was left of middle and lower class discretionary income.

If we want to “fix” health care in the United States, we need to reinvent our farming, food, and nutrition, convert our health care delivery to focus on preventative health on the most economic basis, encourage as many highly economic natural solutions as possible and subject pharmaceutical products to transparency and market economics.

We also need to end the actions being taken to significantly increase heavy metals and other toxicity in the general population (or provide a reasonable justification for them along with protocols for detoxifying) and to identify the causes of and return the incidence of autism to 1 in 10,000 or greater.

If American health care went to a cash system (no health care insurance, we just pay cash) tomorrow, we would probably be better off within

5 to 10 years. It would, however, be quite a shock.

Education: We need to be globally competitive. We also need to be locally resilient. This means that local communities need plenty of support and input to know how to educate children and provide them with the tools and skills to thrive in this environment. At the same time, the problem is not solved with robots, invasive on-line systems that compromise child and family privacy, corporate schools, and non-stop testing. Education needs to start with local control, responsibility, and accountability that can choose competitively in an open market from a rich offering of product and services from the educational corporate and not-for-profit sector.

Property taxes do not exist to support government mandates for corporate educational software empires that view our children as natural resources to be chipped and tracked for their harvesting. Our children are humans and citizens – not inputs.

There is a reason that the home school movement continues to grow in the United States.

Place-Based Equity:

It is essential to permit small business, local farms, and real estate to create local equity markets and investment vehicles. This creation will improve the flow of equity financing locally so that we can align living systems with our financial systems. If investors finance local equity vehicles, they have the ability to generate capital gains from improving the conditions that improve equity valuations. This includes lowering the energy prices locally, healing the environment, improving the landscaping and beauty of the area and improving local education. This creates an opportunity to profit from NOT stripping the environmental assets and NOT using covert operations to transfer local market share to large, publically traded corporations.

Allowing investment to flow to both place-based equity and other forms of equity organized in non-place-based pools, allows for optimization through fundamental economics and free market

dynamics. This can dramatically improve the benefits of integrating new technology.

With investment in place-based equity accessible, we can move to build an equity system in which capital gains can be generated by reducing consumption and healing the environment. This is an important incentive system that can help the United States to rebalance and reduce consumption in a much more positive and profitable approach than the one contemplated by Agenda 21 (now Agenda 30).

The Shift to a Multipolar World

We are shifting from a unipolar world to a multipolar world. That shift means that the financial subsidy is diminishing that America enjoys from maintaining a dominant position with the dollar as the world reserve currency and our military as global cop. Combined with the end of the debt growth model and the near exhaustion of quantitative easing monetary policies, this change will require a massive reconsideration of what is productive and what is not.

The results may surprise you. The cleaning ladies at Motel 6 are economically productive. They create more real value than they are paid. The \$500,000 law partner on K Street who lobbies for corporate sugar subsidies, transgender bathroom policies, or GMO food is not productive. He helps keep a system going that has a negative return on investment. This means that not only does he not create more economic value than he is paid, he destroys value. In real economic terms he is worth less than nothing.

This does not mean that the shift will be logical or the productive people will immediately rise in importance. I once did a study of the Salem Witch Trials. Salem was faced with serious problems. England was threatening to pull its charter. The colony was threatened by local Indians. There were two groups in Salem – one older established group and a new, more entrepreneurial group. They could not work out a governance process to address their real problems together. In the meantime, they recruited a new minister who failed to get the tithes that he was promised.



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Property taxes do not exist to support government mandates for corporate educational software empires that view our children as natural resources to be chipped and tracked for their harvesting.
”



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There is a reason that Americans buy and own guns at an unprecedented pace. We believe that someone is trying to kill us.
”

He was struggling. The children in one faction accused the women of another faction of witchcraft. The minister sermonized on it. His tithes went up. He sermonized some more. And the older faction addressed its political problems by killing the women of the other faction. The trials ended because the Salem leadership finally realized that they needed to stop going to trial and plant food, otherwise they would starve the next winter.

I fear sometimes that Washington is suffering a similar governance breakdown. It lacks transparency around real problems and potential solutions. We have media that makes money from encouraging unproductive behavior. So, we must start to address productivity at the individual, family, community, and business level. The system is currently too centralized to address the problems and make the necessary changes.

We need to take action and build productivity and prosperity on a decentralized basis wherever it is economic to do so.

VIII. Safety & The Popsicle Index

I want to make a pitch for the Popsicle Index. I don't know anyone in America who feels that his or her Popsicle Index is 100%. If asked, I consider mine to be 0%, particularly now with "surveillance capitalism."

I don't know anyone who has said, "It's a free country" in the last 20 years. I don't know anyone who feels that is safe for a child to roam freely in his or her local neighborhood. I do, however, know many people who will pretend that everything is fine. It is imperative to appear positive and "chipper." That pretense is often fear talking.

You cannot address productivity and prosperity of any kind – whether labor or human productivity – without creating the conditions of safety.

In every family, in every community, in every business, we need to start talking honestly about what we can do to create the conditions of physical safety and personal trust.

In one sense, the fury of many parts of the US population about immigration reflects a deep seated reaction to an endless series of events over the last 70 years that reflect at best an indifference, and at worst an intentional targeting, by the US leadership of the physical safety of the general population.

There is a reason that Americans buy and own guns at an unprecedented pace. We believe that someone is trying to kill us – whether the local real estate developer is arranging arsons and home invasions to accelerate his accumulation of property, whether the local drug dealer is targeting our children, whether New York bankers are stealing our retirement savings with a financial coup d'état, jets are spraying heavy metals over our heads, or state governments are mandating vaccines that turn our children into zombies.

If you want to reduce the number of guns in America, you must simply create the conditions of authentic safety and a shared commitment to respect for individual human and property rights.

This warning brings us back to the fundamental issue that economies develop based on shared "standards and protocols expressed in the form of culture and law. Trust in the integrity of these standards – whether cultural or legal – is the basis of functioning markets. Sound money, the rule of law, and transparency are enablers. Productivity is optimized for the individuals and also for the network as a whole.

Lack of prosperity correlates strongly with lack of integrity in the transactional systems (except in times of widespread scarcity caused by external factors) and in respect for individual and property rights. In one sense our current financial system is an experiment in how far we can go replacing trust with force, government subsidy, quantitative easing and mind control.

Without high integrity in the rule of law and conditions of physical safety, you can kiss trust goodbye. Without conditions that promote persons to trust, you can kiss productivity growth and prosperity goodbye too.



“
I don't know anyone who has said, "It's a free country" in the last 20 years. I don't know anyone who feels that is safe for a child to roam freely in his or her local neighborhood.
”

1 Make your mind your own.

2 Strive to improve your character and habits.

3 Skate to where the puck will be: Develop skills and generate income that reflects where the market is going.

4 Beware the risks of mandated productivity destruction:

5 Chose your location carefully.

6 Practice Financial Prudence: Stay out of debt or minimize it.

7 Do Business with the Ethical, Competent and Productive.

8 Associate with the Ethical, Competent and Productive

9 Plan: Create goals and time and money budgets.

10 Turtle: Put your head down, move forward and never, ever quit.

10 STEPS TO IMPROVING YOUR PRODUCTIVITY

IX. Improving Your Productivity

You and I cannot wait to see how the productivity debates and policies work out at the government and corporate level. We need to optimize our productivity now and continuously.

- 1. Make your mind your own:** Throw out your TV, avoid corporate media, be careful about electromagnetic pollution and dirty electricity, minimize use of smart phones, opt out of smart meters if you can, beware of entrainment on the Internet, minimize exposure to wifi. Use the Solari Report to learn about mind control, entrainment, subliminal programming and techniques used to manipulate you. Pray and meditate to access divine intelligence.
- 2. Strive to improve your character and habits:** Productivity and prosperity reflect our integrity, our habits and our time management. If the world is debasing around you, invest to

ensure that you are headed in the opposite direction – to excellence. Government money has funded a lot of bad behavior that markets will not tolerate.

- 3. Skate to where the puck will be:** Develop skills and generate income that reflects where the market is going. This is a global world – travel, embrace other cultures, learn other languages. Live in a state of continuous learning. Develop entrepreneurial skills. Read the Solari Report Wrap Ups and think about what the shift from Global 2.0 to 3.0 means to you. If you can, avoid dependency on government-funded activities that reflect highly subsidized and negative return on investment activities. The Department of Justice announcement recently that it would not renew the Bureau of Prison private prison contracts is an example of more to come. Government budgets are going to be subject to productivity analysis and cuts for years to come.



Wayne Gretzky, New York Rangers.
Source: Iris Kawling at en.wikipedia.



“
Ultimately, the question before us is whether we can emerge a global culture that practices the golden rule and does so economically. “Do unto others as you would have them do unto you.” ”



4. **Beware the risks of mandated productivity destruction:** The truth may be inconvenient, but it is economic to face it as early as possible. If your doctor insists on vaccinating (they get bonuses from the insurance companies accordingly) or your state mandates heavy schedules of vaccinations, changing doctors or moving is cheaper than caring for a severely autistic child for the rest of your life. If Common Core curriculum and testing will ruin your children’s chances in Global 3.0, you need to consider home schooling or private schools. Junk food can kill you. Don’t eat it. Travel with a cooler.
5. **Chose your location carefully:** Choose to live and spend time in areas that are experiencing economic growth, where the population enjoys above average health and physical safety and where there is political support to protect natural resources and invest in infrastructure. Look for jurisdictions with strong local leadership and prudently managed finances. A good sheriff committed to the Constitution is a big plus.
6. **Practice Financial Prudence:** Stay out of debt or minimize it, live modestly, keep your overhead low, and save. tithe, donate, volunteer, and help others. Be useful.
7. **Do Business with the Ethical, Competent, and Productive:** Keep criminals out of your life as much as possible. When you make exceptions, appreciate the risks and take precautions to manage the risk. So if you have a predatory mortgage servicer, put protocols in place to check your statements carefully. Do background checks. Check references. Take the time to get to know people and their services. Make sure you are compatible.
8. **Associate with the Ethical, Competent and Productive:** Keep untrustworthy people out of your life and seek out and find inspiration in associating with people who are productive and create prosperity. Prosperity rubs off on those around them.
9. **Plan:** Create goals and time and money budgets. Estimate your Popsicle Index. What

makes it go up and what makes it go down? Ditto your net worth. Make sure your time is getting you the best results. Eliminate from your life people, institutions or activities that are draining your Popsicle Index, your time, or your finances. Eliminate anyone who makes you feel guilty. If someone or something is not giving you energy, you are not on a productive path. Your success, possibly your survival, depends on staying on a productive path.

10. **Turtle:** We are in a high-friction economy. The variability of possible scenarios is high. Put your head down, move forward and never, ever quit. Look for opportunity as the future unfolds. It is always there. Keeping the accomplishments rolling day-by-day creates productivity. Avoid anger if you can – it is very energy-expensive in this environment.

I often quote my great ally, Thomas Hupp, “the bigger the break down, the bigger the break through.” The end of the debt-financed growth model, the strain on natural resources, and falling productivity growth are signals that the existing economic order in the United States and some other parts of the world is not working. At the same time, we are experiencing the potential for explosive value creation from new technology. Alternatively, we could also use this new technology to destroy ourselves.

Ultimately, the question before us is whether we can emerge a global culture that practices the golden rule and does so economically. “Do unto others as you would have them do unto you.” With globalization, it was bound to happen that the American subsidy from military dominance would diminish. The covenant the developed countries shared internally or with each other needs to be replaced with a new, powerful covenant shared globally.

At the Solari Report, we are proceeding with a sharp eye to protect you from the risks involved, to hunt for the opportunities that emerge and in the faith that it can and will be done.

—Catherine Austin Fitts

II. News Trends & Stories



“We interviewed about 2,000 of our clients and we got a very sobering message from them. They said: ‘Well, you should realize that we all need banking, but we don’t need banks.’” –RALPH HAMERS, CEO, ING Group, Netherlands

OVERVIEW

The pace of events in the 2nd Quarter was explosive!

The Solari Report team has carefully culled the most important *News Trends & Stories* from our website weekly *Top Picks* throughout the last three months. Our *Top Picks* editor, Texan Brad Eddins, has made quite an effort to help me identify the most valuable sources for you. I had the opportunity to visit and review our choices with Dr. Joseph Farrell before we recorded our discussion on this section and included his invaluable suggestions. Numerous allies and subscribers sent comments. Whether weekly *Top Picks* or the *2nd Quarter Wrap Up News Trends & Stories*, our choices also reflect the rich flow of links and suggestions Solari Report subscribers sent throughout the 2nd Quarter, for which we are most grateful.

Our goal is to ensure that you are exceptionally knowledgeable about current events, but with a minimum investment of your time.

ECONOMY & FINANCIAL MARKETS

The global economy is slowing while financial markets are managing risk and uncertainty, both of which grow as the change to a multipolar world accelerates. Risk and uncertainty took a big step in the last week of the 2nd Quarter when the United Kingdom voted to exit the European Union. Brexit signals a momentous shift is underway.

Brexit Roiling Markets

- **World Stocks Tumble as Britain Votes for EU Exit**
- **The Sky has Not Fallen After Brexit but We Face Years of Hard Labour**
- **UK Credit Ratings Cut: S&P and Fitch Downgrade Post-Brexit Vote**

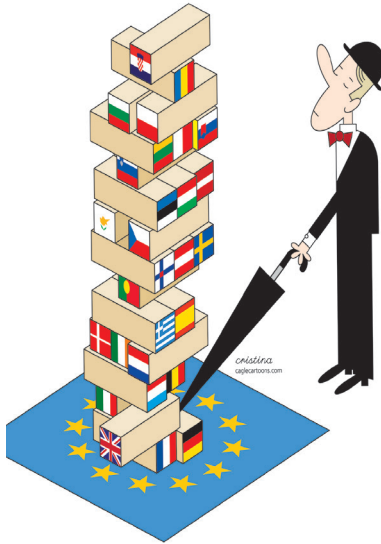
Global Slowdown

- **G7 Vows Growth Efforts as Japan’s Abe Warns of Global Crisis**
- **‘Act Now or Risk another Deep Downturn,’ OECD Warns**

- **Internet Boom Times Are Over, Says Mary Meeker’s Influential Report**
- **The World’s Most Elite Conference this Year will Discuss Something Called “The Precariat”**
- **World Bank Cuts Global Growth Outlook as Rich Economies Stumble**
- **Earnings Forecasts Always Get Cut, but 2016 has been Particularly Terrible**

Global 3.0 Rising

- **Mind-controlled Car Unveiled in China**
- **A Fleet of Trucks Just Drove Themselves Across Europe**
- **High-Speed Hyperloop Hits 116 mph In 1.1 Seconds During First Public Test**
- **NVIDIA Launches World’s First Deep Learning Supercomputer**
- **Coding School 42 Plans to Educate 10,000 Students in Silicon Valley for Free**
- **Foxconn Replaces ‘60,000 Factory Workers with Robots’**



PLEASE NOTE: The bold text in blue throughout this section indicates a hotlink that will take you to websites, pages or videos, which will provide more detailed information. Visit the Solari.com site and use the search function to locate the items.

Surveillance Capitalism

- You can Now be Identified by Your ‘Brainprint’ with 100% Accuracy
- Uber Says Gave U.S. Agencies Data on More than 12 Million Users
- CIA-Backed Artificial Intelligence Firm To Spy on Wall Street Traders

Financial Hot Potatoes

Negative & Low Interest Rates

- McKinsey Global Institute: Why Investors May Need to Lower their Sights
- Schwab Is Forcing Cash Out Of Money Market Funds And Into Treasuries
- Equities over Bonds, but Expect Lower Returns for Longer, Societe General Says
- Historic Milestone: Negative Yielding Debt Surpasses \$10 Trillion For The First Time
- Post Brexit, Odds are Up for Fed Interest-rate Cut

Productivity: The Health Care, Education & Government Re-engineering Cock-up

- In a “Farce,” Missouri Replaces Common Core with Common Core
- Small Business Owner Explains The Unintended Consequences Of Obamacare

US Budget Hot Potato

- \$1,400,000,000,000: Oxfam Exposes the Great Offshore Tax Scam of US Companies
- US Republicans Pass \$3.8 Trillion 2016 Budget

Pension Fund Hot Potato

- Treasury Department Rejects Plan to Cut Pension Benefits for Teamsters
- How Puerto Rico’s \$70 Billion Crisis Is About to Get Catastrophic

- Report: DPS Kept Millions Intended for Pensions

Commodities & Oil

- International Oil Companies: The Death of the Old Business Model

Flows

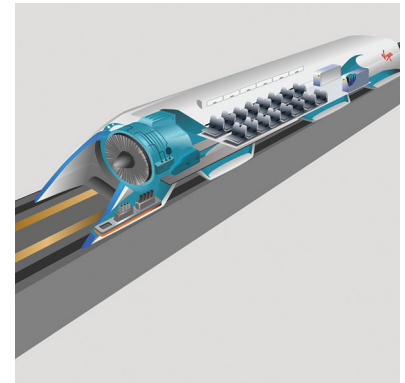
- Central Banks are Loading Up on Gold
- Why MSCI Inclusion Matters for China
- Get Real: Billions Set to Pour into Real-estate Investments

Volatility, Uncertainty

- PWC’s 19th Annual Global CEO Survey
- The Lemonade Menace

The Future of Food

- Introducing the Solari Food Series
- EU Nations Fail to Approve Weed-killer Glyphosate
- Russian State Duma Bans Import and Production of GMOs
- Calling ALL Venezuelans to the Table
- DARK Act Compromise Could Preempt Vermont’s GMO Label Law



GEOPOLITICS

Brexit and the US presidential campaign sent shock waves around the world as the backlash against centralization and the unipolar United States grew. Continued growth and investment in Asia is rebalancing trading relationships. Asian per capita incomes are headed for convergence with G-7 incomes while Latin American and African incomes are lagging.

In the 3rd Quarter, look for—

- The restructuring of China’s economy to continue to ruffle feathers.





- The British Commonwealth to seek a modern soft power role heeding ancient trade and traditions.
- Growing concern regarding inequality and low productivity growth despite dazzling innovations in science and technology.

The Shift to a Multipolar World

- [USS Donald Cook Buzzed By Russian Aircraft... Again!](#)
- [Putin Orders Forming of Russian National Guard Force](#)
- [Putin Declares Reshuffle in Russia's Law Enforcement Agencies](#)
- [Moscow Voices Alarm as NATO Romanian Missile Defense Base Goes Live](#)
- [A Russian Warning](#)
- [Saudi Arabia Warns of Economic Fallout if Congress Passes 9/11 Bill](#)
- [Report: Germany 'Annexing' Dutch Military As Secretive EU Army Begins To Take Shape](#)
- ['Time for Bundeswehr to Grow': Germany Announces 1st Army Expansion since Cold War](#)
- [The Panama Canal: Wider Impact-What the Expansion of Panama's Waterway Means for World Trade](#)
- [Putin Backs 'Just' Solution to Israeli-Palestinian Conflict](#)

5. The Silk Road Grows

- [World Economic Forum: Rethinking Global Growth | Min Zhu](#)
- [Moscow & Shanghai Seek to Dominate Gold Trade](#)
- [Chinese Firms Boost Construction of New Egypt Capital](#)
- [Vladimir Putin Imagines Hyperloop Silk Road](#)



EU: What's Next?

- [News and Views from the Nefarium June 25 2016 on the Brexit](#)
- * [Brexit: What Happens When Britain Leaves the EU](#)
- * [Brexit: U.K. Votes to Leave EU "GIS Coverage](#)

US Presidential Campaign Rocking the World

"Because my country is in trouble. Because I felt anguish at all the estrangements. Because some things that shouldn't have changed have changed. Because too much is being lost. Because the great choice in a nation of 320 million may come down to Crazy Man versus Criminal." - PEGGY NOONAN on the US presidential campaign.

- [That Moment When 2016 Hits You \[Subscription required\]](#)
- [Susan Sarandon Crucified For Making Sense On Hillary Clinton](#)
- [Virginia Governor Restores Felon Voting Rights](#)
- [Hurdles to US Ratification Leave Fate of TPP Deal Hanging](#)

Obvious Assassination & Covert Operations

- [A Second Zurich Insurance Executive has Committed Suicide](#)
- [Two Key Players In Flint's Water Crisis Died Last Week](#)
- [Kennedy's Swings, Scalia's Death Define Volatile Supreme Court Term](#)

Hot Spots Rise

Are We Sovereign?

- [Colorado Town Says "No" to HUD, Refuses Federal Funds](#)
- [House Adjourns Amid Chaos as Dems' Sit-in Over Guns Halts Business](#)

- **Stop the Con-con: What is a Constitutional Convention?**
- **Richard Dolan on False Flags**
(<https://www.youtube.com/watch?v=PGg-5HqtbVdg&feature=youtu.be>)

Soft Revolutions, Soft Weapons

- **Feds Issue Guidance on Transgender Access to School Bathrooms**
- **Court Takes Child From Mother After She Mentions Chemtrails At School**
- **The Panama Papers: Making Digital Crimes Fashionable**

South China Sea

- **Indonesian Navy Impounds Chinese Trawler for Illegal Fishing**
- **South China Sea Clashes Are Fracturing ASEAN**

Ukraine

- **Ukraine to Face Consequences after UK Votes for Brexit**

Syria

- **Syria's Future is Disappearing**

Immigration

- ¶ **Deadlocked Supreme Court Deals Big Blow to Obama Immigration Plan**
- **Why Immigration Pushed Britons**

SCIENCE & TECHNOLOGY

We are indeed in a golden era of innovation. Advances in science and technology are dazzling. However, such advances are not translating into greater productivity growth or a better quality of life for many people. Nevertheless, innovation continues to accelerate. This change includes our investment in becoming a multiplanetary civilization.

The Space-Based Economy

- **The US is Close to Approving the First Ever Private Moon Mission for 2017**
- **United in Space: China, India Pave the Way to BRICS Cooperation in Space**
- **NASA Historic Announcement: More than 1,200 New Planets that Could Hold Life Found**
- **That Bariloche Visit... Again: Strange Goings on in Space**
- **US to Move Space Assets into Deep Space**
- **Reaching for the Stars, Across 4.37 Light-Years**
- **China Wants to Land on Mars by 2021: Top Official at the Country's Space Agency Reveals Plans for Mission to the Red Planet**
- **Ready for Blast-Off: Lockheed Martin Launches Educational Program to Prepare America's Students for Deep Space Exploration**

Blockchain

- **How Blockchains Could Change the World**
- **World's Largest Payments Network Visa Plans Blockchain Push from India**
- **Central Banks Conspire to Harvest Bitcoin's Revolutionary Technology**

Health Freedom

- **Recap on my Unintended Series: The Holistic Doctor Deaths...**
- **Vaxxed From Cover Up to Catastrophe - At Current Rate, 80% of US Male Children may be Autistic by 2032-TRAILER**
- **Vaxxed: "Get Off the Bus!" Sheila Lewis Ealey Unites Compton!**
- **New Vaccines will Permanently Alter Human DNA**
- **Another CDC Whistleblower Adds Fuel**





to Vaxxed Film's Fight Against Censorship

- Watch Robert De Niro Speak Candidly About Anti-Vaccine Documentary, His Son, Autism, and More:
- Former NBC Boss Asserts His Grandson Damaged by Vaccines
- Florida Town Buzzing Over Biotech Mosquito for Zika Defense
- US Death Rates Increase In 2015
- Global Life Expectancy Increases to 71.4 Years

Zero Integrity Systems

- Cyber Crime Costs Projected To Reach \$2 Trillion by 2019
- Anonymous Shuts Down Bank of England and 12 more International Banks
- Vail School District Moves Beyond Textbooks
- JP Morgan Wins Dismissal of Madoff Investors' U.S. Lawsuit
- States Seek Solutions to Deal with Cyber Threat

Innovation

- Why this Golden Era of Innovation isn't Improving Productivity

THE BIG QUESTIONS

The big questions keep growing, underscoring the transparency necessary for us to find real solutions to the challenges before us.

Who (or What) does Richmond Valentine Want??

- Americans' Confidence in Institutions Stays Low

The Future of Cash

- Bundesbank Bank's Thiele Against Electronic Money

The Future of Income

- Swiss Voters Reject Proposal to Give Basic Income to every Adult and Child
- ### Economy: Open or Closed?
- Temple of Baal Arch Canceled for New York City

The US Dollar as Reserve Currency: Did Brexit Ring the Bell?

We have known that the US dollar was “dangerous and dominant” and that its primacy as global reserve currency would not last forever. It looks like Brexit may be the beginning of the end.

With dollar borrowers around the world, the dollar should have some financial strength in the short and intermediate term. But, even if invisible military firepower can protect the dollar for some period of time, the general population is unlikely to share the financial benefits.

In the long term, people who depend on the dollar need to be prepared for increases in expenses. With government cash flows tightening, it is time to protect individual and community sovereignty, including local privacy, property rights, and the right to create and use local currencies and equity vehicles.



An in-depth look at the News Trends & Stories

An interview with Dr. Joseph Farrell

PART ONE



ECONOMY & FINANCIAL MARKETS

Catherine Austin Fitts: Ladies and gentlemen, welcome to the Second Quarter Wrap Up. We're going to be talking about news trends, and stories with Dr. Joseph Farrell, as we do every quarter. It's one of our most popular Solari Reports.

We have four sections this evening: Economy & Financial Markets, Geopolitics, Science & Technology, and The Big Questions. Part one is going to be the first two – Economy & Financial Markets and Geopolitics. Part two, which will run next week, will be Science & Technology and The Big Questions.

Before we invite Dr. Farrell in, I wanted to just remind you of the introduction quote to the Second Quarter Wrap Up, "The debt-financed growth model has reached its limits. There are no shortcuts that aren't reforms." That's from the German Finance Minister at the G20 meeting in Shanghai.

For the News Trends & Stories, the quote is from the CEO of ING Group, one of the largest financial institutions of Europe, "We've interviewed about 2,000 of our clients, and we got a very sobering message from them. They said, 'Well, you should realize that we all need banking, but we don't need banks.'"

With that, let me introduce Dr. Joseph Farrell who needs no introduction here. Joseph, I have to say that until a week ago this was looking to be the most fascinating Wrap Up of news, trends, and stories we've had to date. Then with Brexit, it looks like it's the most momentous we've ever had.

Dr. Joseph Farrell: It's huge, and thank you for having me back on. There is no way of slicing this other than it's at least a major event and, depending on how you approach an analysis of this thing, in my mind, this is either a huge defeat for Mr. Global, or it's another indicator of what I've been arguing; there are some really serious factional fighting, fissures, and cracks going on in the globalist agenda.

This is just huge. There's just no two ways about it.

Fitts: I would say this is the beginning of the end for the unipolar world.

Farrell: I would say that, too. I really think that. It's the end of the American attempt to completely keep Europe under the thumb. Britain isn't going to go along with it, and you can't blame them. There are a lot of factors in play here.

The cost of EU regulations that you and I talked about at great length on Sunday is that a number of unelected commissioners in Brussels are handing down regulations that everybody has to abide by. This is what most people don't understand,



“**The debt-financed growth model has reached its limits. There are no shortcuts that aren't reforms.**”



particularly in the United States. They tend to think of the EU as a legitimate democratic federation, and it's not. It's an unelected set of bureaucrats in Brussels who are basically dictating to the rest of Europe. This means that there is an undue influence in weight given to French and German commissioners. Of those two countries, we know which one is in the driver's seat.

For Britain, I think this is a long-term gain. I really do. I think what you have now is an opportunity for Britain to act on its own. I think we're going to see some very aggressive diplomacy coming out of Britain. I've been arguing this on my own website. I think we're going to see some aggressive diplomacy and some very aggressive trade deals come out of them.

I think what you're also going to see – and this is something that I would advise people in the commonwealth countries of Canada, Australia, New Zealand, etc. to look for – Britain played the soft power card with the commonwealth. Absolutely.

This is going to create some interesting investment opportunities. I think Britain is tired of American leadership, and I think they are tired of America representing the English-speaking world culturally. They are tired of the multiculturalism.

The Brexit vote was not a surprise to me at all.

Fitts: Right. Let's step back and go through some of the different reasons for this vote because I think it's very important. I have about five or six reasons – because this was a multi-varied equation that was driving it. I would say that number one is the preservation of culture, and this is something you've talked about for years.

If anybody has pounded this drum, it's you. I think the Brit's are absolutely moving to preserve their culture. Maybe you could describe that.

Farrell: Well, the bottom line here is Islamic culture is not compatible with a Judeo-Christian Western European humanistic culture. We've got those three influences at work in our culture. We have a prolonged history of the effect and influence of religion and theology on the development of our institutions, and particularly our law.

In addition to that, we have the Renaissance and the Enlightenment influences with an emphasis on humanism and individual freedom and creativity, and certainly a large part of that comes out of the Protestant Reformation as well.

You've got a cultural conflict here that simply is not going to be solvable by allowing people to live in medieval, barbaric ghettos and practicing a form of medieval law – and, quite frankly, brutality. In terms of Western cultural mores, it's very demeaning to women. You've got all of this in play.

I think that kind of multiculturalism is simply poisonous to any nation or civilization that wants to go down that path, and I think most people in Britain realize that and sent a resounding 'no.' You're welcome to assimilate to this culture, but you're not welcome to impose a system of law and a system of morality on this culture in the name of what is essentially a backward, medieval, unreconstructed, unreformed religion.

I think that is largely in play here. But I think there are some other things culturally, too, that are in play. I think that there have been cultural consequences to this idea of Mr. Global and the unipolar world where everything is going to be run by multinational corporations rather than sovereign nation states.

If we look at the Brexit vote from that second point of view – and I've been arguing this on my website – I think it's a referendum on the colossal failure of Mr. Global in this respect. They have proven themselves to be people who view the laws and institutions of the countries that they're in and operating in with contempt. They have viewed themselves as above the law. They have viewed themselves as grand manipulators – to use Zbigniew Brzezinski's phrase of the grand chess board – without due regard for the culture and institutions that they're in.

I think this was a referendum on that philosophy within the globalist division. You can have a globalist vision, but I don't necessarily think it must necessarily exclude the idea of the sovereignty of the individual or the locality, and more impor-

tantly, of the nation and its culture.

I think it was a huge vote on that as well. I think that's the second influence that was percolating. At least this was the feeling, that I had from members of my own website that live in the United Kingdom, and many as well that live elsewhere in Europe who are watching it.

I think this vote is going to spread. On the day it happened, I was literally flooded with emails from members in France, the Netherlands, Denmark, Austria, etc. who were applauding the vote. In other words, it was a very popular vote in the rest of Europe among basic middle-class Europeans.

Fitts: I don't know if you realize this, but the latest poll before the vote, showed that 80% of the US supported leave.

Farrell: Yes, you've got the same sentiment here. This was a referendum on the track record of Mr. Global. And let's face it: If we look at the track record of Mr. Global since the Clinton Administration and the deregulation of the banks and the deregulation of the media etc., it's been a track record of colossal fraud. It's been a track record – in my opinion – of colossal failure, both geopolitically and financially.

We've seen the bailouts and the quantitative easing and on the like, so it's a referendum on that. I think in a certain sense the Brexit vote was a national vote that reflected a growing international consensus within various Western countries. This, to me, is why the phenomenon is legitimate. I think it's a legitimate setback for that kind of globalism, and I think there are some other influences – deeper influences – at work in this vote.

I think that Britain and the British deep state are very well aware of two fundamental problems, and those we discussed in the *The Economist* magazine last year running that op-ed piece about the calcification of the American political class. At the time, Jeb Bush and Hillary Clinton were the front-runners. If you're across the pond and you're an ally like Great Britain looking at this phenomenon, you've got to be thinking, "You're kidding!

You can't do any better than running the same old thing and the same old game that you've been playing for the last 30 years?"

If you're Britain looking at that, you're thinking, "There are no new solutions here. There is no new thinking here; it's just the same old same old, and it's not working."

I think it's a revolt in that sense. Looking at America unipolarism, Britain can do much better outside the EU on its own in terms of negotiating directly with countries like China and Russia and others.

Fitts: Do you remember when the Chinese Premier came and spent a fair amount of time with Brit's and had dinner with the Queen? You and I talked about it, and we said, "There's a deal here," because if you look at the commonwealth countries, suddenly they are all surpassing in trade with China what they are doing with the United States.

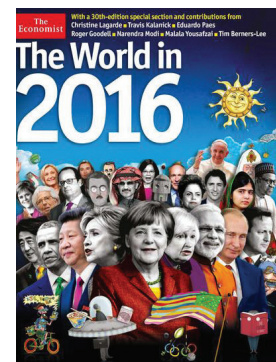
If you look at the New Zealand, Canadian, Australian and the UK balance of trade, it is at a crossroads in terms of which way they go. My impression was that TPP and the Trans-Atlantic Agreement were going to be the US's ways of tying them back into the traditional Anglo-American Alliance and, in fact, that stalled with the election. Now we see the Brit's taking the commonwealth – I think – and reinvigorating the old empire trade alliance. You used the right words, 'soft power'.

Farrell: It's not only that, but I think those trade agreements, particularly the Trans-Atlantic and Trade Partnership – which one of my website members called a 'terribly bad investment plan' – and if you look at the response now spreading in Europe, the whole thing is dead. It's dead if it's not fundamentally renegotiated with terms much more favorable to Europe.

There is tremendous pushback against it in France. I think this will spread to the rest of Europe. Probably the only country that is going to support it – more or less half-heartedly – would be Germany. Even then, the Germans just inked several billion dollars' worth of deals with the



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Chinese and, behind the scenes they're quietly negotiating with the Russians. Thus the whole economic situation is driving a fundamental change geopolitically. I think that trade deal is dead.

I think at the fourth level, the Brexit vote was really a vote against the insipient fascism – if I can be very blunt and frank – of the European Union. It was a vote against the German dominance of the continent. In that sense you can't blame the Brit's. They've fought two world wars, after all. From that point of view, it makes a great deal of historical sense, and there is much more to be gained – as you pointed out – and their trade is growing with China.

I don't know much about what kind of trade the commonwealth nations are conducting with China, but I'm guessing it's not all Wal-Mart's.

Fitts: I really wonder, in part, if you look at the timing of this, that the Brit's are trying to get out ahead of a couple of big hot potatoes – one of which is a European bank bailout.

If you look at the trading patterns of both the UK and the European banks, clearly they are coming into something that is going to need to be done this year, including the possibility that Greece gets moved out of the EU. So that is coming.

The other thing that is coming is an explosion in the general population in Europe about immigration.

Farrell: Yes, absolutely.

Fitts: Here's my question: Is it Germany that is pushing the immigration, or is it the Vatican?

Farrell: I've pondered this immigration problem for a long time. Germany, to be sure, but more precisely, Chancellor Merkel, because it's equally unpopular with many Germans as it is elsewhere in Europe.

It's really Merkel and, again, the globalist bureaucrats in Brussels who have been behind this. I have had suspicions as well; there have been a number of internet stories. I haven't had the time to pursue them or verify them, but they said

that, to some extent, this was being driven from Silicon Valley in the United States with tweets on Twitter and social media. They were telling people in the Middle East and Africa, "Move to Europe, you can get benefits there," and statements of this nature in order to swamp Europe with an immigration and social programs crisis to keep their economies in chaos and, therefore, under the American thumb.

The other scenario that I have been entertaining is the idea that if you're going to create a genuine Europe, you have to create a European sense of identity and culture rather than simply a French, German, an Austrian, or a Norwegian sense of identity. The way you do that is you bring in a completely alien and foreign and – let's be honest – barbaric and brutal culture and expose your people to it to create a backlash and that sense of togetherness and belonging in something that you possess in common that they don't.

I've been viewing the immigration crisis there as perhaps having been deliberately orchestrated for precisely that cultural purpose. We certainly do see the backlash now in Europe with the growth of political parties and movements on the political right in Europe that are giving voice to the idea of our fundamental European values of a Judeo-Christian humanistic civilization which are now under assault by this invasion.

We have to understand something here. There are two manifestations of this in Europe. One is an extreme right-wing kind of neo-fascist/neo-Nazi sort of pagan revival. I don't know what else to call it. We've certainly seen some of that happen.

But for the most part, the more serious political movements are not catering to that, and are, in fact, carefully avoiding any rhetoric or language that would even suggest that. You've got much more serious politicians in the Netherlands with Geert Wilders and people in France and Germany supporting this idea of closing the borders. "If you're willing to assimilate, fine, you're welcome to stay, but if not, out you go."

Fitts: Do you think, that there is any chance

that the Brit's are trying to get out ahead of the Americans trying to start a war with Russia?

Farrell: Yes, I do. I think this was a vote also at a fourth and deepest fundamental level. I think this was a vote against American unipolarism.

If you look at the rhetoric and the nuttiness coming out of Washington with respect to Russia, there is just no other way to qualify it other than as insanity. Russia is not planning to invade Eastern Europe or anybody else anytime soon, but if they think that they can muscle Russia and make it cow-tow to their orders and threaten it, they've got another think coming. It's just not going to happen.

I think in Britain, if you're looking at these developments, especially at how America has so wretchedly botched its presence in the Middle East since 9/11 and has destabilized the entire region, and if you're looking at that from the British point of view with their long-standing interest in that area, you've got to be dismayed. You've come to the realization that you can't simply go along with everything that Washington says anymore; you've got to strike out on your own.

The reason I think the commonwealth is very important here is that Britain, on its own, is a powerful economy. It's certainly a world power still. It's a nuclear power obviously, and, it carries a leadership position within the commonwealth. If that institution can be revived in a soft power sort of way, Britain will carry a lot of weight in the world. In the long term, Mr. Global has already stomped his feet and whined and pouted and done what he can to punish Great Britain as a result of this.

In the short- to mid-term, it's going to be a little bumpy for them. In the long term, they're sitting well.

Fitts: You know I believe Mr. Global did Snowden and Putin and everything to try to encourage a little competition because the unipolar model wasn't going fast enough.

If you look at the extent to which he has shaken it up and been moving it to a multipolar world,

to a certain extent he is much better off with Britain in the lead than the US.

Farrell: Oh, yes. Absolutely. Britain is able to articulate a more traditional Western cultural value system than is the United States. Britain isn't exporting McDonald's and bad music to the rest of the world. You know my music fetish and me.

Anyway, it's true. Britain isn't going to be doing things like this, and British diplomacy has a long tradition. It is very skilled at what they do. I think we're going to see some very aggressive diplomacy coming out.

What is interesting and intriguing to me, is that before the Brexit vote, President Obama was telling Britain, "If you do this, you're just going to go to the back of the queue as far as trade with the United States is concerned."

Now, after the vote, Secretary Kerry is in Europe reaffirming the special relationship between the two. In other words, I think the American deep state is very worried about some of these possibilities.

Fitts: They should be very worried.

I have a couple of more points I wanted to bring up. You told me a story about the Queen which I would love for you to share with our subscribers.

Farrell: Yes. There were three clues to me, as I was watching this vote loom, which indicated there was a very good possibility that the Brexit vote would go through. The first was the op-ed piece in *The Economist* magazine that you pointed out to me last July about the calcification of the American political class. The second clue – and it was a huge one – was when Britain jumped right on the bandwagon to become a board member of China's Asian Infrastructure Investment Bank. That was a big clue that something large was quietly going on and was in the works in the background.

But the third clue – the one that really clinched it – was when a few months ago, Queen Elizabeth II invited a bunch of British dignitaries, including the Vice Premier, to the Palace for dinner. The topic of conversation, as it turned out, was that the Queen was asking the various people – especially pointedly at the Vice Premier, who



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... the royal family represents tradition – good old-fashioned British culture.
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of course represented the Cameron government which wanted to stay in – “Name me three good reasons to stay in the EU.”

If you know anything about British politics, that is the monarchy’s way of saying, “We’re really not in favor of this, and you may want to rethink your policy.”

This got out. When the Queen asks you to tea, you go. This appeared in the British tabloids, and it created somewhat of a minor firestorm. I thought that in itself was a huge clue that something was in the works because the monarchy – as you and I know – is very wealthy. The British royal family is very wealthy. They exercise a great deal of influence behind the scenes and in politics and Great Britain. In addition to this, the royal family represents tradition – good old-fashioned British culture.

I looked at all three of these things.

Fitts: I want to point something out. Yes, they are very wealthy, but if you look at the investment pools that they control as well as the flotilla of endowments and philanthropic pools of capital and family offices that follow them, they are the lead ship. If you look at the accumulated lead position in major corporations that those pools of capital represent, which I dare say is one of the reasons I believe the EU regulations were really cutting into the cash flows.

Farrell: Exactly. I’ve said this many times. I suspect that this was the Queen’s way of trying to head off what may have been a looming constitutional crisis. I say this for the American audience more than for the commonwealth audience who would already know this. Americans have this idea that the British monarch is simply a figure-head, and this is simply not true.

Parliament can pass all the bills of law that it wants to, but until the Queen signs it, it’s not a law. They are still the Chief Executive in Great Britain, and there is nothing within the English Constitution to compel the monarch to sign a bill of parliament into law.

In other words, they do have a pocket veto power that they haven’t exercised, of course, in centu-

ries, but that doesn’t prevent them from doing so. It may have been a way on her part – and the monarchy’s part – to head off what may have been a looming constitutional crisis.

Fitts: It’s very interesting because it takes two years to leave the EU, and there are obviously lots of negotiation and complexity in that process. It doesn’t begin until they file their Form 50.

What is interesting today is Cameron indicated that they were going to proceed to file, and he’s not waiting for his replacement to proceed. That’s what it sounds like.

A decision has been made, and we’ve seen the Brit’s reverse path against the will of the people before. For some reason, it’s not happening. That’s why I bring up the Queen.

I also wanted to bring up a couple of other points. One of the things that I really observed and which gave me the signal that it was not just the meeting with the Chinese, and there were a whole series of articles in *The Economist* warning about this, including one after *The Calcification of Aristocracy*, saying that the US dollar was dangerous and dominant. The clear indication was there are too many sticks here and not enough carrots, so you had better be careful.

There have been plenty of warnings, but one of the warnings that I took very seriously was the *Worricker Trilogy* because, when you deeply offend the British intelligence services, you’ve got a big problem.

Farrell: Well, when you’re offending the British intelligence services – the MI5 and MI6 – you’re essentially offending the home office, which is the British interior ministry and closely allied with the foreign ministry. You’re offending the British deep state, and you’re offending those more traditional elements within both the Labour and Tory parties. It was a huge faux pas, and there is so much in that trilogy to indicate that it’s based on fact with the allusions to Prime Minister Blair and his relationship with President Bush. There are too many allusions in that.

Fitts: I think that given what happened under the Clintons, the Brit’s are looking at Clinton



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versus Trump and saying, “I don’t want Howdy or Doody.”

Farrell: Exactly. They have seen the geopolitical handwriting on the wall, and they’ve decided that this is the moment and opportunity that they need to strike out on their own. This is why I think you’re going to see Britain try to make the best that it can out of its commonwealth relationships. I think there is going to be a lot of diplomacy now between Britain and the other commonwealth countries to present as much of a united front as they can in terms of the soft power card.

In this respect, I think it’s very interesting. I think they’re taking a cue from President Putin and Prime Minister Orban in Hungary in a certain way because they’ve been saying the same thing. You cannot have a genuinely multipolar world where the rights and sovereignties of nation-states are not taken into account.

In other words, they’ve been taking direct aim at the globalist dogma that corporations and altruistic central bankers like David Rockefeller are going to run everything. So I think Britain has just joined that chorus.

Fitts: One of the factors that you and I both think is involved is Nazi International. Could you just touch on that?

Farrell: Yes. This is, I think, the deepest disturbing thing about the motivations behind the Brexit vote and what the motivations of the British deep state may have been. As I pointed out in my book, *The Third Way*, if you look at the structure of the European Union and how it was cobbled together very quickly and very secretly, by Chancellor Kohl and the then French President Valery Giscard d’Estaing, it is essentially almost detail for detail the working out of a Nazi plan that was published in Berlin in 1942.

It was a document sponsored by IG Farben. Very clearly, if you study this thing, it was recommended that they simply bypass national legislatures by creating an international regulatory bureaucracy that would have total control over the movement of capital, over the movement of

labor, the standards of production, agriculture, and everything, and do so by regulatory fiat.

Fitts: John Laughland wrote a book about this called *The Tainted Source*.

Farrell: Exactly. I think this was also in the thinking of the British deep state. “We can’t possibly be a part of something that has that kind of background and doesn’t really have anything within that structure to protect the local nation or even the localities within a nation, much less the individual rights and liberties that Western civilization has struggled so long to secure.”

The EU is a threat to all of this. I’ll be very blunt. We’re certainly seeing that in the way that Germany has been dictating to countries like Italy or Greece and others.

Again, I think the British made the correct decision. In a certain sense, if you go back to a Britain by the name of Christopher Story, who has passed away, but he was trying to alert Britain to the dangers of the European Union and pointing out precisely the ultimately Nazi origins of many of its institutions. I think in a certain sense this is his vindication – this vote – because I do think the British deep state was very aware of these things and very concerned.

Fitts: My last point is that right after Brexit passes, Standard & Poor’s announces they are dropping Britain’s rating from an AAA to an AA+, which is, in fact, the US rating. S&P dropped the US about five or six years ago, and when they did, shortly thereafter the Department of Justice went after Standard & Poor’s.

My guess is that at this point whatever the Administration wants, the Standard & Poor’s do. This is basically a message.

For more than a century the Anglo-American Alliance has ruled the financial world together. This is one side of the Siamese twins declaring war and saying, “No, you’re not going to be independent of us with a cheaper cost of capital than we have. We’re going to raise your cost of capital across the board at the worst moment.”

Farrell: Right. It’s a financial declaration of war





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I think Britain positioning itself in the Asian Infrastructure Investment Bank was a key strategic move.”

and I think that the British deep state knew that this was coming. I think that they were planning for it – as you pointed out – with the meeting with President Xi Jinping of China and his meeting with the Queen and other British elites. This was in the cards. They knew it was going to come.

I think Britain positioning itself in the Asian Infrastructure Investment Bank was a key strategic move. In retrospect and hindsight, I think that move signals the fact that they knew that Britain was going to bolt from the EU for some time. They’re going to bypass it with trade deals to China, so I don’t think they’re that concerned.

Fitts: So unless you have phenomenal space weaponry that we don’t even understand or know about, this is the beginning of the end of the US reserve currency status. It’s going to take a real rabbit to pull it out of the hat at this point. I don’t know how many years we have to adjust, but here it is.

Brexit is a momentous time. We’re just going to be watching throughout the third and fourth quarter. We’ll know a lot more about what it means as things evolve.

Let’s move over to some of the other areas in the global financial arena. Not unconnected to the powerful forces of decentralization, we are in a global slowdown. It’s global, and it’s happening in the United States, and it’s happening globally. Maybe you could say a little bit about that.

Farrell: My model of this – and I’m not a student of finance or economy to the extent that you are by any stretch of the imagination – is predicated on my basic model that we’ve been looking at: infighting within Mr. Global’s circles for quite some time. I think you can boil that infighting down to two models – the centralization model, which is the model that the Rockefeller and the Rothschild’s would be operating under if you want to name names. Then, the Young Turks, who see this more as a unipolar world not so much clustered around corporations or, for that matter global institutions, but rather clustered around a basic philosophy and

approach to things that emphasize the locality.

I think you’re seeing little hints of this surface from time to time in the various European countries where you hear about movements of secession from the nations that they’re in – Catalonia in Spain and even Venice in Italy.

You’re seeing a discontent with the centralized super state because the centralized super state-going back to what you pointed out with the EU- the cost of regulation is making business and real growth impossible.

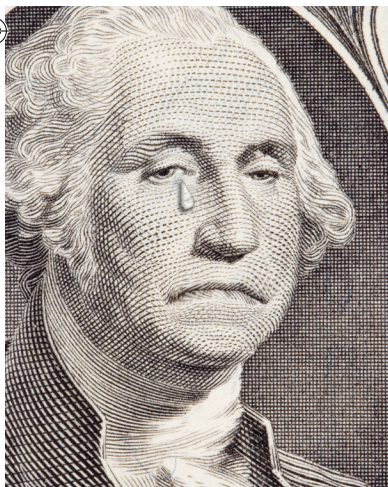
Fitts: One thing that may have impacted Brexit is we’ve had the central banks and the big banks looking at blockchain and what it can do. I literally can see the Bank of England saying, “You know, we’re better off out just with the commonwealth because this thing is going to be powerfully decentralizing.”

Farrell: Yes, it is. I think this is really the reason for the slowdown. You’ve sucked so much liquidity out of the hands of the middle class – the people who are going to drive an economy. You suck so much out of them in the past decade or so that the slowdown isn’t going to turn around until the centralization model is broken.

This is why we’re seeing the failure now. I think you’re absolutely right. We’re going to see some major banking upheaval in Europe of some sort, and there’s going to be reforms. Let’s just be honest. Let’s put the warning out there right now. If the reform is more centralization, it’s not a reform. It’s not a genuine reform. That’s the bottom line.

Fitts: Hear, hear! So Global 3.0 rises. I’m going to be talking a lot about this in our Second Quarter Wrap Up. We’re having an explosion of technological innovation, but it’s not adding anything yet to productivity.

Farrell: Right. The reason it isn’t is because people don’t have the money to invest in it. Let’s look at my scenario of Mr. Trump for a moment. I think this speaks directly to what might be happening in terms of an analysis of American politics right now, which I know the rest of the world is also watching very closely.



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If you look at Trump, in my opinion, what he represents is a segment of the American deep state that is very, very pissed off about the way that the rest of the American deep state has been running things. That segment of the American deep state has been hit hard by the drying up of leisure capital and liquidity in the hands of the middle class and being able to spend in their casinos, which is the deep state of the mafia.

I think you're really looking at a candidacy that is coming from a segment of the American deep state that realizes you can't keep running things the way you've been running them because it's killing the economy and it's killing their bottom line.

He represents this idea of factional infighting that is going on. Hillary Clinton, on the other hand, represents what we've been seeing and dealing with for the past 30 years and a track record of failure. I'm not trying to endorse Trump here. Please don't get me wrong, but you can't make all these new technologies and expect them to go anywhere unless there are people who have the money to afford them and utilize them. This is the problem.

You can't have Elon Musk's energy-efficient cars costing over \$250,000. It's just not going to work. You have to reinvigorate production, and you have to put liquidity back in the hands of people so that they can spend money on the things that you're producing. This is the problem, and that's not going to happen from centralized solutions.

Fitts: In fact, artificial intelligence and robotics are moving faster than even leadership expected.

Farrell: Yes, they are.

Fitts: If anything, it's going to get much worse before it gets better.

Farrell: Let's put it this way: I think if you're looking particularly for investment purposes at these technologies, you have to be aware of two things that are going to happen. The technologies are there now, but the problem is they're not going to be brought into a wider role in our culture and in our daily life until people have the

money and can afford to buy and utilize these technologies.

In other words, we're looking at technologies that could come online now and would be online if the economy were healthy. I don't see the economy picking up in a robust or healthy way for maybe a decade, so it's going to delay these technologies.

We already see much more of them than we're seeing if the economy wasn't so bad. That's what I'm saying. Choose your options here very, very carefully because in the long term I think they would be good, but for the short and mid-term, but until Mr. Global wakes up and understands that they have to restore rule of law and trust, they have to move away from this central model and move away from the model of 'no place for the nation state' or 'no place for culture'. Until this happens, the economy is going to remain more abundant.

Let's turn to some of the hot potatoes: Negative interest rates. We now have over \$10 trillion of sovereign bonds trading at a negative interest rate in the market. Forget what central banks are doing.

Since 2000, we've been borrowing around the world from \$2 trillion to over \$10 trillion. Here's the question: Could the US Treasuries go to negative interest rates? Is that feasible?

Farrell: You've got me. What I know about finance I can write on the back of a postage stamp. But here is my fear: We've seen negative interest rates already in Japan. I don't know if that has affected their bond market yet.

There has been talk about negative interest rates in Europe. There is another factor looming on the horizon if you are looking in terms of the bond markets, particularly in Europe. People need to be aware that Deutsche Bank's stock is way down. It is a wash in bad paper and derivatives. So something is going to blow in Europe and it's going to require some major banking overhaul there.

If the result is more centralization, then, yes, you might see negative interest rates on bonds.



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US Treasuries, on the other hand, I don't think you'll see negative interest rates, but any return that you're going to see on them – especially now that we have the Brexit to deal with and a collapsing alliance system and a looming Presidential election – is going to be low. Let's just put it that way.

It may go into negative, but I don't know.

Fitts: The Fed's have said that they're going to bump interest rates. First they said they were going to do it once a quarter. Now they're coming out and saying, "We're going to do it in the fall." Now it looks like, if anything, they are going to cut this year.

Clearly anybody hoping to get yields on their bonds will not see returns any time soon.

Farrell: Exactly.

Fitts: I want to talk about productivity. It's something that is going to be the theme for the Second Quarter Wrap Up. So subscribers are going to be hearing a lot more about it.

If you look at the conversation that happened at the World Economic Forum last year, what they said is if you needed to get productivity up, you had to get it up in healthcare, education, and government reengineering.

Here is my prediction: They're not going to get productivity up. They are going to apply the definition of productivity they've been using to reengineer corporate process, which is make everything explicit. Digitize it into Silicon Valley and robots, cut out all the labor costs, and that is going to make the process more centralized and reengineered. It is going to create a dramatic decrease in productivity from the human point of view.

Farrell: Exactly. I agree.

Fitts: I'm sure it's going to be more productive from Mr. Gates' point of view, but he's going to make a lot more money. It's basically creating monopolies that get paid by mandated payments. It's using government to create fake monopolies, and that is what I call it, a cock-up.

If you think Brexit was a revolt, wait until you see this.

Farrell: Oh, yes. There is going to be such revolt, and I'm glad you raised the healthcare and education components in this because their model of productivity, I can tell you right now, isn't going to work. You can't have a robot coming in and checking your temperature and giving you your medicine and changing the IV. I'm sorry. If you're on a morphine drip or something, would you trust it to a robot? No thank you. You're still going to need the human touch.

It's obvious in healthcare. We need to think of that obviousness as applied to education. I'm sorry. Robots, computers, and so on in the classroom – they're certainly nice to have. They are wonderful tools. You can certainly use them educationally. I'm not a Luddite here, but the bottom line is that if you want to transmit the key monuments of our culture, human contact and human mentorship, real teachers and professors that know their disciplines are absolutely essential to the process.

Fitts: It's almost like they're trying to design something where they say morphogenic fields don't exist, human intelligence doesn't exist, shared intelligence doesn't exist, and there's no such thing as emotional intelligence. If I didn't know better, I'd think that Mr. Global was a machine that didn't know better.

Farrell: I think to a certain extent Mr. Global is a machine that doesn't know better. I keep going back to the fact that the elite exposed themselves to their own nutty, progressive education philosophies. John D. Rockefeller sent his sons – and I mentioned this in the Common Core book that will be coming out in August – to one of these progressive schools, and the result was they ended up not being able to read or enjoy reading very well.

In other words, you end up with an elite, and there are articles appearing now in the American press about this very subject. You end up with 'educated people' with their degrees who are fundamentally not only arrogant, but stupid on top of it.

Fitts: Let's go to the US budget. While we've been reengineering corporate process to be more and more efficient, we've been subsidizing everything with a negative return on investment to taxpayers and having the taxpayers pick up the tab for massive and greater externalities.

I would say we've been driving productivity down for a long time; we've just been able to hide it with more debt.

Now that that is coming to a head, the debt game is not going to work, particularly if we're going to lose reserve currency status. Now we come into a place where presumably there will be an election, we will go to inauguration, and we're going to have to face the reality of the US budget hot potato. What is going to happen?

Farrell: Oh, man. I wish I knew. I'm very serious here. I don't have a crystal ball.

Fitts: This is why Paul Ryan doesn't want to run for President; he wants to run away. He wants to run away from home.

Farrell: Those idiots in Congress on both sides of the aisle haven't got a clue. They're not going to be able to fix any of this.

Fitts: Here is the problem. You cannot fix this without ending the secrecy on the black budget.

Farrell: Bingo! You must have a financial system that is, first of all, transparent. You must have a system of rules of law applicable to all. You can't have state legislatures – like I just heard in California – exempting themselves from the gun control laws that they want to impose on everybody else. You can't have a Congress exempting itself from a healthcare system that it wants to impose on everybody else.

If you're going to have a system of laws, it has to work for everybody. If it doesn't work for everybody, what you're doing is creating fundamental mistrust in the system. When there is mistrust in the system, what happens is people hoard what liquidity they have; they don't want to spend it because they're worried that something else is going to hit them from the elites and the social engineers and so they hoard money. They don't

go out and spend. If they're not spending, you're not having productivity.

Fitts: One of the things I truly wonder is if the Brit's are looking at what we're doing with space weapons and saying, "We're going to pull the plug before they have a death star on all of us."

Farrell: Exactly. I think that is a part of it. And since you mentioned that, it's very interesting to me. I didn't blog about this, but I read an article last week that India launched, in one week, 26 satellites.

Fitts: Right. If you look at the Indian space program, it's building unbelievably rapid, and they have the ability to provide at significantly lower costs than what we're doing per launch. It's unbelievable.

Farrell: But the breathtaking thing to me is to pull off a launch schedule like that requires an extremely efficient management system, an extremely sophisticated infrastructure and logistical system, and an extremely sophisticated production system. But what it also signaled to me was they are in a hurry to build out something.

You look at similar launch schedules going on in China and Russia and the European Space Agency and some of the ambitious projects that they're talking about, they know that they've got to get up there with force majeure and do so quickly. I think this is all connected. I think you're absolutely right here on this score.

As far as the US budget, I heard that Mr. Trump today gave a speech to some Ohio miners where he is hoping and promising to renegotiate all these free trade agreements and negotiate them in a more favorable way to the American worker. In other words, that does tell me that he is thinking production here. Now whether or not he is going to be successful I don't know, but at least he's thinking broadly in terms of the right ideas.

Fitts: His problem is he's in a legal structure where the assets have been moved out and tons of liabilities have been moved in. He has the liabilities. He has assets, but he doesn't begin to have what he needs.



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Indian Space Research Organization successfully Launches 20 Satellites in a Single Flight



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You have pension funds who went along and financed the housing bubble, and I believe they have lost trillions playing the game in the financial coup d'état...”

If he is still the reserve currency, he's fine. If he loses his reserve currency status, he is really in trouble.

This brings me to the pension fund hot potato that is part of the budget hot potato. You have pension funds who went along and financed the housing bubble, and I believe they have lost trillions playing the game in the financial coup d'état with the pump-n-dump of the stock market and the dancing of the housing bubble, and all the monies that was lost on that.

Now everybody is saying, “We don't have enough money because yields are low.”

It was two decades of financial fraud, but now it's followed up with low yields.

Farrell: I think inevitably what is going to happen is, regardless of who gets elected – and let's assume for a moment that it is Mr. Trump – he will not be able to do everything that he may intend to do simply because he's got to contend with Congress, and those people are clueless. They are clueless not only because they're stupid, but also they are clueless because there is no transparency in the system.

They can have all their congressional committee hearings that they want to about this or that aspect of the Federal budget, and most of what they're going to be told isn't including – as you've pointed out numerous times in a genuinely transparent way – the massive size of the black budget, not even taking into account my idea of a hidden financial system.

Fitts: Absolutely, there is a hidden system of finance, and it's growing. It just got \$40 trillion of hard, cold cash.

Farrell: Exactly. I think what is going to happen is by hook or by crook you are going to see the financial capital system come to a point where it becomes obvious that it is not capable of resolving the problem. Once that happens, and once people in localities wake up to the fact that the system is failing and failing them, then the issue of productivity gets driven out of the central government right into the locality.

It's at that point that I think there is some hope for the future because human beings are going to figure out a way to duck and cover and move through all the obstacles the centralization people want to put in their way. I think the other thing that is going to happen – and this is a long-term prognosis – is that we're in a kind of a paradigm shift globally in terms of economic and financial order. We're going to see a return of nation-states bucking this global centralization trend, and I think this is going to spread to localities and regions as well, and you're going to see more and more of what we've seen in dribbles and drabs where you have this state or that province cutting deals with this Chinese company or that Russian company etc.. I think that is going to be the model to look for.

Fitts: One of the good news stories on the horizon is about technologically where there is potential for enormous drops in the cost of energy because of breakthrough technology. It's a big adjustment for the fossil fuel industries, and we've seen the large coal companies in the United States essentially go bankrupt.

Ultimately the drop in the price of energy could be good news for everybody.

I also wanted to bring up the volatility of one of the things we're noticing when we publish on the links for the “Top News and Stories” of a big accounting firm's surveys of the annual global CEOs. All the feedback I get from CEOs – whether it's a survey like this or talking to CEOs – is they are dealing with an unbearable amount of volatility and uncertainty.

If you're running a plant that is shipping into Europe – in England – you've now got a nightmare on your hands. Centralization without markets is putting all of them in a position where they have these huge, complex global operations. If you're not grounding in market, it means these changes can be nightmarish. I believe it is seriously cutting into profitability and productivity.

I don't think that corporations are enjoying any of this. Some are, but this is a nightmare if you are a CEO of a big multinational corporation.

Farrell: Yes I agree. I don't think ultimately that Mr. Global has helped the situation here, and you've put your finger on something we have to watch for here. If you're the CEO or even senior management in a global corporation that is actually moving goods from one place to another, you're representing a certain aspect of capitalism that is increasingly out of touch with the central bankers and who are trying to finance capitalism. I think this is the other major factional in fight that we're going to see emerge between corporations that are actually doing or producing something – be it Disney or General Motors.

You're going to see a huge fight between them and the finance capitalists – in other words, the banks. This has been looming now for a decade. There are aspects of this factional infighting that you can see in these trade agreements – the TTP and the TIP – with Europe. I think this is going to increase, and may represent a good thing if handled properly, if they can really drive home the importance of actual freedom of markets, which the finance capitalists peculiarly are the ones choking. They've rigged LIBOR rates; they've rigged the commodities markets, particularly the bullion markets.

I think you're going to see this emerge, too.

Fitts: Let me get back to where I think the power is shifting out of finance and into food. I've always believed that food would be the new oil standard.

In the second quarter we started a series called The Solari Food Series. We saw the Russian state move ahead with the ban on GMOs. Maybe you could tell us a little bit about that.

Farrell: Wow! I'm so glad that you included that story because I've been arguing for years that if the BRICS block was smart, it would capitalize on the growing opposition to GMOs. It would transform the GMO issue into a geopolitical issue. If you have watched Mr. Putin very carefully, and the Russian Duma for that matter, or the Russian agricultural mystery, this is precisely what they're doing. Russia is now a major wheat exporter.

Turn the clock back, just four decades. You and I both remember when the Soviet Union would have to buy wheat from America.

In other words, agriculture is coming back in Russia precisely because the government has stepped out of the way. The government is also ensuring that their food supply isn't going to be contaminated with globs of glyphosate and such-like. They've put a ban on GMOs. Watch for this to explode. I think the Russians have played their geopolitical card here very, very shrewdly.

At the same time, you see these mergers like Beyer and Monsanto. Beyer wants to buy up Monsanto, and boy what a combination! You've got IG Farben and Monsanto.

Fitts: It shows how much failure Monsanto has been taking in the marketplace because, for Monsanto to be down enough for Beyer to pick it up, that is extraordinary. It shows real weakness on the part of Monsanto.

Farrell: Oh, absolutely. Karma does work. Their policy and aggressiveness to farmers who didn't want GMOs is coming home to roost. I say, "Good."

The other thing that we've watched the Russians doing, since we're talking about food, is think of vaccines – in a certain sense – as food. You and I talked a great deal about vaccines and the cost of and the links of vaccines to autism etc., and the cost to families who are afflicted with an autistic child.

If you look at Mr. Putin, he has personally been talking about the vaccine issue and pointing out the West, particularly the United States, as being an example of countries captive to the dictates of corporate big pharma, including their own children, with things that are harming their health.

I look for, not only GMO geopolitics coming out of the BRICS block and Russia, but you're going to see some vaccine politics being internationalized, and they're going to take direct aim at these big corporations and the mercantilist policies that they've gotten governments in the West to go along with. They are going to lead a revolt.



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It has been intriguing to watch. Russia has been playing a soft card power game in the last few years with those current in Western societies who are against these policies of their government. Russia is positioning itself to be the international spokesman for those concerns. This is very, very clever and is only going to grow.

I think it's hugely significant and we're going to see this movement spread from Russia. I fully expect that you're going to see these Russian initiatives begin to affect and influence countries like India, where you've seen not only Monsanto go in there and disrupt Indian agriculture, but the same thing happens with vaccines. There have been stories of tests in India on Indian children being sponsored by Bill Gates that have apparently produced some effects on the health of children where these tests were conducted.

You're going to see stories like this begin to hit and the result of it is going to be that America will start losing some very powerful and significant friends. We have to change the way we've been doing business. We have to change the way that government and business have been related to each other in this country. We've become essentially a fascist country where the government is nothing but a front for big corporations and what they want. We have to go back to a sane, regulatory culture in this country rather than turn over our regulatory agencies to the corporations.

Fitts: I hate to tell you, but right now the DARK Act is being pushed through the Senate to try to trump the Vermont GMO labeling laws.

There is no indication right now in the United States that anybody intends to change anything.

Farrell: No. I'm not saying that it's going to change overnight, but I do think that what is going to happen is the more they try to pursue these mercantilist policies and the more these policies can be shown independently by other nations to be bad for health, for the environment or for your income – as you've been arguing – the more you're going to see the movements of resistance and revolt grow. As a result of that,

ultimately the system is going to change. It's not going to change fast in this country because the system is too corrupt and it's been put into play for too long.

I think the result will be moves back to local sovereignty are going to catch on big-time. I think you're going to see states doing what Colorado did 20 years ago in the wake of the Waco mess. I think you're going to see states passing resolutions of serving their sovereignty under the 10th Amendment.

I think increasingly there is the possibility of states in this country simply refusing Federal mandates because they're running out of money and the Federal government is running out of money.

Fitts: It's the same thing as the EU regulation; they cannot afford it.

One thing I do want to point out is that we are watching wholesale starvation in Venezuela right now. If I were going to recommend to any governor anything he or she needed to pay attention to right now, it would be the cost of not having food sovereignty. It's a very dangerous place to be.

Farrell: Exactly.

Fitts: That ends our Economy & Financial Markets section. So, just give us a one-minute summary. The second quarter – what happened in the economy and financial markets? What to you is the most important?

Farrell: Beyond any shadow of a doubt it's the Brexit vote.

I think that may well end up being the story of the decade. It's hugely significant from the standpoint of economy, finance and of political philosophy. Just how much centralization do you want? Just how much regulation do you want? Do you want to turn it all over to super-national unelected boards of corporate commissioners? Do you want to defend the values and monuments of your culture and tradition?

I think this was an enormous thing any way you slice it – financially, geopolitically, culturally – and it is going to spread. You're looking at the

beginning of the end of Mr. Global in the centralized model. Like you, I think you're looking at the beginning of the end of unipolarism.

Fitts: I don't think you're looking at the end of Mr. Global, but you are definitely looking at the end of the centralization model. The centralization model is going to have to be obedient to both the technology and the economics of decentralization and deflation. Our debt growth model is over.

Farrell: Right. It's going to have to be cognizant of individual sovereignty and of culture. They've been playing fast and loose with culture with this immigration crisis, but I think those days are over. People have had enough. They're not going to go along with it anymore. This has been clear in England, and it's clear with some of the statements of Mr. Trump. It's clear in other statements that you see coming out of European political leaders.

This is going to spread, and rightly so. This model that they have been pursuing is basically an inhuman model. When you have an inhuman model, nothing works. Governments don't work, economies don't work, and finance doesn't work. That has been the problem.

Fitts: You've heard me say, "Money does not make the world go around; trust makes the world go around. If there is no trust, then money is worthless."

Farrell: Exactly. This is the point. No one trusts Mr. Global.

Fitts: It's a mess.



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GEOPOLITICS

Fitts: Now we'll turn to the second section of news, trends, and stories for the Second Quarter Wrap Up. Our next topic is Geopolitics and the shift to the multipolar world. We certainly introduced what is happening with Brexit, but there is a lot more going on as well.

You pointed out a fascinating story the other day about the deterioration in the relationship between the US and Israel.

Farrell: Yes. That is huge. There have been a number of articles coming out in the Jerusalem Post and in Haaretz, which is the other big Israeli media outlet. We've seen several visits of Prime Minister Netanyahu to Moscow, talking with Mr. Putin personally. This is an epic earthquake. There is no doubt about it.

The bottom line that seems to be coming through in these articles out of Israel is that Israel, number one, cannot rely any longer solely on America for its big brother security protection; it has to engage in a much more multipolar way with the other major powers, particularly Russia.

I found it very fascinating that as this was being done and as Mr. Netanyahu was visiting in Moscow the Israeli and Russian militaries have been quietly coordinating with each other in Syria. I

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think this is only going to grow.

I think also what you're going to see is Israel making a number of, not especially 'treaties', but at least you're going to have motu proprio memorandum of understandings between Israel and Russia. What this means is that the Israelis are quietly negotiating via Russia with Iran and others. I think you're going to see this extend itself with Israel and the European nations as well.

Israel is also recognizing the handwriting on the world that the unipolar world is over. That is an enormous thing.

Fitts: I also think that the US is seeing the handwriting on the wall, and essentially not doing Israel's bidding. I think that's a two way street.

Farrell: I agree. Israel was a major pusher for direct American military intervention with Iran. Of course, the Obama Administration dodged the bullet on that one – I think to its credit.

It means precisely that. You're not going to see American policy being dictated to the extent that it was out of Tel Aviv. There is going to be a sea change in American-Israeli relationships, and I think a big sea change is underway with Israel and Russia, that is going to fundamentally alter politics in the Middle East.

Fitts: Speaking of sea changes, a big one is Saudi Arabia being cut loose.

Farrell: Yes. This has been something that I've been blogging about for the past few months, ever since that *Atlantic Monthly* article interview with President Obama. I think Saudi Arabia is on the menu, and I think they know it as far as the West is concerned.

Let's be honest, it's a barbaric regime. In a modern world, if you were Mr. Global, would you want to be saddled with that regime? It's an ugly blot on your human rights record. It's terribly oppressive to women. There is nothing good to say about them, and I think the Saudis know this.

Fitts: The last that I saw, Congress really was planning on passing the 9/11 bill to disclose the 28-page from the 9/11 Commission Report

about Saudi Arabia's role.

Farrell: Right. Then what does Saudi Arabia do? It threatens the United States, "Don't do that or we'll sell off treasuries," which some they did.

Then there was a bit of spin that occurred after that, "Well, no, that 9/11 report doesn't really finger Saudi Arabia."

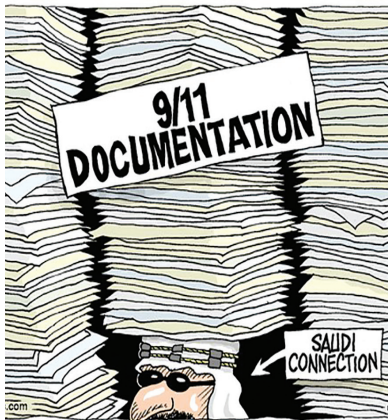
Well, I go back to the fact that I said before, that bill – and I put this in my most recent book on 9/11 – and that document, in the words of Senator Graham, names foreign governments (plural, not just 'government'). Who else is named in that document? Everybody is going to think Israel, but I've been saying all along that Israel doesn't really have any national interest to be involved in anything like that other than perhaps as a secondary on-the-fringe partner to play along and inject American power into the Middle East. But as a major player or in a major role? No. If that were ever to come out, it would hurt Israel dramatically, not just in terms of the United States but with its relationships with any other potential big player on the field.

Fitts: We just have to stop here. When your 9/11 book came out, I reviewed it on the website and talked about it on The Solari Report. If you could just give everybody one minute and explain about the book; it's one of the finest books on 9/11 yet.

Farrell: Essentially, on the day of 9/11, I came to the conclusion that we were definitely watching a planned operation, which it could not have been pulled off without the involvement of some rogue element within the American deep state.

In other words, there were two levels of the operation. That, of course, has been the idea that the 9/11 Truth movement has been putting out ever since 9/11. I also came to the conclusion that we were really watching a penetrated operation at that second deeper level. In other words, there was a third level involved that revealed its presence to the American deep state on 9/11 itself. It revealed itself in two fundamental ways.

First of all, it revealed itself by disclosing the fact that it had penetrated the American Federal command structure so deeply that it had the top



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secret code names for various operations within the FBI, the DOA, the CIA, the NRO, the Marine Intelligence Office, the ONI, and the DEA, all across the board.

The thing that clued me into that, on 9/11 was President Bush at Booker Elementary School giving his first speech and says, “I’m going to be flying immediately back to Washington.”

He departs the school, and somewhere between then and on the way to Air Force One, a decision was made – presumably by he and his staff in consultation with Cheney in Washington – that he needed to fly immediately to Barksdale Air Force Base in Omaha and to Offutt Air Force Base, both are the command centers for all of America’s thermonuclear forces, which were incidentally – on that day – having a full-up military nuclear alert.

Fitts: Remember they were having a golf outing led by Warren Buffet.

Farrell: Right. That looked to me like they were trying to reassert personal Presidential control over the command structure. That meant that there was a third level involved. So that is my take in the book. I go into some lengthy arguments and considerations in the book, but that is my thesis.

There was a third level that was not connected to the American deep state planners of the operation. You had a number of statements of people like Prime Minister Blair who would say some very similar things. He came out and said, “Well, Al Qaeda is connected to a global network.” What global network?

Then there was a Russian economist before 9/11 that was warning of potential attacks on American soil, which said that this would be the work of a global network of very powerful men who had assets in excess of \$300 trillion.

Fitts: You notice the movies that I keep talking about – the James Bond movies and Captain America – have the operation within the operation.

Farrell: Exactly, the meme is there. I think if you look at 9/11 in a certain way, you have to come

to the conclusion there was some sort of third element that revealed itself and left the American planners of the operation scrambling to reassert control over the command structure. Suspiciously after 9/11 when Vice President Cheney disappeared for weeks and wasn’t seen, I suspect that what he was doing was patching the holes – so to speak – in the system. He was redoing the whole continuity of government planning and everything else.

There are a number of indications, if you really look hard, 9/11 was about more than just terrorism or projecting American power into the Middle East.

Fitts: I always thought a big piece of it was financial coup d’état.

Farrell: Absolutely. There is a huge financial aspect to 9/11 that I refer to in the book.

Fitts: Right. One of the things we’re seeing in Europe that I wanted to bring up in geopolitics is the indication that Germany is expanding its army and integrating it with the Netherlands and other military capacity. They’re starting to put together the military capacity to really back up a serious currency.

Farrell: Yes. This, I think, is also another fallout of the Brexit vote. To a certain extent, I think the Germans saw this coming. There have been a number of moves – if you’ve been watching Europe carefully – being put into place to create a common European military. This has largely been the brain child of France and Germany.

In other words, this is going to be a way for those two countries to create a Franco-German axis – to use that unfortunate word – and put muscle into the European military.

Now the thing to watch is whether or not France will pull out of the EU. If it does, Germany is going to go ahead with this anyway. Germany is going to expand the Bundeswehr, the German military, rather dramatically in the next decade whether or not anybody else goes along with the common European military. This goes back to something I pointed out in my book *The Third Way*.

If you go back to Chancellor Kohl right after



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the unification, he and another Christian democratic union leader authored a memorandum that Germany would either have to dominate Europe through the European Union, or it would be required to dominate central Europe in “the traditional way.”

What I see happening, is if the EU falls apart, the euro will go the way of the Rial and the Confederate dollar. You’re going to see a return of the deutschmark, the return of the old exchange rate mechanism – probably beefed up with other countries involved in it besides the Netherlands and Denmark. You’re probably going to see Austria and the Czech Republic. In other words, you’re going to see the old German dream of Mitteleuropa.

Regardless of what happens with these other exit votes, I think you can look at the very strong possibility that Germany is going to pick up the pieces if the European Union shatters. If it doesn’t, they’re going to go ahead with France and a bunch of the smaller countries and integrate their militaries. I suspect that the geopolitical reasoning behind the French and German planners’ thinking is that this is a way for them to create a counterweight to NATO. In other words, it’s a way for them to get out of the unipolar world and get out from underneath Washington’s thumb and assert a much greater measure of sovereignty for themselves.

Fitts: If Germany reorganizes the productive north into a common juggernaut, Germany, Denmark and Norway have a AAA rating. Who knows what Switzerland will do? They will probably tag along in some form, but not in the same currency. You’re going to end up with a real powerhouse.

Farrell: Yes, you’re going to end up with a Germanic block if the EU falls apart. Even if it doesn’t, Germany is still going to be very much in

the driver’s seat because you’re going to have all those Germanic nations, and then ‘poor France’.

Germany is going to be very much in the driver’s seat. In my thinking, this is a counterweight to NATO. This is a way of combating unipolarism and taking direct aim at Washington and its policies.

Fitts: Let’s talk about the Silk Road. Part of this is watching a rising Asia access the wealthiest consumer market in the world, Europe. This is getting the US’s hackles up.

We’re seeing the buildout on the Silk Road of transportation networks that are rapidly integrating those two economies – Europe and Asia.

What is going on with the Silk Road?

Farrell: Well, you’ve just seen Russia, China, and Mongolia ink a deal to create an economic corridor in those three countries – all based around the expansion of high-speed rail and other similar transportation infrastructure. This is going to continue.

Let’s go back for a moment to Germany and how they figure into this. The Germans and Chinese either this week or the week before inked about \$1 billion worth of trade deals. It’s very important for people to understand that quietly, behind the scenes, German businessmen and lender politicians – A Land in Germany would be the equivalent of an American state or a Canadian province – very quietly these politicians or businessmen have been journeying to Russia and working out deals.

In other words, the sanctions are being quietly sidestepped in reality by German business. The other thing that you see happening in Germany is the Mrs. Merkel’s cabinet ministers actually making pronouncements against the NATO exercises, against Russian provocation, against NATO war-mongering and the like. This is coming chiefly out of Foreign Minister Steinmeier.

What this means, and I’ve been arguing this for years, is Germany’s economic and national interests lie with the Silk Road and in the East. Let’s not forget that Germany is also a member of the Asian Infrastructure Investment Bank.

What I see all of this boiling down to is the Silk Road is impacting European geopolitics in a very fundamental way. As a result of this, what you see the Germans doing with all of this defense expansion – and I want to get back into this in a moment with respect to NATO – is expanding their military. Steinmeier said two years ago that the expansion of German trade with the East is out of necessity. He pointed this out very bluntly in Berlin in his speech that Germany’s foreign policy is going to have to become much more muscular, and “militaristic”.

You’re going to see a dramatic expansion of the German military as a consequence of protecting its interests as trade with Asia continues. As a result of the Silk Road you’re going to see projections of German power into that area of the world, similar to Kaiser Wilhelm’s old idea of the Berlin to Baghdad railway. It’s going to be a very similar projection of German power and influence into central Asia.

Now, I want people to look at this military expansion from yet another point of view. Two months ago the big German defense firm of Rheinmetall, which is a very old German armaments firm that has been around since before World War I that you can think of it as the other Krupp, announced a merger with the big French armaments firm.

Fitts: Oh my goodness! I didn’t pick up on that.

Farrell: It was a huge story. I forget what the French firm’s name is. I think it’s Nexter. The firm is kind of a cartel of the French armaments makers – Schneider-Creusot, Dassault-Mirage and companies like this.

I think that was a prelude to the European integrated military structure because it’s France and Germany getting together and saying, “We’re going to standardize our equipment.”

What I think is going to come out of this, is NATO is going to go the way of the Holy Roman Empire. NATO is going to become a paper entity. It will remain on the books as a legal entity until it just becomes so moribund down the line that some Bonaparte puts the end

to it – formally, once and for all.

I think what this means is if you integrate what’s been happening with these trade deals between Russia, China, Mongolia and Iran, and the trade deals between Germany and China, and if you see what the German businessmen have been doing behind the scenes with Russia, you’re going to have – like it or not – in the next 10-20 years a fundamental shift of Europe geopolitically. The Atlantic Alliance as we’ve known it since the end of World War II is going to go the way of the Dodo bird; it’s going to die.

Fitts: There are many people in America who would love to see NATO go.

Farrell: Yes. You’ve had this coming out of certain elements within the Republican Party in the last two elections with Ron Paul and now Donald Trump questioning the value of NATO.

The bottom line is that NATO has become an excuse for the empire to wage war wherever it wants to. The Europeans are simply tired of it because it’s putting them at risk.

Fitts: We had the Saker, Orlov and one other fellow Russian living in America come out with a warning, saying that essentially the US was headed for a nuclear war with Russia. I wasn’t 100% certain that it is true, but it looks like part of the politics of Brexit is people saying, “No, we don’t want to go that way.”

Farrell: Of course not! Europe would be on the front lines. I think that the prospects of nuclear war are not as dire as the Saker is making out. I think it’s definitely possible, but on the other hand, you have the Russian Foreign Minister, Mr. Lavrov, responding to that whole thing and saying, “No, that’s not going to happen. Nobody wants that.”

The key in this whole Silk Road geopolitics/European conundrum is Eastern Europe because of what’s been happening; America has been quietly rebasing to the East in Europe.

What I think they’re doing is trying to assuage Western European and Central European fears about the presence of those American bases by toning down that presence and shifting it east-



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ward. The Eastern European countries, have been saying and been responding to this whole development, as the same old post-Versailles madness. They're squeezed in two extremely powerful countries with gigantic military potential in Germany's case or gigantic military in Russia's case. They're looking at this and saying, "We need protection."

The problem geopolitically here is different from World War I, and I'm very worried about it. Prior to World War II, what did we see? Well, we saw France creating the cordon sanitaire, the 'sanitary cordon', around Germany in Eastern Europe with the creation of nation-states like Poland, Lithuania, Latvia, Estonia and Romania. That was their cordon sanitaire, and France had trade and alliance agreements with those countries.

But when World War II came along, France and England had guaranteed Poland protection but had no ability whatsoever to project any military power into Poland to prevent the German and Russian invasion.

What America is doing under the auspices of NATO is something highly dangerous because we're putting bases in those countries where, if it did come to a war, and Europe is not going to be a reliable ally, then what we're doing is putting people in the squeeze between Europe and Russia. This is not a good thing.

I really think what we need to look at in terms of the future for possibilities here is you're going to see Russia take the lead in trying to offer some sort of mutual reassurance treaties to those Eastern European countries. They may come in the form – and I suspect they will – of some sort of trade deal with the requirement that some of the bases be cut down in their presence.

This is going to be a long-term thing to look for, and I think it's going to be pitched to them in terms of, "Join in on the Silk Road expansion projects."

This is evitable, and American basing there is a desperation move to prevent that from happening.

Fitts: Here's the thing: The more you shorten the supply lines on the Silk Road, the greater

productivity grows and the greater prosperity grows.

Farrell: Exactly. That's right.

Fitts: One of the things I wanted to point out that when I was in Australia, a point I heard on numerous occasions was the fact that, "Convergence is an Asian phenomena."

What they mean by that is if you look at what is happening in the emerging markets, the Asian countries are moving towards parity with per-capita incomes in the Western world, but the southern hemisphere is not.

Farrell: Right. This goes directly to the major geopolitical shifts. Let's go back to Eastern Europe for a moment. I think the American rebasing effort here is a desperation move to prevent the Silk Road influence from going so far as to suck those countries into it. I think ultimately it's not going to work.

Now, you mentioned the southern hemisphere. It's very interesting to me, that President Obama made a visit a couple of months ago down to – of all places – San Carlos de Bariloche. If you've been reading my books, you'll know the significance of that.

Fitts: I haven't even brought up what is going on in the bottom of Argentina.

Farrell: Yes, but I think that was partially in response to the fact, if you've been watching the moves that the Chinese have been making in Latin America, they've been offering trade deals like crazy.

Fitts: Yes, the Chinese are running around the world offering carrots, and the US is running around the world offering sticks.

Farrell: Exactly. This is the problem. We had better start offering something other than a stick because the more we offer the stick, the more those countries are going to pull away.

Fortunately for America, they have a pro-American President in Argentina now, but I'm strongly suspicious that there may have been some American connivance in getting rid of Ms. Kirchner because she was not a friend for various reasons.

Ultimately this goes back to what we discussed previously about productivity. We have to produce something that we can offer to the world other than drones, bombs, and tanks.

Fitts: And don't forget pornography.

Farrell: And pornography, bad music and McDonalds. We've got to become a workshop again – be it in the arts or making nice automobiles that are cheap and/or the like. Otherwise, we're finished. The problem is that China is offering the southern hemisphere a way out from underneath the American thumb. Where China goes, Russia isn't far behind. Look at the constant Russian engagement with Indonesia.

Fitts: The way for the Chinese to keep everybody employed is to finance the globe. That's why it's so important to them to get their currency into the SDR and to get it liquid through London – notice again, London. The more they can build out a global currency, the more they can finance the world the way they financed EBT nation in the United States to build their manufacturing. That's how they keep everybody employed.

Farrell: Don't forget that China also allowed Chinese bonds to be exchanged and traded on the Frankfurt bourse in Renminbi. They're pressing very hard. I think what you're going to see – and you're seeing this with Obama's response to the Chinese initiatives in Latin America – is a continuing urgent presence in not only Latin America but in Africa.

What has been our response in Africa? We set up Satcom in Africa. Our response is military; the Chinese response is, "Well, let's build roads and hospitals."

Fitts: It's interesting, because I rarely say a lot of nice things about the President, but I have to tell you that what Obama was expressing in the Atlantic interview was that we do not have any more time or money to get mired down in the Middle East. We have to just get out and get moving into partnerships in the parts of the world that are growing and getting things done.

He was basically arguing for, "Let's go productive," instead of going around in circles and los-

ing money and so on.

Farrell: Well, he's right.

Fitts: Yes, he is right, and I think that is why they did the Iran deal. They said, "It's time to leave. Enough is enough."

So, speaking of unproductive things, I want to turn to the US Presidential campaign.

Farrell: Do we have to?

Fitts: That is my exact feeling. I will say this: If you study soft revolution and what the US administration and intelligence agencies have been doing around the world, they've been encouraging using soft revolution – the break-up of other countries.

We now have, presumably, two nominees who have almost a 60% disapproval rating on either side. As you know, I think entrainment contributed mightily to getting them both elected. Are we looking at a break-up of the United States after the inauguration?

Farrell: Oh, boy!

Fitts: Are we under attack by the soft revolution, too?

Farrell: Yes, I think so. Let's be honest here. Washington DC, for most Americans, is perceived as being so corrupt that nothing is going to change. The two political parties – and the elites particularly in both political parties – have shown themselves to be so out of touch with the American people that you cannot explain the phenomenon of a Bernie Sanders or a Donald Trump in any other way.

Trump is articulating what Americans sense. They sense something is wrong; they're angry at the multiculturalism. They've had enough of it.

Sanders is articulating the other cynicism in that we're paying all this money, and what are we getting for it? Nothing. Our roads are falling apart, our bridges are falling apart, and the empire is going strong with this war and that war. So what are we getting out of it?

I'm not a Sanders supporter and I'm not a Trump supporter, but at least they are articulat-



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“ I’ll tell you that my number one fear in this whole 2016 Presidential campaign is that they’re working their way up to a Constitutional Convention. ”

ing some cynicism. What is interesting to me is when you pose the question of a break-up of the United States and I really do think that is a possibility in the cards. I don’t mean in terms of actual secession of states, but I do think in terms of states being much more assertive in terms of their sovereignty and simple refusal to go on with Federal mandates. I think it’s coming to the point where the states are just going to have to say no to Washington DC, and some already have.

Fitts: If the US loses reserve currency status, if I’m right that Brexit turns out to be the beginning of the end, this plays out within the next administration. So by four to eight years, you’ve lost your status. Then it’s clear that you are significantly on your way. Then you’ve lost the one thing you had to buy the states back into the program. You’ve lost your hook.

Farrell: You’re going to see states – particularly the more powerful ones in the short term like Texas etc. – begin to assert themselves and make deals directly. There are other stories that people need to be aware of that are going on in the United States, particularly if you’re overseas and you don’t understand American politics or Constitutional law.

I haven’t blogged much about it, but I’ve been watching state movements of one form of revolt or another for the last few years. This began – of course – with Arizona trying to close down the borders and protect the borders as far as they were was concerned. Then it spread to states passing resolutions in their state legislatures that the only constitutional money is coin.

These little movements have been popping up here and there in very weird places – states like Montana and others passing these laws. You find pushback from the states with regard to abortion. We just had a major case decided by the Supreme Court that was brought against the state of Texas. The really interesting thing to me was the state of Texas in the last year has approved a creation of a Texas bullion deposit bank, and the State also served notice – kind of like Germany – to the Federal Reserve that they want their gold back.

This has all the hallmarks of preparation for a de facto secession.

Fitts: You think so?

Farrell: I really do, and these types of things are going to expand and continue forward.

I think the other thing that is putting states in a bind is Obamacare. States that can’t afford it are going under. I think the pushback is going to come, and it’s going to come from the states.

The thing that I’m very worried about is this idea that you hear in some circles of calling a Constitutional Convention. I think that would be the absolute worst thing to happen.

Fitts: I’ll tell you that my number one fear in this whole 2016 Presidential campaign is that they’re working their way up to a Constitutional Convention. That’s why I think it is unbelievably important what happens in terms of House and Senate control.

Farrell: I agree. To put it bluntly, a Constitutional Convention would be a disaster for two reasons: First, the current political class is far too stupid, and too progressive and centrist and the like to come up with a constitution that would be at all an improvement in terms of recognition of fundamental, divinely-granted human rights.

We’re not granted rights by the Constitution; we’re granted rights by God. The Constitution merely recognizes it.

These people in the American political class – as far as I can tell – are fundamentally Godless. They may pimp God on the political stump, but in terms of their actual personal philosophy, it doesn’t really have any play in their personal life or thinking. I think it would be a disaster from that point alone.

Secondly, we need to go back to the actual Constitutional Convention in 1787 where you had people who were mandated to come up with ‘fixes’ to the Articles of Confederation. What they gave us was a whole new Constitution that they worked out in secret. As far as I’m concerned and looking at it from my arch libertarian point of view, you had a bunch of oligarchs

getting together and creating an instrument that served their own interest and then imposed it on the rest of the country.

I urge Americans, once again, to not just read the federalist papers, but read the anti-federalist papers and look at how much they're talking about money in those because that's what it was all about.

I think a Constitutional Convention would be disastrous because you would have a political class that is centrist already, and unfortunately largely progressivist in its philosophies.

Fitts: We need the states to have financial conventions and figure out how we can use gold and silver as a currency and how we can create local currencies. That's what we need.

Farrell: Yes. That's what we need, and I think that is what Texas is all about. I think this is what is behind some of these other state resolutions affirming the current Constitutional requirement that Congress alone has the power to make and coin money. In other words, it's a bullion-based system.

I think there is thinking – at least in some of the states – along these lines. I think that if we look at the election and do a bit of prophecy here or attempt to predict, if things play out well, you're going to see states asserting their sovereignty under the current Constitutional system and telling Washington to take a hike in terms of these Federal mandates.

There were Supreme Court cases about 20 years ago. I remember a case of New York versus the Federal government where the Federal government wanted to store a bunch of nuclear waste and was requiring New York to do it, but New York said no and they won. They won because they argued their case under the 10th Amendment.

I think if we look to the current Constitution and look at what may fall out as the dollar loses its grip on reserve status, it's that the states could conceivably reassert a much greater degree of sovereignty in the face of the Federal government than they currently do.

The other thing that we can expect if that happens is, as I said, you're going to see states working to create regional economic financial agreements. You're going to see them working directly with foreign governments and countries. I'm thinking of the Canadian Prime Minister of British Columbia who worked out agreements with China for a bourse in Vancouver.

I think this sort of thing is going to take place.

Fitts: That's why I really want people to pay attention to the local elections this time around because it's going to matter who your governor is, who your state senators are, who your house representatives are, and who your mayor is. Your mayor and sheriff could be very important.

Farrell: The other thing that people need to be aware of locally is corporate commissioners, country clerks, and positions of this nature. That is going to be greatly important in the next eight years.

We see the same thing in Germany. The lenders in Germany, as I mentioned before, and the politicians are saying, "Forget you, Ms. Merkel. Forget you, Berlin. We're going to go and negotiate directly with Mr. Putin ourselves."

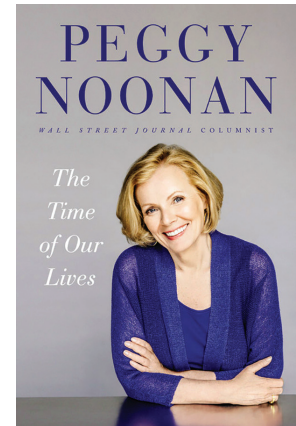
I think this movement spreads to the United States. It's inevitable. But, for crying out loud, people, don't fall for this idea that in order to fix the system we have to go back in and tinker with the system itself. We need to start obeying the Constitution and understanding what it is really all about.

Fitts: Right. Let's enforce the Constitution. We don't need to change it; let's enforce it.

Farrell: Exactly.

Fitts: I wanted to read my favorite quote on the campaign so far. It's from Peggy Noonan in the *Wall Street Journal*. "Because my country is in trouble. Because I felt anguish at all the estrangements. Because some things that shouldn't have changed have changed. Because too much is being lost. Because the great choice in a nation of 320 million people may come down to Crazy Man versus Criminal."

Here's my concern. We've got two nominees



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with almost 60% disapproval rate each, and the message of the election – no matter who wins, particularly if Clinton wins – is that crime pays.

Farrell: Exactly.

Fitts: How are you going to have a Western civilization, let alone financial markets, if crime pays?

Farrell: You can't. This, I think, is where the backlash is going to hit from the states. We're already seeing the backlash in terms of states being forced to accept x number of refugees. I read a story about my home state of South Dakota, being forced to accept refugees. It's a small state; it's not powerful or anything like that, so it can hardly buck the trend.

If they had had their wits about them, the State Attorney General should have brought suit under the 10th Amendment against the Federal government. But how do you rely on the current Supreme Court? We're dealing with a court that has a track record of epic failure, almost as old as the republic itself.

I think you've got to see the importance of the states now. More importantly, this is something that foreigners need to understand. If you look at the American election demographics of the last 20 years, and at it county-by-county rather than state-by-state, the blue areas and the so-called 'liberal' or 'progressive' Democratic areas of the country are clustered around the major metropolitan centers. If you look at the red counties, the so-called 'Republican' or 'conservative' areas, they occupy most of the land mass of the current United States.

In other words, American politics is now being driven by a large demographic change clustered around the cities, in part representative of the influx of illegal immigration and the inevitable gravitation of people who do obtain citizenship to the Democratic Party. You're also looking at a country that is now badly divided between a few cities determining the course of the nation politically and the vast hinterland in the country.

I think that polarization is only going to continue, and the only way out of that polarization

is for the states to reassert themselves. How they do so is very important, and I couldn't agree with you more that the governors of states are so important.

Fitts: I think it's going to happen because if you look at anything that resolves the negative return on investment to taxpayers and the budget game, you're going to have to get a lot more for a lot less. The Federal government is going to have to cut the money back, which means you're going to need to re-optimize by place.

There is tremendous opportunity if you do, but what you do in Brooklyn is going to be a lot different than what you do in Fargo.

Farrell: Exactly. The other thing that people need to remember, too, is as states begin to reassert themselves, they have to reassert their sovereignty over healthcare issues. The idea that we have a healthcare system that is for health insurance companies rather than people and was passed in the middle of night behind closed doors in an executive session by the Speaker of the House who hasn't even read the bill. She then tells us, "We have to vote on it to find out what's in it." This is the measure of what is wrong with the system.

No law should be a law unless the legislators themselves have read it. And no law should be a law unless it is originating from the legislature, not a group of lobbyists or a committee of corporations or things similar. It has to originate somehow.

This is the problem. States can reassert control over these issues if they would 'grow a pair', if I could put it so bluntly, and take back their school systems and other things from all of these Federal mandates that are choking our educational system and our culture.

Fitts: Let me move to our next topic, which gets to the heart of why some states don't, and that is assassination and covert operations. If you look at the Supreme Court decisions over the second quarter, you can start to understand why somebody might want Scalia dead.

Farrell: Absolutely.

Fitts: We continue to watch false flags occur all quarter long. If anything, I would say the dirty tricks are rising, not falling.

What is interesting, if you look at the speed at which that is being noticed and understood, the more we get these false flags that supposedly promote gun control, the more people go buy guns, get trained, and get adamant against gun control.

Farrell: The other thing that is happening as a result of all of these assassinations and all of these mysterious deaths is that people are waking up to the fact that this can't be right. You can't have this many people dying before crucial Supreme Court decisions.

What this tells me is that the deep state in this country is in a serious snit of panic. They realize it's slipping away from them and they're losing the people – and high time, too. It's high time they lost the people.

I'll give you an example of assassinations and covert operations. I was in Oklahoma when the Oklahoma City bombing occurred. It was very interesting to watch the reaction in the state itself on local news versus the national news coverage of the bombing. What happened in the state of Oklahoma was that it had huge pressure not to buy the public story that was being put out.

There was a state grand jury- state legislative investigation of the whole thing- and the people leading these were highly suspicious of the narrative. Basically they were shut up. One of the major critics of the Federal story was a gentleman who had lost his young grandchildren in the day-care center. Of course, he ultimately dies – guess what of? – Cancer.

The residual effect of that has been that people simply do not trust the deep state in this country. This is where the states need to step up and 'grow a pair' and realize that any time something like this happens on their territory, they have a duty and an obligation under their state constitutions to investigate these crimes to the full extent that they are able and to publish their story.

Fitts: Well, they need the support of the population to do that.

Farrell: Yes. That is the other thing. People have to wake up and realize that you're not going to solve the problem in DC; you're going to solve it in Pierre or Austin or Boise or wherever. That's where it gets solved.

Fitts: Let me bring up the soft revolution thing. We just did a great interview with Wayne Madsen about soft revolutions. I would say that probably the most offensive aspect of soft revolutions and soft weapons globally was the Fed's guidelines on transgender access to school bathrooms. It's been unbelievable.

Farrell: It's nuts. I know people who have stopped going to certain department stores that support all of this nonsense.

I even know homosexual and transgender people who are against it. This is the Federal government being so out of touch that it's out of touch even with the constituencies that they assume are going to go along with all of this. Also, I think, to a certain extent, that this issue is so preposterous.

It's another assault on our humanity. It's another assault on the innocence of our children to try to sexualize them and get them to identify: "How do you feel today? Do you feel like a little boy, or do you feel like a little girl, or somewhere in between?"

Fitts: The other thing is, if you look at the amount of shadow work for the educational system and the state attorney generals, you're talking about hundreds of thousands of hours wasted on a topic and there are many important topics; this is not one of them.

Farrell: Yes. This is a place where the people and the states just have to stand up and say, "No." This is nuts. I think another part of this, is that this is an issue that is created to be a distraction, too. It's a distraction from the fact that we're facing some really tough economic and geopolitical choices in this nation. To be arguing about whether or not a little boy can go into a little girl's bathroom in school is ludicrous.

Fitts: Let me skip to the next one. I've had several friends and colleagues come back from Asia recently and I've asked them, "What is on the



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people’s minds?” The number one topic in the news is South China Sea.

Farrell: Yes. If you look at the South China Sea issue, what concerns me if you’ve been following the Chinese and Russian militaries and the things that they are deploying – new weapons systems etc. – I have to question the wisdom of continuing to build these multi-billion dollar aircraft carriers when both Russia and China have cruise missiles that have a range of over 1,000 miles that are capable of sinking one of those things.

Either we’ve got weapons systems that are pretty good, or we’re investing a heck of a lot of money in great big sitting ducks. I suspect it’s the latter.

We need to be concerned about the South China Sea because what is happening as a result of these claims about China and America trying to ward this off by stationing more and more carrier groups in that region: Talk about a country that is managing to alienate some pretty powerful allies like Great Britain and the European powers, and now Japan wants to rearm.

I’ve been saying all along that the reason that Mr. Abe’s government is rearming is not simply to kowtow to Washington’s demands that Japan take up a greater burden of the defense of the Pacific Basin; I think the real long-term objective here, as far as the Japanese are concerned, is they are looking at America and its politics and America’s military and its inability to stabilize any of the regions it has claimed to go in to stabilize in the last 30 years. They’re rearming because they are no longer confident in the ability of the United States to maintain their security, and I think they’re rearming as a counterfoil, not just to China and the United States, but also as a means of opening the doorway to some negotiation with Russia. We’ve seen this going on, incidentally, to get Japanese involvement in the development of Siberia and all of those vast energy resources there because that is a much more secure energy supply line for Japan than anything coming through the South China Sea reliant on America’s ability to interdict it.

We’re watching a huge political shake-up hap-

pening. I want to emphasize this for all of our listeners in Australia or the Philippines or Indonesia. It’s because American unipolarism has utterly failed in its geopolitical objectives. The only thing it’s accomplished is to drive away our friends and allies.

Fitts: I did a review of two books on the South China Sea during the second quarter, and one of the most interesting tidbits was they pointed out that the US began to build the dollar as the reserve currency when they got control of the sea lanes in the Caribbean.

If China is going to build up its currency, the question is: Who is going to control the sea lanes in the South China Sea because that is the most important trade point on the planet, and of course it’s right to the south.

I think the US pivot and the US desire to keep control of those sea lanes is going to be at the heart of the currency battle right now.

Farrell: It’s not only going to be at the heart of the currency battle, but it’s going to be at the heart of the American effort to maintain the current alliance system over the next decade or two. Ultimately, I think it is going to fail.

Fitts: If the commonwealth has walked, it’s failed. This is the bell, and the bell just rung.

Farrell: Not just the commonwealth. The problem is if you lose reserve currency status, you can’t afford multi-billion dollar aircraft carriers that may or may not be a good investment to begin with. You can’t afford a \$2 trillion mutual defense fighter that every country we’re allied with has had a finger in and it doesn’t work. It doesn’t fly as well as fighters that are older and are produced much cheaper by our potential enemies.

Fitts: Let’s turn to the last and possibly biggest political hot potato in the category of geopolitics, and that is immigration. Immigration is not just a huge hot potato in Europe; it’s a big hot potato in the United States. It will probably be the number one issue in the election after the economy, and it’s all caught up with the economy.

Immigration is a big question more and more



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around the world.

Farrell: Yes. I've got to be frank. I think we need to start calling it the multicultural issue rather than the immigration issue because it's one thing to have immigrants that share or come from a culture that has similar values that are part of the Western tradition. Everybody gets up in arms about Hispanics. I'm not up in arms about Hispanics because they're coming from the same common culture. They're hard workers and they have family values and they're not on board with all the kookiness that we see coming out of the progressives – although they tend to vote for the party representing it, but I think that's only a knee-jerk reaction.

The real issue isn't immigration; it's multiculturalism. Are you going to come to this country regardless of where you're coming from and live under its laws and insist that everybody else lives under its laws, or are you going to end up in a ghetto advocating? I heard one woman today on the news, a Muslim woman dressed in her canvas burlap sack with her little slits for eyes saying how good of a thing it was for Mateen to go in and shoot up a gay bar in Orlando because, "This isn't good."

I'm sorry. If that's your attitude, give the lady a parachute and let her jump out over Saudi Arabia, and she can live in her paradise.

That's the issue, I think.

Fitts: Are you sure she wasn't an actor paid by the US government?

Farrell: She may have been an actor for sure. This is the point. We cannot have a culture where we are literally committing suicide by inviting and protecting people who don't assimilate into that culture. This is my big problem. It's not an immigration issue; it's this whole cultural Marxism problem that is the issue. It's using cultures so antithetical to what it is you want to break down so that you can install yet more centralized regulatory bureaucracy.

Fitts: Part of the problem is you're debasing your home culture at the same time.

You're debasing your culture instead of building it up, and then you're adding in these complexities, some of which are third world cultures.

Farrell: Exactly. It's not just third world cultures, but medieval, barbaric, unreconstructed and unreformed cultures. That is the problem. It's not going to work. You can't have a culture that way, and when you can't have a culture, culture is the basis. Culture comes from 'cultus' in the Latin. 'Culture' means: What is your basic, unwritten, taken for granted religio-philosophical view of the world? That's what it means.

You cannot have a functioning judiciary; you cannot have a functioning system of laws; you cannot have a functioning economy; you cannot have trust when you have no cultural agreement, and that is the bottom line.

Fitts: Trust depends on covenant, and the covenant is first and foremost. Cultural is not legal, and that is the next layer.

Farrell: You cannot have bureaucrats trying to lay down rules and regulations for how everybody is to get along. That won't work. It didn't work in the Soviet Union; it's not working in Venezuela, and on and on we could go.

This is what I find so scary about people like Bernie Sanders who openly call himself a socialist. Well, if that's what you want, move to Havana or China.

Fitts: I'm a capitalist; I believe in markets, but I've never seen them tried in the United States.

Farrell: Well that is the other problem. Capitalism, the way you and I are thinking about it, is close to the people. Capitalism, the way the Republican Party thinks about it, is Wall Street and JP Morgan and trading securities and the like.

Fitts: And assassinating anybody who disagrees with that.

I would just like to close the geopolitical section by noting that for my whole life up until about 1996 every time you turned around, somebody was using the expression, "It's a free country."

2016 has been the first year that, not only have I not heard the expression, but I've never heard

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anybody reminisce about the fact that you don't hear it anymore.

Farrell: You can tell the change in our culture by the shift in the language of political discourse. That's the problem. The language is the key that something is very profoundly wrong with the political system. No one is talking about the Bill of Rights. No one is talking about freedom.

Fitts: I don't think that's true because I know you are, and I know I am.

Farrell: I'm talking about in the political class. That is the problem.

What little I've heard from the Republican Presidential debates, there was no talk about freedom. There was no talk about preservation of the culture and what gave birth to this country, which was a long process going back centuries. There was none of this.

When you do hear talk like that from people, it's usually of a very plastic, jingoistic kind that our country, right or wrong, we're going to rush out and defend America against all of our enemies that we've managed to create. In other words, there is no critical thinking among that crowd.

Fitts: Right. I have to tell you that to celebrate July 4th I'm getting on a plane on Thursday and I'm flying to New York. I'm going to see Hamilton on Friday. Then on Saturday I'm going to the Met to see *Sleeping Beauty*. So I'm going to celebrate the writing of the Constitution. I don't know if you realize it, but my company, Hamilton Securities, was named after Alexander Hamilton.

Farrell: I do realize that.

Fitts: That was the last time I ever name a company after a politician who gets shot by a New York politician because my company also got shot by a New York politician. It's a corrupt country, but as long as you're around, Joseph, and we can talk to you, it's still a sane country.

I love the expression from scripture, "Where two or more are gathered in my name, there am I."

Farrell: Right. "There am I in the midst of them."

This is the other thing: I think you've hit your nail on something very important here. You have to seek out people of a common mind and engage with them because there is so much disengagement now that I think that is part of the problem. Everybody is in their own little cave and they're afraid to speak out.

Fitts: Just to close off the geopolitical section, let's not look back at the second quarter; let's look ahead at the third quarter. What do you think is going to be the most important thing happening in the third quarter in geopolitics?

Farrell: In geopolitics I would say look to three principal areas. I think you're going to have to look very closely at countries clustered around the South China Sea, in particular Indonesia and how they are responding to China, and what overtures might exist between them and commonwealth countries like Australia. That is one area that I would look very heavily at.

Obviously look at Europe and particularly watch very carefully at what the population and movements in France, Germany and Italy are, in addition to the smaller countries of Austria and the Netherlands and what they are going to be doing in terms of the EU. I think there is a real possibility that you can see countries like Italy, Spain, Greece or France bolt. If that is the case, Germany is going to pick up the pieces of what remains. So watch Europe very, very carefully.

As always, continue to watch the BRICSA block and the Chinese Silk Road developments. I think you're going to see – maybe not in the next quarter, but at least beginning next quarter and continuing on perhaps for a year or two – some very interesting commercial and diplomatic developments coming out of Russia and Japan. I'm almost convinced of that.

Fitts: I agree. I absolutely agree.

Well, Joseph, thank you very much. This has been excellent. We certainly have interesting times geopolitically.

An in-depth look at the News Trends & Stories

An interview with
Dr. Joseph Farrell

PART TWO



SCIENCE & TECHNOLOGY AND THE BIG QUESTIONS

Fitts: I have to tell you that at the beginning of the year when we published *Space Based Economy* as the Wrap Up, I said to myself, “This is really pushing the envelope. It’s very forward.”

Then what happened is we’ve seen for the first half of the year and very much in the second quarter an explosion of space everywhere.

Farrell: Oh, yes. It’s all over. In fact, we’re recording this on the 28th. I spent most of this week’s blogs talking about space based or related stories. The space stories have been incredible. I think I mentioned in the first part of the interview the fact that India had just concluded a blistering round of launching satellites. I think we’ll get into it later, but I just want to clue people in that there is a big geopolitical game going on regarding space, and we’ll get into it as we proceed.

Fitts: The thing I find fascinating is, if you take all the Asian space programs and count up how many people are working in them and look at the explosion of space start-up companies in Asia, it’s extraordinary. The reality is Asia can produce far more engineers faster than we can.

Farrell: Yes, absolutely. Right now you have a very interesting situation that’s been emerging. Let’s go all the way back to a month before the Chelyabinsk meteor incident in Russia. Before that incident occurred, the Russian Prime Minister, Dmitry Medvedev, gave an interview on Russian television stating that Russia should

press internationally for cooperation in the creation of a planetary asteroid defense system, but that if it couldn’t get that cooperation, it should press ahead with its own system of detection and defense against asteroids anyway.

Fitts: Wow!

Farrell: Right. Then you had the Chelyabinsk meteor incident. The Russians rammed through their duma a bill to create a Russian system for asteroid detection and defense. They’ve been bringing that system slowly online over the past year, if you’ve been following the stories.

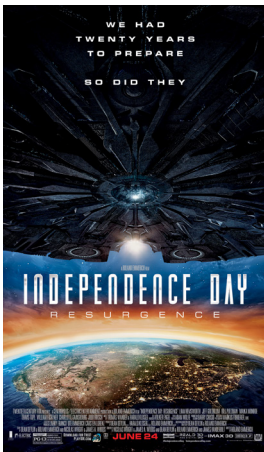
Then you have countries like India launching this blizzard of satellites. The European Space Agency just this last week – and I have a three-part blog coming up about it beginning tomorrow – has come out with a plan to position a new international space station at the eco-gravisphere – the neutral point of gravity – between the Earth and the moon. In other words, this thing would be much closer to the moon than it would be to the Earth. This would be a platform for further space exploration for lunar exploration.

Dmitry Rogozin of Roscosmos, the Russian space agency, has come out with a plan for a permanent Russian colony on the moon, starting the construction robotically. China, as you pointed out in your outline, wants to develop a mission to Mars by 2021. In this country you’ve got very interesting, very peculiar things happening in space. Let me give you two examples of what has been happening – and I blogged about this.





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Army Chief of Staff Gen. Mark Milley spoke at Norwich University, and said that the soldiers of the future are going to have to be prepared to fight “little green men.””



A few weeks ago Army Chief of Staff Gen. Mark Milley spoke at Norwich University, and said that the soldiers of the future are going to have to be prepared to fight “little green men”.

Fitts: And he didn’t mean leprechauns either.

Farrell: He didn’t mean leprechauns, and I thought, “That’s interesting.” I got a bunch of comments about the blog that I wrote regarding it. Well, that’s just code in the military for Russian Spetsnaz units in the Ukraine.

My response was, “No, that’s not code for Russian Spetsnaz units in the Ukraine; that’s code for little green men” in the colloquial sense.

A four-star General of the United States Army knows what that phrase is going to mean popularly.

Fitts: Right.

Farrell: You’ve also seen US Army recruiting films. I include this in the blogs that start tomorrow about the space story. They include scenes from films of soldiers fighting aliens. Then it ends its recruitment ad with a reference to the movie *Independence Day*.

Space is definitely in the news. Also, in the news that is space-related, are studies that are taking place – and I find this tremendously interesting, in view of the geopolitics that we just finished discussing in part one, and here is why: They’re doing studies now of what the government system should be for permanent human colonies on Mars. The studies are being conducted in the Netherlands –largely under the auspices of the European Space Agency, which means France and Germany, of course. The interesting thing about the study is that it concludes that in order for there to be a workable viable system of governance, they’re going to have to endow it with a great deal and measure of sovereignty. In other words, you can’t have a bunch of people back on Earth in Houston or Kazakhstan or wherever beaming up instructions.

Fitts: Centralization is not going to work on a multi-planetary basis.

Farrell: Centralization is not going to work here. That’s right. This article goes so far as to say a

permanent human presence on the moon – Japanese, Brazilians, Indians, Russians, Germans, French and Americans – a colony like that is eventually going to consider itself ‘Martian’ rather than their nationality on Earth. Then the real fun begins.

I’m looking at all these developments, and I’ll tell you what my gut instinct and intuition is. Space is proceeding so rapidly now, as you point out. The Asians are simply outnumbering us in terms of engineers that they can produce.

You’ve got three working space programs – very good ones – already in India, China, and Japan. Particularly the Japanese are the ones to watch. They’re the quiet ones, but they’ve got the technology. They’ve got that satellite up that was about as big as a school bus orbiting the moon recently and sending back all sorts of interesting pictures that the Japanese Defense Ministry promptly classified. So that was a little signal.

You look at the story, and the ESA’s plans, the Chinese plans and the Indians launching this flurry of satellites in a week, and what it appears that you’re watching is Mr. Global attempting to project their plans or shift the basis on which they want to impose their centralization plans into space.

What is happening is the response from the non-American space agencies clamoring to get up there as fast as they can. This is what I think this Indian satellite business is all about. This is what I think the Roscosmos announcement is all about, and that was the clue because Rogozin in Russia said, “This is our plan, but obviously we can’t afford to compete with NASA because they’re so far ahead of us.”

What Russia is announcing and what Rogozin is cleverly saying is, “We’re doing this to position ourselves with the other space powers, to insist that space is not going to be a unipolar thing.”

This is where you’re going to see the geopolitics change significantly because space is going to be where Mr. Global and his centralization plans will ultimately be challenged. You see this reflected in these plans for Martian government

and this idea that they're going to create a local tribunal of representatives from the countries that have people there.

Fitts: I will tell you what I believe and that the reason that we kicked off the Uruguay Round of GATT and globalized it was that the number one goal was Mr. Global needed much more capacity much faster. We were going to become a multi-planetary civilization, and I think that is Mr. Global's number one priority.

Farrell: I do, too. I'll tell you something else that I think is a key factor, although it's so out there and it's so on the end of the twig of high-octane.

Fitts: That's okay. Be out there!

Farrell: I think they're in a hurry for a reason. I think they know something that they're not telling us. They've been quietly hinting at it and suggesting it in statements like General Kenney with the little green men and the US Army recruitment video.

Fitts: Here's my vote for what they are worried about, and I have a number one and number two. I think the number one threat is geophysical; it's the deterioration of the magnetic field. I think number two is the little green men.

Farrell: Yes. I would flip that. I would say my number one concern that they're concerned about is the little green men, and number two, is the geophysical deterioration – although I have suspicions about what that geophysical deterioration is all about. I don't think it's natural or cyclic; I think this is something that they've been up to for a while.

Fitts: You think it's the little green men?

Farrell: Yes, I think it's because of the little green men. You have to remember that a lot of the chemtrails and spraying is particulate heavy metal. It looks like what they're doing is increasing the electrical cavity of the Earth's atmosphere. That means two things: They are trying to create an artificial shield in case the magnetic field gets so weak that it collapses. I don't think so; I think that's simply cyclic. I think the real reason is because that becomes a much better conductor for

electromagnetic weaponry purposes. They're weaponizing the planet, to put it bluntly.

I think that they're aware of something that they're not telling us, and in a big hurry to get out there. This is the reason they want their asteroid detection defense system. That is really an excuse to weaponize space in a major way, and I think they're in a hurry to get to Mars and back to the moon because those are – from a purely military point of view – the bases you would need for any sort of workable inter-planetary defense system; especially if you're expecting something coming from the outer solar system or outside the solar system. This is what they would want.

I think you're looking at that behind the scenes. I realize that is quite a whopper and a doozy of high-octane speculation.

Fitts: The whopper and doozy of the quarter – if you were going to have something really far out – was the Islamic pronouncement that encouraging people to travel to Mars was against Islamic doctrine. They declared a fatwa on Mars space programs.

Farrell: I know. Talk about being backward. If you want to be left behind, then have your medieval, barbaric, unreconstructed, unreformed religion. (Don't hold back, Joseph. Tell us what you're really thinking.)

Fitts: Remember we're talking about a part. I have to tell you that there are many advanced, wonderful, fantastic members of Islam.

Farrell: Right. They have scientists and mathematicians as well; who would think that's just nuts?

Fitts: To a certain extent, we're talking about the radical group seeded by US intelligence agencies.

Farrell: Exactly. It's a nice way to keep potential competition on the ground.

Fitts: Let's turn to blockchain because blockchain is something I spent a fair amount of time trying to understand in the second quarter. I don't pretend to have mastered it. I think the impact of blockchain on the financial system is going to be quite extraordinary.

We're talking about a system of technology that



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can create a distributed ledger system. Literally you have financial institutions all around the world that can simply settle with each other directly with no intermediaries or payment systems.

It’s one of the reasons I use the quote from the head of ING that says, “Our customers need banking services, but they don’t necessarily need banks.

Farrell: And there is no opportunity for malfeasance, is there, with the distributed ledger?

Fitts: It’s interesting because there are many people who believe in this technology who think it’s totally encrypted and it’s safe. I’m of the view that Mr. Global doesn’t like technology out of the lab unless he’s got a back door.

I don’t believe that it is truly encrypted; I think there is going to be a back door.

Farrell: I do, too. When you first told me that this is a distributed ledger, which just sent my suspicion meter into the red zone. I think ultimately, especially in terms of this idea of the hidden system of finance, a financial system has to be dependent on the actual physical movement of a physical medium of exchange. I think this is how they’ve managed that hidden system of finance.

The problem that bothers me in conjunction with space is that as you’ve suggested, what they’re doing is with this competition. They’re trying to build out systems redundancy as fast as they can because relying on NASA or the unipolar approach to things just hasn’t worked. If anything, NASA – since the end of the space shuttle program – has just been a moribund, do-nothing institution. You’re seeing this redundancy built into the system, and I think that’s for a reason.

You build redundancy into the systems for one simple reason: That’s either catastrophic failure or military interdiction. When you consider India’s sudden flurry, it’s looking like they’re building redundancy into the system because they are expecting one of those two things.

Fitts: Here’s the thing. If you need to decentralize for economic reasons, then having all the data in your cloud is the way you maintain central

control while you’re decentralizing.

Farrell: The other thing I think they’re doing this is precisely for space-related reasons. If you’re going to have permanent human colonies on the moon or Mars, you’ve got to have some sort of system of financial clearing with the distributed ledger that will allow you to conduct trade in commerce over those great distances. I think this is a part and parcel – as you put it in your outline – of why you’ve got to look at all of this overall rather than not really being connected to space, and space isn’t really connected to that.

I think you’re looking at two halves of the same coin here. I think this is precisely the reason that they’re experimenting with these systems; they need it for space and for commerce to be conducted.

Fitts: Right. Let’s turn to health. Health and what is happening with technology in the health area is very significant. We saw in the second quarter a huge brouhaha. In the first quarter, Trump brought up the issue of heavy schedules and the relationship to autism, but we then saw *Vaxxed*, the documentary, spiked by the Tribeca Film Festival, and Robert De Niro giving powerful interviews on TV and the documentary taking off.

This was all coming on top of a real push to mandate vaccines in the schools, including in California. We really see both on the biotech side and on the vaccination side; health issues really coming to the fore at the same time we’re dealing with the Obamacare reengineering. And as you and I both know, “It isn’t working.”

Something is going on in the area of health freedom. If we blow up anywhere in the next year, this is where it’s going to be.

Farrell: Yes, I think so. I think you as well, know people personally who have had either persons in their family or they know close friends who have been struggling with an autistic child and meeting the bills. I’ve had personal experience with people like that who have been on various medications and dependent on the government.

My favorite example is a friend I had who re-

quired medical marijuana. This individual had a prescription of 30 pills or something like that a month. It cost \$1,700 for that bottle of pills to get medical marijuana in a form acceptable to the government when a \$50 bag would have done him just as much good.

In other words, I think the vaccine issue really boils down to big pharma and mercantilist policies and the fear porn on television and radio of this and that flu vaccine with swine flu. One year it was bird flu. The next year, “Get your vaccine.”

I’m one of those people who never get the vaccine, and I don’t get the flu. I look at people, who get the vaccines, and they’re sick for a few days, and then they’re tired, and run down.

Autism and the vaccines, as far as I’m concerned, have a link. I don’t think you can be informed about the literature and not come to that conclusion. Putin is raising this issue. When you start mandating these vaccines for little babies and requiring it for attendance at school – no.

This is where the states are going to have to stand up and just say no. If you’re state is considering it, move to another state. It’s time to get out of that state if they take away your sovereign right.

Fitts: That is the question. Will a state Governor play a Putin and say, “GMOS and vaccines. We’re going to offer a choice?”

Farrell: Exactly. States are going to have to say no to Washington and to the big corporations, and they’re going to have to understand that the corporations, particularly ‘MonsterSanto’ as I like to call it, or ‘IG Farben Santo’, are going to come after them. We saw this happen in Hawaii. We see it happening in Vermont.

It’s time for people to hold the feet of the politicians to the fire, and it’s time to reregulate those agencies and make sure that they have some teeth and require that the people who are staffing them are not a revolving door between Archer Daniels Midland and the FDA. Enough is enough.

Fitts: I should point out for the people who don’t know, part of the *Vaxxed* documentary is

a CDC whistleblower that comes out and gives testimony to the fact that the CDC has been manipulating and suppressing data.

Farrell: Exactly.

Fitts: I would also point out, during this quarter, the global life expectancy increased, but it decreased in the United States.

Farrell: So much for our healthcare. Seriously. This is where the states are so important – or if you’re in Canada, the provinces. The whole reason the United States is behind and wanted the EU was because it was much better to manage and deal with one bureaucracy than several. Well, it’s the same thing with corporations and the Federal government. They don’t want states to have say-so because it’s easier for them to deal with a centralized government. But they’re not going to look out for the health of your children; they’re going to look out for their bottom line, and that is the bottom line.

You can’t have a functioning economy if you don’t have trust and if you don’t have health.

Fitts: One of the reasons the realtors and the homebuilders wanted me fired from FHA is because I insisted on delegating a huge amount to the field office. I said, “Look, all real estate is local,” and they wanted a national policy on everything because it made their life much easier. It was very convenient for them.

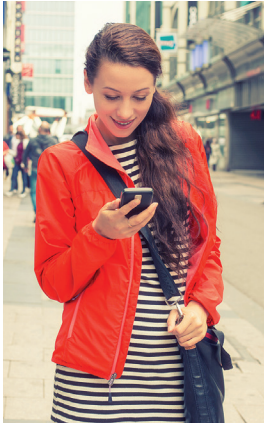
Farrell: Exactly.

Fitts: Okay. Zero integrity systems. This, as you know, has become an obsession of mine. As you read the business literature and the corporate literature, you have a whole world of functions that are planning on using digital systems in the cloud to execute and reengineer almost every function in our lives; and yet if you look at the cost of cybercrime and the growth of cyber hacking, the systems have absolutely no integrity.

Farrell: No, they don’t. I’ll tell you something very interesting in respect to that. I just had a blog on my website called ‘Russia to develop tele-transportation technology in 20 years.’ This is part of a strategic study plan for Russia.



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One of the things they want to do is beef up their cyber industry, both cyber hardware and software. I suspect the reason is that they have some of the best hackers in the world in Russia, and they know the Western cyber systems are not secure.

I deal with so many computer problems. They are so bizarre; they can't all be coming from my computer. This idea of having everything in the cloud, you know my philosophy on e-books; they are an abomination because they change the author's intended formatting of a book. I don't trust Amazon to preserve the intention of my text. I don't trust any bank with executing trades or billing me automatically. I'm still a paper check guy, and I refuse to sign up.

“Cut your bills by 35% if you sign up for our automatic debit system.” No way. I'm not letting anybody into my accounts.

Fitts: Actually, I trust my bank. I use paper checks, and I do trust my bank. I bank with one of the smallest banks in America.

Farrell: Yes, I deal with a very small bank, too. I will not use electronic debit etc. I will use a debit card, but that's not what I'm saying. I simply don't trust these systems because – like you said, Catherine – they have no integrity.

This brings us back to that blockchain story. Given the malfeasance that we've seen perpetrated by Mr. Global and the corporate fraud and corruption in the last 30 years, are we really going to trust that kind of system with our money?

Fitts: I don't.

Farrell: I don't either.

Fitts: What I'm always astonished by is the number of technology people who come to me and say, “Look, this is a serious alternative; it's safe.”

Farrell: No. It's not safe. There is no unsinkable ship. We heard this more than 100 years ago with the Titanic. “God Himself could not sink this ship.”

Well, you're tempting fate when you say things like that, folks. There have been unsinkable ships

and there have been invincible weapons, and there is always a way around them. There is no such thing.

Fitts: This brings to me to what I think is one of the most important stories of what is happening today. I linked to a story called, ‘Why this golden era of innovation isn't improving productivity.’

What we're saying is that we have all this dazzling technology, and all it's doing is helping a few people centralized and create an enormous inequality. It's destroying trust, and of course, it's destroying productivity.

Farrell: Yes. I saw in your outline that you also had articles about ‘Anonymous’ and other groups cyber-hacking central banks.

A year or so ago it was Sony. These systems are not secure. What they're doing is, as you say, creating a lack of trust. When there's lack of trust, what do you do? You hoard the money. So the technology isn't helping us here. There has to be a way of getting through to people that good, old-fashioned paper checks are not a bad thing.

The Federal Reserve tried to move us in this digital direction when it quit sending our cancelled checks back. “We'll send you copies if you ask for it.”

No. It's not creating trust; it's not generating productivity. What it's doing is generating distraction. This is what bothers me about it. I refuse to have a cell phone or an iPad or anything like that because it's just one gigantic distraction. Social media is just a gigantic distraction for the most part. People have to get away from the tube and get away from their iPads and read a book or paint a picture or make a widget in your garage and sell it to your neighbor. Do something rather than be passive. This technology is killing us.

Fitts: We've been working this year on our garden again. If you need a hobby and you enjoy it, building a local food supply is a really great investment right now. We don't want to end up like Venezuela.

Farrell: No, we don't.

Fitts: Let's turn to The Big Questions.

Farrell: Right. We did the small questions, folks. Now we're doing 'The Big Questions.'

Fitts: I describe the campaign this year as the Richmond Valentine campaign after the Silicon Valley billionaire character in the *Kingsman* who used entrainment technology. I keep asking the question, "Who or what does Richmond Valentine want?"

In the entire divide and conquer games, you're seeing America's confidence in its institutions at near an all-time low.

Farrell: Oh yes.

Fitts: That's why I keep asking the question. Is the goal to break up the country? If we add up all the different things we're talking about – whether it's autism at the current rate growing to one out of every two children by 2032; what's happening with the food supply; what's happening with the systems; what's happening with robotics and employment – the question is: Where is this all headed? Who or what does Richmond Valentine want?

Farrell: Well, you couched the question in terms of a breakup of the country. I think what Richmond Valentine wants is greater centralization, and at the same time he wants to bust the country up into much more digestible, manageable pieces.

By that I mean, not just individual states, but city-states. They want to bypass the states as much as possible. They want to make everything centralized at the Federal government level, and then lock everybody into their city-state. That is what they want.

They don't want productivity. Those groups of people don't want productivity because when you have productivity, you have creativity, you have imagination, and you have critical thinking. They can't stand any of that because when that happens, they're not controlling it.

That's what I think they want. I think they want to keep people poor. I think they want to keep people distracted with their iPads and not producing anything. I think they want to keep people distracted by transgender bathrooms and, "Is little

Suzy or little Mark at seven years old identifying as a boy or a girl?" and nonsense like this. Any focus on the issues is dangerous for them because they're stupid. They're arrogant and they're stupid.

Fitts: There's no doubt that playing in a rigged system can make you really stupid, although in my experience at the top, the operational capacity is quite good.

That brings us to two questions that are: the future of cash and the future of income?

Farrell: Right. Maybe I'm old-fashioned, but I don't see how you can have a functioning economy without a real physical medium of exchange. I do as much of my financial transaction by paper as I can. That includes, if necessary, writing a check at the grocery store rather than using a debit card.

I'm just a believer in having a physical medium of exchange. And physical medium of exchange, as far as I'm concerned, are based on production. There has to be value represented, more than just aircraft carriers, drones and bombs. That's been the problem.

The backing of our dollar is military power – nothing more and nothing less. You have to have a physical medium of exchange. This idea that everything is going to be cashless and so on: No. I've never gone along with that. I think you have to have money. You have to have physical, tangible securities. You can't trust a bank to keep everything in its vault and on its ledgers in the form of electronic blips.

And let's be honest here: What happens tomorrow if China decides to take out America with an electromagnetic pulse weapon? Our computer systems are fried.

Fitts: You'd better create a local currency as fast as you can.

Farrell: Bingo! You had better save those bank deposit slips that have your bank's name on it with your account number and your balance. I save those things because I don't trust these institutions.

I trust my little credit union here where I live,



“**The backing of our dollar is military power – nothing more and nothing less. You have to have a physical medium of exchange. You can't trust a bank to keep everything in its vault and on its ledgers in the form of electronic blips.**”

but in general, I don't trust these institutions. It's time that we get back to the old Jeffersonian principle that you look to yourself and trust yourself first, and be skeptical of other people watching out 'for your best interest' because they're not going to do it. I'm firmly Adam Smith on that camp.

You have to have physical media. If that happens, you have to have a means to create a local currency really fast, and it has to be a physical media of exchange.

Fitts: The Swiss rejected the proposal to give a basic income to every adult and child. I know they do have a basic income for a retiree, so there is some form, but you see enormous conversations globally about artificial intelligence and robotics and what it's going to mean to incomes globally.

Farrell: Right. Well I don't think that those technologies necessarily represent the demise of human production. I think we need to start thinking in terms of, "Well, if these technologies are coming online, that frees us up to do something with our own time."

Fitts: Right! Exactly! Like go to Mars.

Farrell: Right, go to Mars or plan how to get there or write a symphony or do something – produce something. Enrich the world rather than just being passive with it.

I don't see these technologies the way the globalist elites see it. This just means you're going to have a large population sitting around and doing nothing and demanding their check. I think it represents the opposite. I think it represents a tremendous opportunity for creativity if we'll seize it and not let them seize it for us.

Fitts: You have to let capital flow freely; you can't centralize the capital so it all flows to large corporations. You have to let it flow according to market economics so that the people who no longer need to be doing what they were doing have the capital for productivity do something else.

Farrell: Exactly.

Fitts: And that's what we've done in this coun-

try. We have systematically denied and shut off capital to people who are being reengineered out of what they're doing, and we've made sure that they couldn't get their hands on capital to do something new, or we've made it extremely difficult.

Farrell: Absolutely. This is where going back to local solutions is prime because if the Federal government is not going to do this or JP Morgan Chase isn't going to do this, the states and localities should step in and do it. That goes back to your idea of equity financing.

I think the opportunity is there for that approach if people recognize it and seize it rather than let the government and the corporations dictate to us how they're going to seize the opportunity. Just go out and seize it and take it away from them.

Fitts: Here's how the economy works: When people get laid off, they can get money from the government to do nothing, but it is illegal for them to access equity capital from their neighbors to create something new.

Farrell: Right. That has to change. You should be able to take that money from the government and be able to kick-start a business or something and get off the government and search for sovereignty again. Absolutely.

Fitts: One of the stranger things that happened this year was the announcement that a Temple of Baal arch was going to go up in Trafalgar Square and in Times Square. I called you and I said, "Joseph, what is this?"

We now see that the arch was cancelled in Times Square. Apparently too many hackles were raised.

Farrell: As I told you at the time, that's just the elite declaring who their God, is. I'll tell you what is going on with the elites that just nauseates me, and that is a story where Chancellor Merkel and President Hollande came together at Verdun in France. One hundred years ago right this year, we were fighting World War I – at least the French, British, Germans, Russians and Austrians were fighting it, and we were thinking about getting in – thank you, Mr. Wilson.

Verdun and the Somme in 1916 were two of the bloodiest battles in human history. At Verdun, Frenchmen and Germans gave their lives in the hundreds of thousands.

Hollande and Merkel got together for this memorial at Verdun, and the memorial was this typical new modern, new age, neo-nastic celebration of paganism; the occult, the devil, and all of this nonsense. I thought to myself, “What unbelievable gall,” not to coin a pun, “that these two leaders would participate in a ceremony to commemorate Frenchmen who are fighting for their culture and freedom and Germans, who are fighting for their culture, which had nothing to do with the memorial that was given for those men who lost their lives – nothing to do with that.

Whatever we say about Kaiser Wilhelm, he was not a new age pagan. Whatever we say about George Clemenceau, he was not a pagan.

The elite parade their disdain and their contempt for the Judeo-Christian and humanistic basis of this culture at every opportunity they can, and it's time to tell them, “No. Go to mass,” or, “No. Go to your Lutheran church,” or, “Go to your synagogue.” If you're not inclined to do that, then be a part of that great tradition of Western humanistic culture that is tolerant of its other basis.

Fitts: Or if you want to have a cult of rituals, fine, but do it on your own time. Don't do it on our time.

Farrell: Right. Do it on your own time, not on our money, because you don't represent us.

I was thoroughly disgusted and nauseated. When I read that story about the Temple of Baal arch that you sent me, I thought, “They're at it again. They're declaring where their allegiance really is,” and their allegiance are destructive of the basic virtues, monuments and traditions of this culture, and they're proud of it, and they flaunt it. It's time to tell them, “No, you don't represent us. Go have your rituals in your local lodge; don't bother us with it.”

I saw that hideous ceremony that they had at the opening of that tunnel, and I'm thinking, “Has

Europe lost its mind? Have we lost our mind?”

Fitts: It's not just Europe. This is exactly what got me to leave Washington in 1998. I was trying to get away from the perversion. It was just too unnatural, and it was just too unhealthy. It was the scorpion and the frog, and I just said, “This can't win. This is going to lose.”

Farrell: I have the same feeling any time I've been in Washington. I avoid the place because I have that same perverted, unnatural, untraditional feeling. It's so thick in the atmosphere in that city; you can cut it with a knife.

It is so out there and so bizarre, and they flaunted this in the churches. They've pushed these changes in the churches from their traditional ritual or confessional moorings. They do it at every turn they can, and it's time to call a halt to it. For those who don't have that kind of philosophical, theological or metaphysical inclination, there is also that great humanistic tradition in Western culture that they're also flaunting.

It's time that these people just are told, “Knock it off. We don't need another pagan spectacle.”

Fitts: You think Trump is weird, what about this?

Farrell: Right. If you think Trump is weird, these people are just plain nuts.

I spent a great deal of time in my 9/11 book reviewing a book by S.K. Bain that examines 9/11 solely from the standpoint of its self-evident occult ritual aspects, and it's a scary book. Just the little bit I reviewed in my book doesn't even really skim the surface of his book.

These people flaunt it at every turn, and that means their allegiance isn't with goodness, virtue, trust or anything like that. They feed their own narcissism with this and it's time to call them out on it and say, “Enough is enough. We're tired of it. If you want to do this sort of stuff, practice it in your lodge; don't bother us with it and shove it in our face. After all, this is supposed to be freedom of religion, so quit pushing this nonsense on us at every turn and using our tax dollars to do it.”

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Fitts: I've posted these stories under the question: Economy – open or closed? I've asked for a couple of years the question of, “Is the economy open or closed?” I have to tell you that if you look at how the markets are behaving; it's much more like an open economy than a closed economy.

The reality is that if we can't keep financing the drops in productivity with more government debt, and we have to reengineer to something productive, we have to address the secrecy and the privilege coming from it and wherever all this money is disappearing to. I don't see how you get real structural reform without transparency about what I call 'the tithe'.

Planet Earth is behaving like a REIT. We're sending the dividends someplace. Where is it going, and what does that have to do with everything? It's a question you and I keep asking. I'm just trying to make it a financially fashionable question to ask and discuss.

Farrell: I think it should be a financially fashionable question to discuss, and I'll tell you why. Somebody has the ledger book.

Somebody is keeping the account book, and I think what's going to need to be done in this global movement of revolt against centralist Mr. Global, the financial question needs to be injected into that conversation. That is number one.

Number two; we are going to face what I call the 'Philippe le Bel' moment of history. Just to refresh everybody's memory as to who he was, he was the king of France who sent out secret orders to his sheriffs, essentially, that on such-and-such a time on Friday the 13th of October go raid and arrest the local Templar lodges and seize all their documents and property.

That's is what has to be done. As soon as it's determined, and you have to look who's keeping the ledger – and I have my suspicions and I imagine you do, too.

Fitts: What's in the Vatican library?

Farrell: Well yes, that's one place to look. You're going to have that kind of action taken. The ledgers have to be opened and the truth has to be

told because I think the other thing that we're witnessing here, is the self-destruction – if nothing else – of this hidden system of finance.

I think it's becoming too obvious. I've seen too many financial analysts in the emails I'm getting that are beginning to question just what is going on. Why are our predictions not ever coming true? There is something else happening.

I think the more people can inject that into the conversation, “Where has all this money been going? Exactly where has it been going? And who has been responsible for handling it?”

Once people start asking those questions, I think things are really going to bust open. I really do.

Fitts: I agree with you. If the dollar is losing its reserve currency status, then the source of the subsidy to buy everybody off is going away.

That is going to open things up, and it's going to give tremendous power to whomever got the \$40 trillion. There's no doubt about that.

Farrell: I'll tell you what my suspicion is on how this is going to unravel. I suspect that you're correct that we're going to see major banking business reform or skullduggery beginning to surface in the next few quarters in Europe. I think it's going to center on Deutsche Bank, and little parts of it have begun to open up.

The Italian bankers death that the Italians are rightly very suspicious of, in my opinion.

Fitts: We just had the second Zurich Insurance executive commit suicide.

Farrell: Yes. I think this whole thing is connected deeply to this hidden system of finance idea.

Fitts: Right. I agree.

Farrell: I think once this starts to unravel – and it's going to unravel at Deutsche Bank – it's will travel like a thunderclap. I think you're going to see some major banks and insurance companies involved in this. I think as a result of it you're going to see nothing but smiles on the faces of Mr. Putin and Mr. Xi in China. I really do. I think this whole thing is set to come out in Toto. I'm

not saying that, but I think there will be enough dots that people who are following the story very carefully can piece together the rest of the it.

I think Europe is going to be very significant in this respect in the coming months. Absolutely.

Fitts: Well, it's been an interesting second quarter. Any other thoughts on the third quarter and what you think is coming up?

Farrell: Oh, boy! Other than that story, I can't think of anything. I'm sure the moment we hang up the phone I'll think of it, but that is the big story. I think, other than this possible beginning of the unraveling of that system, which a certain segment – and not all of the segments of Mr. Global, but the decentralizing segment – will be taking a hand and making sure it happens. I don't think they're too happy about the way that Mr. Rockefeller and the other groups have been running things lately.

Fitts: It's interesting because you point out that there is going to be a real brouhaha around the European banking system, and I absolutely agree with that. But the other place that you're going to see brouhaha is all the plans to increase productivity in state and local government – in healthcare and in education – is not working.

I think one of the most significant things that are going to happen in the next quarter for you and me is your book on Common Core coming out.

It's publishing in August before the election. If you look at the fury over Obamacare, the Republicans are coming out with a new plan. The fury over Common Core is exploding from what I see in the heartland.

I think this push for productivity in this area is obviously not going to get more productivity; it's doing the opposite. But that is coming to a head as part of this campaign, and your new book is going to come out right in the middle of it.

Farrell: Oh, I hope so. The Common Core thing is all about productivity in a certain sense because what they're trying to do is remove the teacher from the classroom in gradual steps. They're trying to reduce the teacher to merely

being a proctor of an exam and a reviewer of texts that the corporations supply, which is just an anathema to turn over history, geography, philosophy or mathematics to Pearson rather than to people who know their subject matter well and know it from the historical sources.

Fitts: As bad as that is, I think it's much worse that they're trying to remove the IQ from the student.

Farrell: Well, this too, but that's my point. I believe that intelligence and education are a reflection of a human interaction. This is really an assault on the teacher's union. This is their way of saying, "We're cutting costs. We're cutting down overhead," etc.

No. They're not cutting costs and overhead in the long term because what they're doing is producing a stupid population that's not going to produce anything. Ultimately they're cutting their own throat.

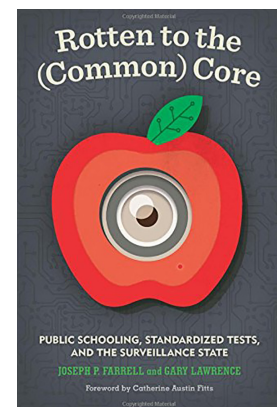
Fitts: They're also taking control of a very valuable – from their point of view – commodity.

They are going to have direct access to the kids without the intercession of parents, teachers, or principals.

Farrell: Right. Absolutely: 'Ausgeschlossen' as the Germans would say. It can't happen, and I'm adamant that the only thing that this is going to produce is a two-tiered society where people who still have enough capital are going to insist on either home-schooling their children or hiring a real honest-to-goodness old-fashioned tutor who takes over the direction of someone's private education. Inevitably that is what is going to happen.

Fitts: Here's what is happening with all this productivity in the area of government healthcare and education. If you look at the cost of having an autistic child or the cost of having a child who is not functional or productive, what you start to realize is that homeschooling, growing your own food, organizing with your neighbors to finance a farm to grow your food, making the alternative arrangements you need is becoming cost-effective.

It's becoming cost-effective to drop out of the



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“Talk to any teacher who is struggling in the public educational system to begin with, and add Common Core on top of it, which is standardized testing on steroids, and you end up with a system that cannot educate.”

system as much as possible because the system is so unsafe and so unhealthy.

Farrell: And so unworkable.

Fitts: Right. Not to give anything away, but I wrote the forward in the book. I reached the end and I said, “Look, here is the reality; you’re going to have to home school or send your kids to private school.” But you can’t do this. You can’t send them into this system. It is not safe.

Farrell: It is not safe. Talk to any teacher who is struggling in the public educational system to begin with, and add Common Core on top of it, which is standardized testing on steroids, and you end up with a system that cannot educate. It’s not that it’s inefficient or anything; it simply cannot educate.

The bottom line has always been that this whole thing is about taking the teacher’s unions and throwing them to the winds and replacing them with some yahoo from Pearson who thinks that they’re going to teach a subject this way, and it’s not going to work. It’s just absolutely not going to work.

Fitts: If you cancel the teacher’s unions, it’s a

ever since I’ve had a computer, and I’m thinking, “This guy is a billionaire?”

No. This is a typewriter that doesn’t work. The only reason I’m stuck with it is because most of my programs are designed to run on his system.

Fitts: Which the NSA is very grateful for, I’m sure.

Farrell: Oh, I’m sure they are. And I’m sure all the other intelligence agencies are very grateful to the NSA for throwing in with such a bad system because it’s so easy to hack.

Fitts: Let me say one other thing about the third quarter. I’m really looking forward to the third quarter.

Farrell: Why is that?

Fitts: I’m really looking forward to it, and I know you see this with your members, because I have never been in cahoots with more smart, attractive, intelligent people ready to move on and get this fixed.

What they see is that the current system is not working, and they have finally reached the point where they realize, “You know something? It’s

lot easier to get your hands on the pension funds.

Farrell: Bingo!

Fitts: I hate to bring it all back to money.

Farrell: But that is what it’s all about. You’re exactly right. It’s another harvesting mechanism, and another layer of surveillance for the big corporations – for Mr. Gates.

I’m sorry. Mr. Gates can’t design a decent, secure operating system. I’ve been wrestling with his system

just like Brexit.”

I’m sitting in the hearts and minds of thousands of people all around the world. They are just voting to leave with their time and their money. They’re just saying, “I’m out of here.” They’re checking out.

Farrell: I have checked out to the degree that I can. I tell people, “I have to pay for cable television just as part of my internet and phone package. As soon as corporations offer me the opportunity to get internet and phone without paying for endless commercials and 500 channels of pawn shops and the tripe and swill on CNN and Fox and all of that, I’m out.”

I don’t have cable TV hooked up. I have dropped out to the extent that I’m able from all of this, and I’m trying to create a community of like-minded people and thinkers, doers and creators.

Fitts: There are more great people showing up and getting ready to drop into something new.

Farrell: Yes. Eventually out of that is going to develop a critical mass – everybody thinking and doing the same way – of people who can get in there and really fix things because the current crops are brainless.

As you pointed out when you came to the visit, they’re not only arrogant, but they’re stupid. I’m seeing articles to that effect now. It’s amazing. Almost the same day I had articles from people from a commentator in this newspaper and others saying that our political class and our leadership and our financial experts are arrogant and they’re stupid, and I believe they are. They are arrogant and they’re stupid.

Fitts: Here is the problem: We have used the official reality for so long that we’ve forgotten what reality is.

And the dollar reserve currency has given us the luxury of doing that, and is now going to come to an end. It’s the Brits who are delivering the message, and the message is loud and clear.

Farrell: Yes. It’s the Brits who are delivering the message. I think the French and the Italians are going to deliver the message. The message is

being delivered all over the world, and it means that we’re going to be forced back on our own resources, and that’s not a bad thing.

Fitts: I wish we had done it ten or twenty years ago, but better late than never.

Farrell: The bottom line is: It’s not a bad thing because what made this country great wasn’t money. What made this country great were creative people and individuals. It wasn’t John D. Rockefeller hiring his thugs to go beat up his competition. It’s time to take the Carnegies and the Rockefellers off the pedestal. These aren’t heroes; these were basically thugs.

It’s time to take them off the pedestal and start revering the people who did create value, life, beauty and other things. It’s time to take those people and give them their due – the Leonard Bernstein’s and the James Michener’s and the people who have enriched things – and I think that’s going to happen.

Fitts: If you let the creative, productive people rise and back into the leadership positions, it is going to happen.

Farrell: Yes. The political class won’t let that happen, but I think to a certain extent, because of what is happening at such an accelerated pace, they are as obsolete as the Dodo bird. I really think that.

I really think the Zbigniew Brzezinski’s, the Dick Cheney’s, the Karl Rove’s, the Hillary Clinton’s, the David Rockefeller’s and the whole ilk, days are over. I really do. The Brexit vote was a referendum on their track record, and their track record is abysmal. It’s a failure.

Fitts: I’m afraid you’re right. Well, Joseph, onto the third quarter. It’s going to be interesting times.

Farrell: Yes.

Fitts: Thank you very much. You are one of the reasons we live a free and inspired life over here at The Solari Report.

Farrell: Thank you for having me back on, Catherine.



“

It’s time to take the Carnegies and the Rockefellers off the pedestal. These aren’t heroes; these were basically thugs..

”

III. Financial Markets Roundup



“Buy the shock” is emerging as a new buzzword – and investment strategy – on Wall Street.” – ADAM SHELL ON BREXIT

Overview

Equity markets made a sharp correction in the 1st Quarter, then regained losses and more in the 2nd Quarter. Thanks in part to Brexit, US equities continue to outperform European equities. The fixed income markets continued to experience low and falling interest rates, with more than \$12 trillion in sovereign bonds trading at negative interest rates by the end of the 2nd Quarter. The markets are clearly struggling with greater political and financial uncertainty as the global economy slows. Commodities began to rally with gold and silver putting in an exceptionally strong performance in the first half of the year.



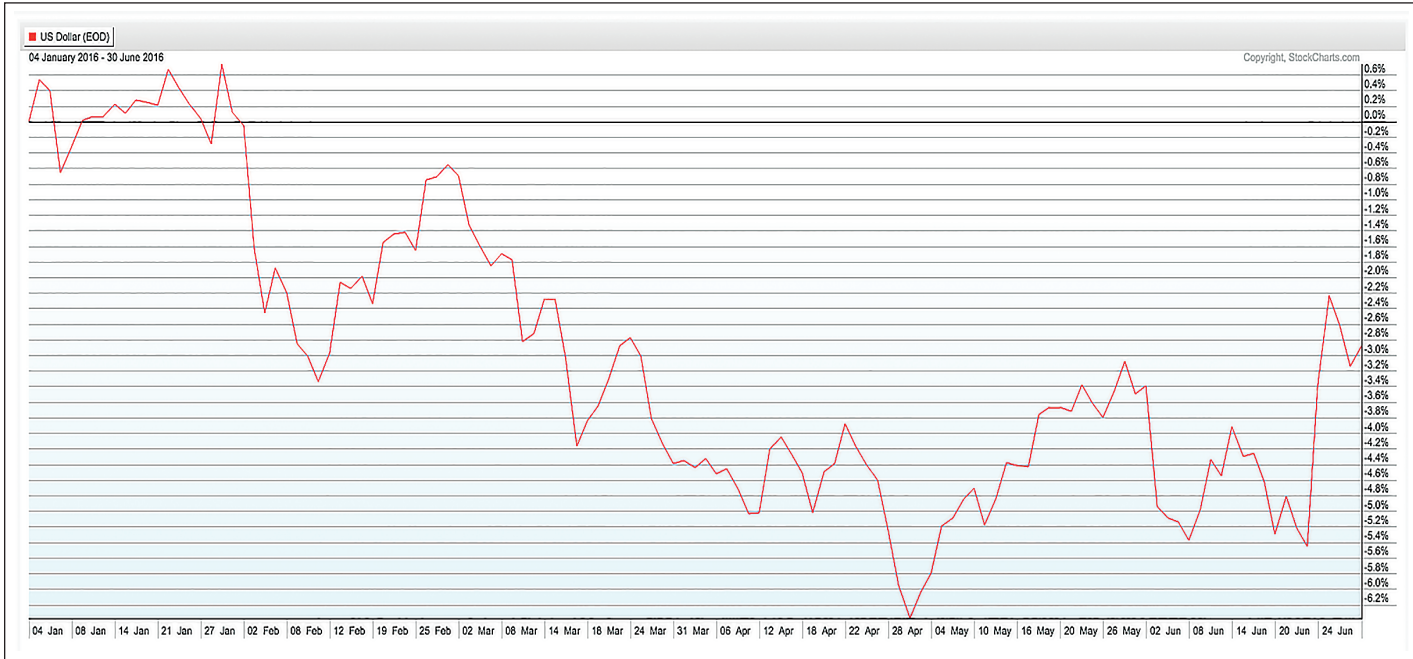
	12/31/15	03/31/16	06/30/16	% Change
S&P 500 (GSPC)	2,043.94	2,059.74	2,098.86	2.69%
DJIA	17,425.03	17,685.09	17,929.99	2.90%
Russell 2000 (IWM)	112.62	110.63	114.98	2.10%
MSCI EAFE (EFA)	58.72	57.16	55.82	-4.94%
MSCI Emerg. Mkts (EEM)	32.19	34.25	34.37	6.77%
Barclays Agg Bond (AGG)	108.01	110.83	112.61	4.26%
DAX (^GDAXI)	10,743.01	9,965.51	9,680.09	-9.89%
iShares China Large-Cap (FXI)	35.29	33.77	34.22	-3.03%
PowerShares India ETF (PIN)	19.52	19.21	19.55	0.15%
Gold (oz.)	1,060.00	1,237.00	1,320.75	24.60%
iShares 20+ Year Treasury Bond (TLT)	120.58	130.61	138.90	15.19%
US Dollar Index	98.69	94.63	95.98	-2.75%
Commodities-Reuters/Jeffries CRB Index (\$CRB)	176.27	170.52	192.57	9.25%
Baltic Dry Index (\$BDI)	478.00	429.00	640.00	33.89%
iShares 7-10 Year Treasury Bond (IEF)	105.59	110.34	112.96	6.98%

[This chart reflects prices adjusted for dividends; charts following may not.]

III. FINANCIAL MARKETS ROUNDUP

US Dollar Index

Whither the US dollar? The US Dollar Index, under pressure throughout the 2nd Quarter, touched the critical 92 floor. Nevertheless, Brexit gave the dollar renewed short-term strength as did negative interest rates in foreign sovereign markets.



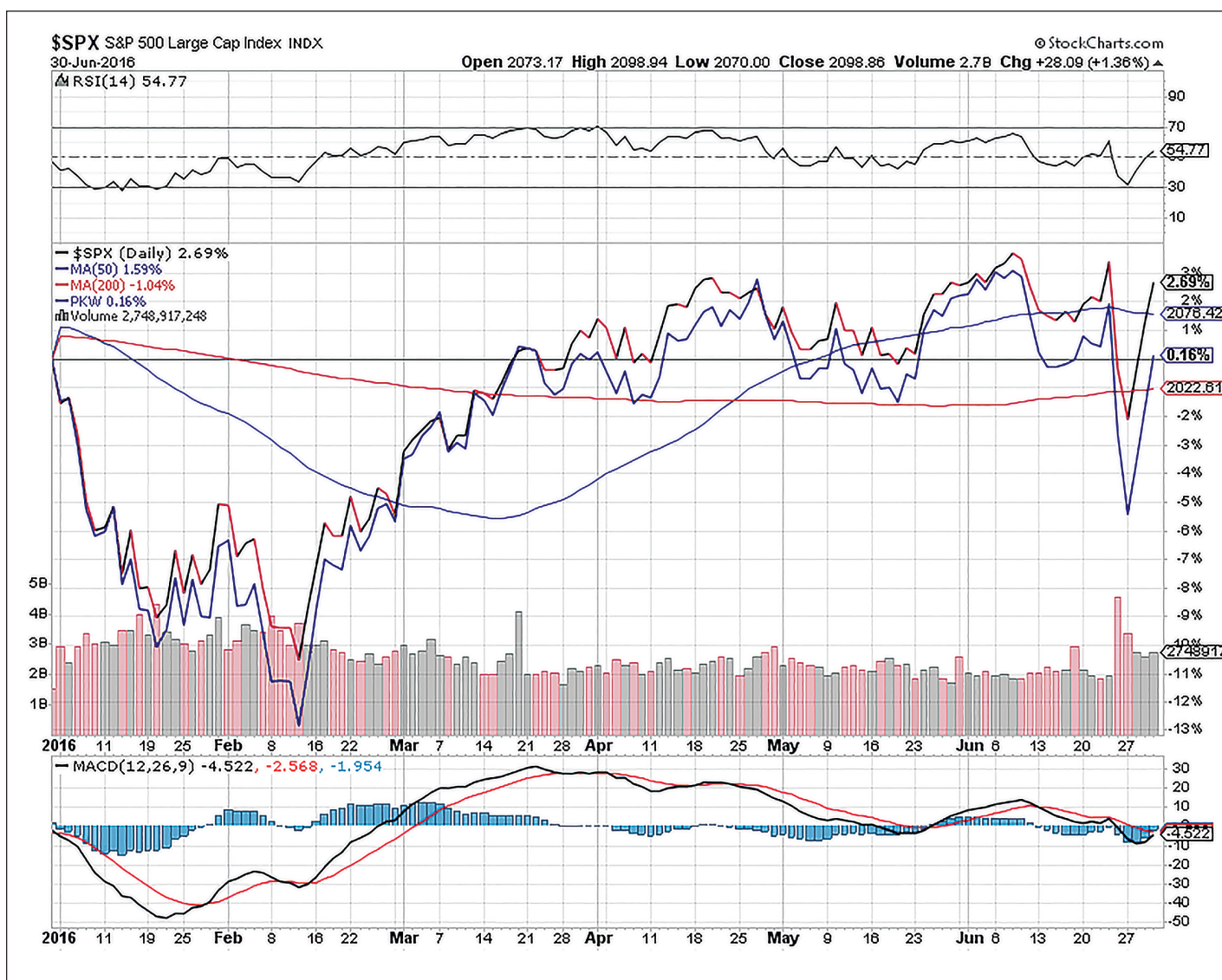
Equities

We have added several charts on European equities to look at the impact of Brexit on the markets. Please note the European bank charts. All signals are to expect a European banking crisis this summer.

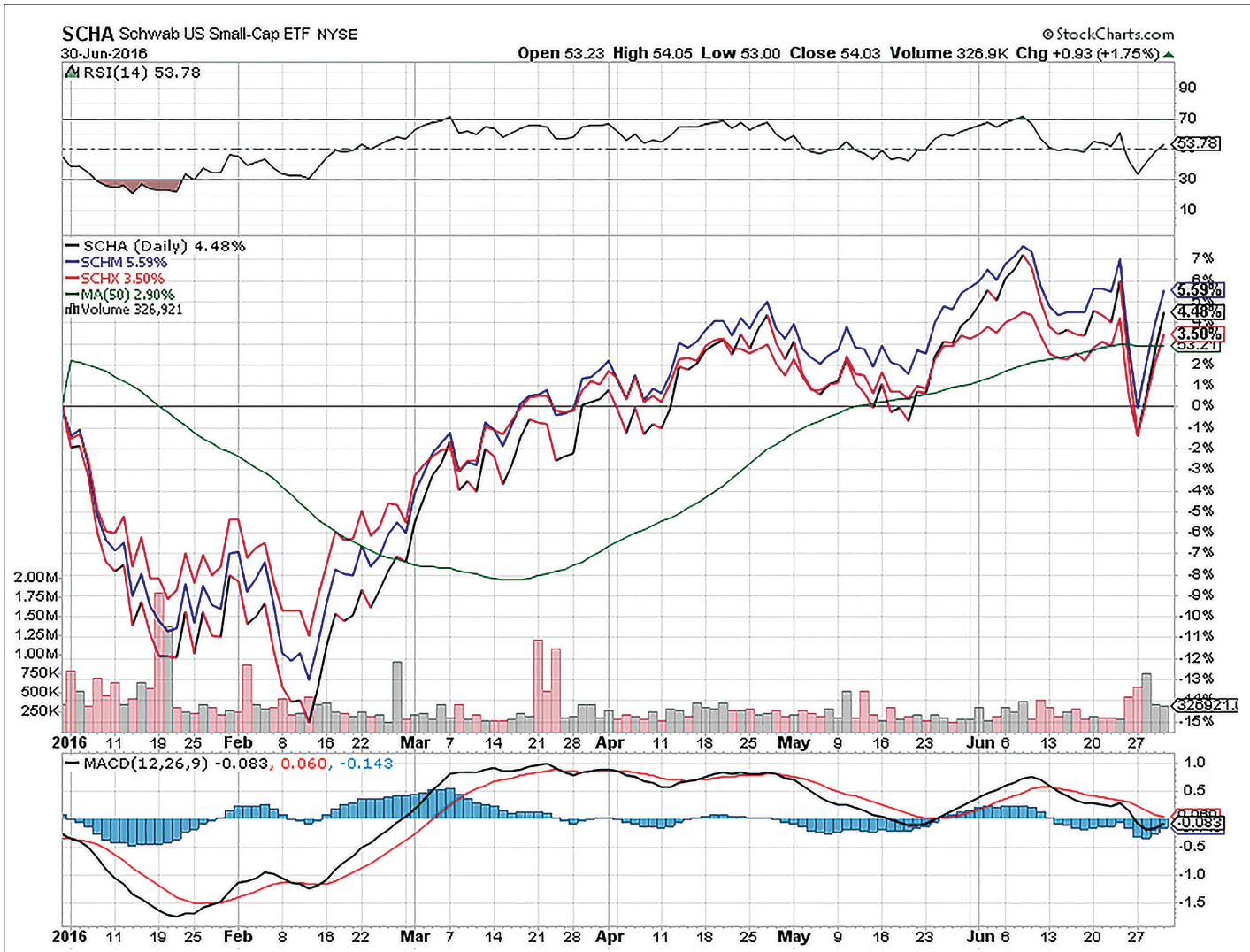
Despite the strength in US equity prices over the last four years, US equity performance is overly dependent on share buybacks and must overcome falling forward earnings – another reason for the concern regarding productivity and inequality.

NORTH AMERICA

SPX (S&P Large Cap), PKW (Buybacks)



SCHA (U.S. Small Caps), SCHM (U.S. Mid Caps), SCHX (U.S. Large Caps)



U.S. Equities: 1, 3, 5 Year Sector Performance

Name	Type	As of Date	1-Week	YTD	4-Week	13-Week	1-Year	3-Year	5-Year
Sector									
Cyclical	TR	06-30-16	-2.02	-0.48	-2.18	0.90	-1.32	9.31	11.41
— Basic Materials	TR	06-30-16	-3.30	9.36	-0.67	4.24	-0.34	8.03	3.78
— Consumer Cyclical	TR	06-30-16	-1.86	-0.65	-1.48	-1.57	0.06	11.12	14.43
— Financial Services	TR	06-30-16	-3.35	-5.50	-5.36	0.63	-7.66	7.21	10.87
— Real Estate	TR	06-30-16	3.15	12.20	6.28	6.75	20.28	12.47	11.34
Defensive	TR	06-30-16	1.29	5.99	3.07	5.64	6.59	15.61	15.95
— Consumer Defensive	TR	06-30-16	1.60	11.09	5.18	5.14	17.94	14.83	15.13
— Healthcare	TR	06-30-16	0.35	-0.68	0.61	5.61	-4.32	16.62	17.50
— Utilities	TR	06-30-16	4.17	23.18	7.62	7.03	31.45	15.31	13.70
Sensitive	TR	06-30-16	-1.18	5.76	0.26	1.95	3.08	10.14	9.48
— Communication Services	TR	06-30-16	1.75	13.22	4.37	5.31	12.28	11.88	14.00
— Energy	TR	06-30-16	-1.28	15.15	2.70	11.16	-7.35	-2.32	0.13
— Industrials	TR	06-30-16	-1.29	6.18	0.42	1.41	4.91	11.82	11.14
— Technology	TR	06-30-16	-2.00	-0.40	-2.25	-2.03	2.50	14.44	11.83

Source: Morningstar

Motif Investing

Motif offers an interesting picture on what's up and what's down!

Highest Earners



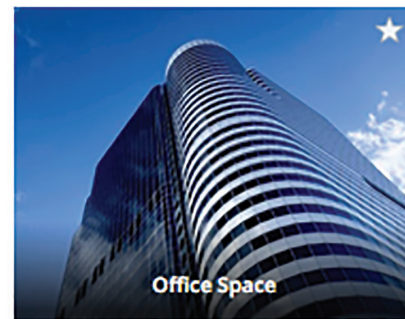
One Year Return **▲65.7%**

Created by: **motif**



One Year Return **▲33.8%**

Created by: **motif**



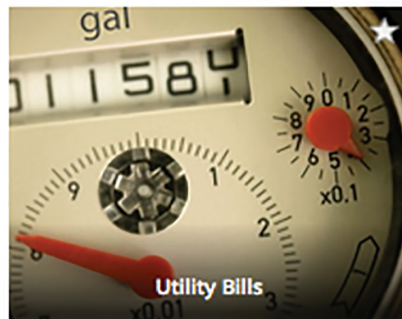
One Year Return **▲27.4%**

Created by: **motif**



One Year Return **▲26.0%**

Created by: **motif**



One Year Return **▲23.7%**

Created by: **motif**



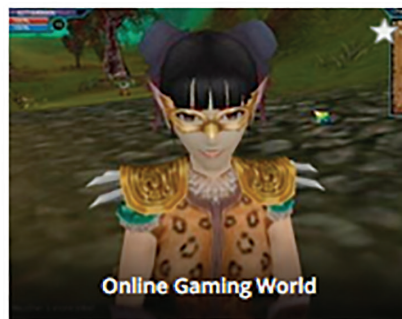
One Year Return **▲23.6%**

Created by: **motif**



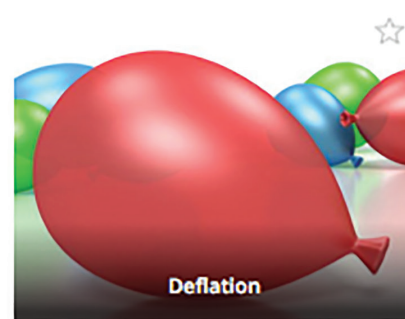
One Year Return **▲23.3%**

Created by: **motif**



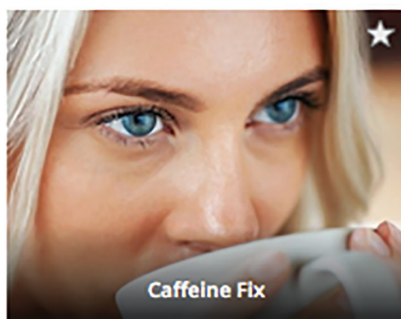
One Year Return **▲23.3%**

Created by: **motif**

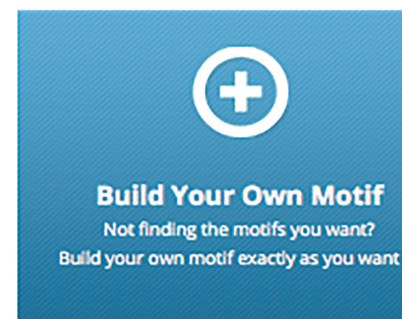


One Year Return **▲21.8%**

Created by: **motif**



One Year Return **▲19.7%**



Motif Investing

Motif offers an interesting picture on what's up and what's down!

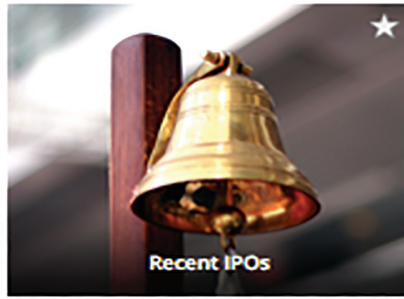
Lowest Earners



Energy Takeout Targets

One Year Return **-39.0%**

Created by: motif



Recent IPOs

One Year Return **-34.1%**

Created by: motif



Wall Street

One Year Return **-30.1%**

Created by: motif



Shale Gas

One Year Return **-25.0%**

Created by: motif



Biotech Breakthroughs

One Year Return **-21.8%**

Created by: motif



Drug-Patent Cliffs

One Year Return **-21.5%**

Created by: motif



Wearable Tech

One Year Return **-21.3%**

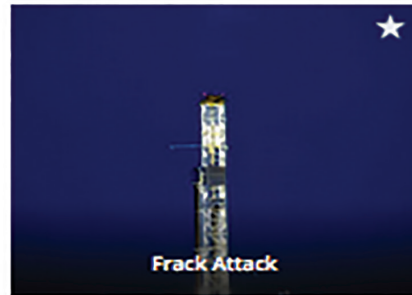
Created by: motif



Bear US Sectors

One Year Return **-20.3%**

Created by: motif



Frack Attack

One Year Return **-20.3%**

Created by: motif



QE Japan

One Year Return **-18.8%**

Created by: motif



Cyber Security

One Year Return **-17.3%**

Created by: motif

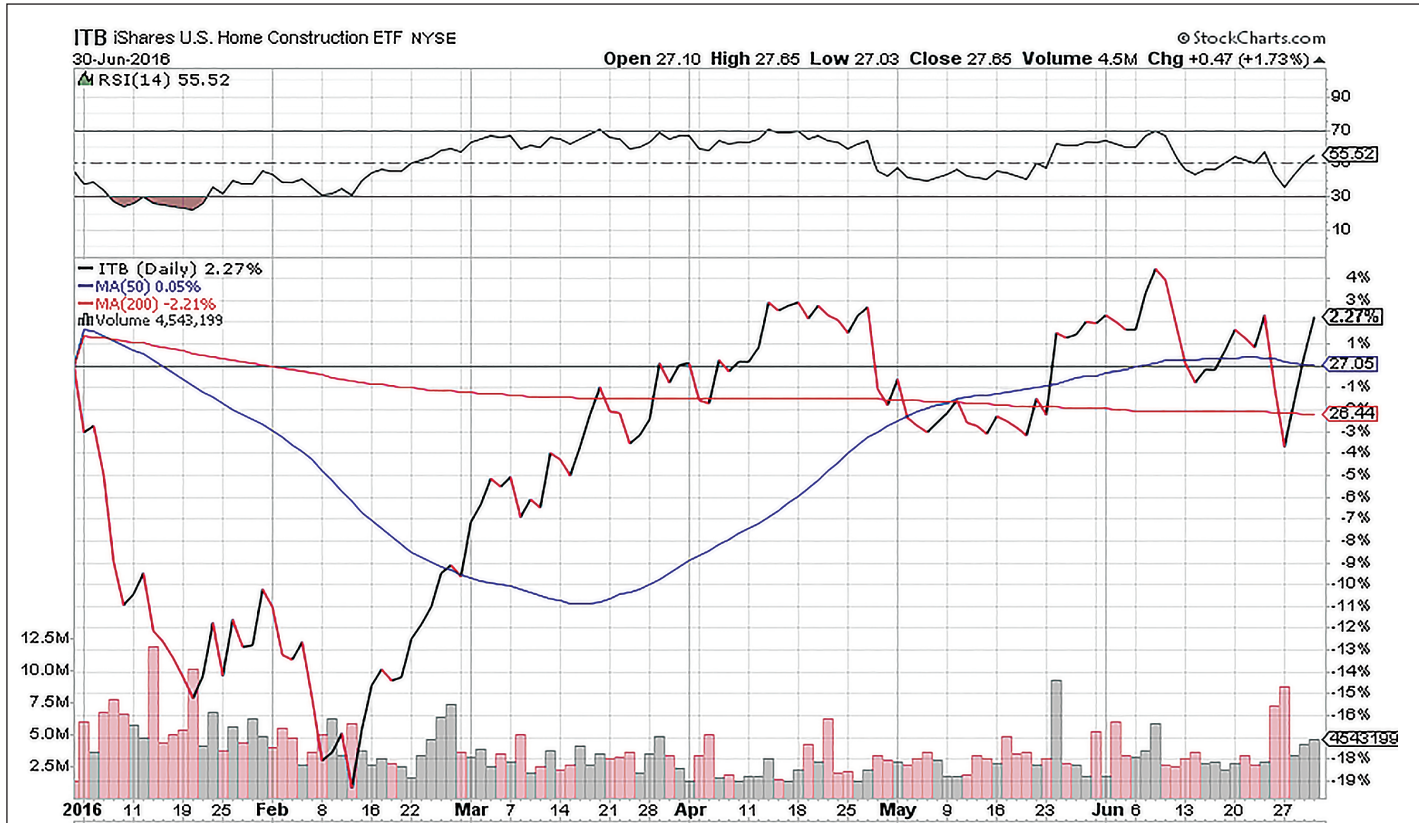


Battling Cancer

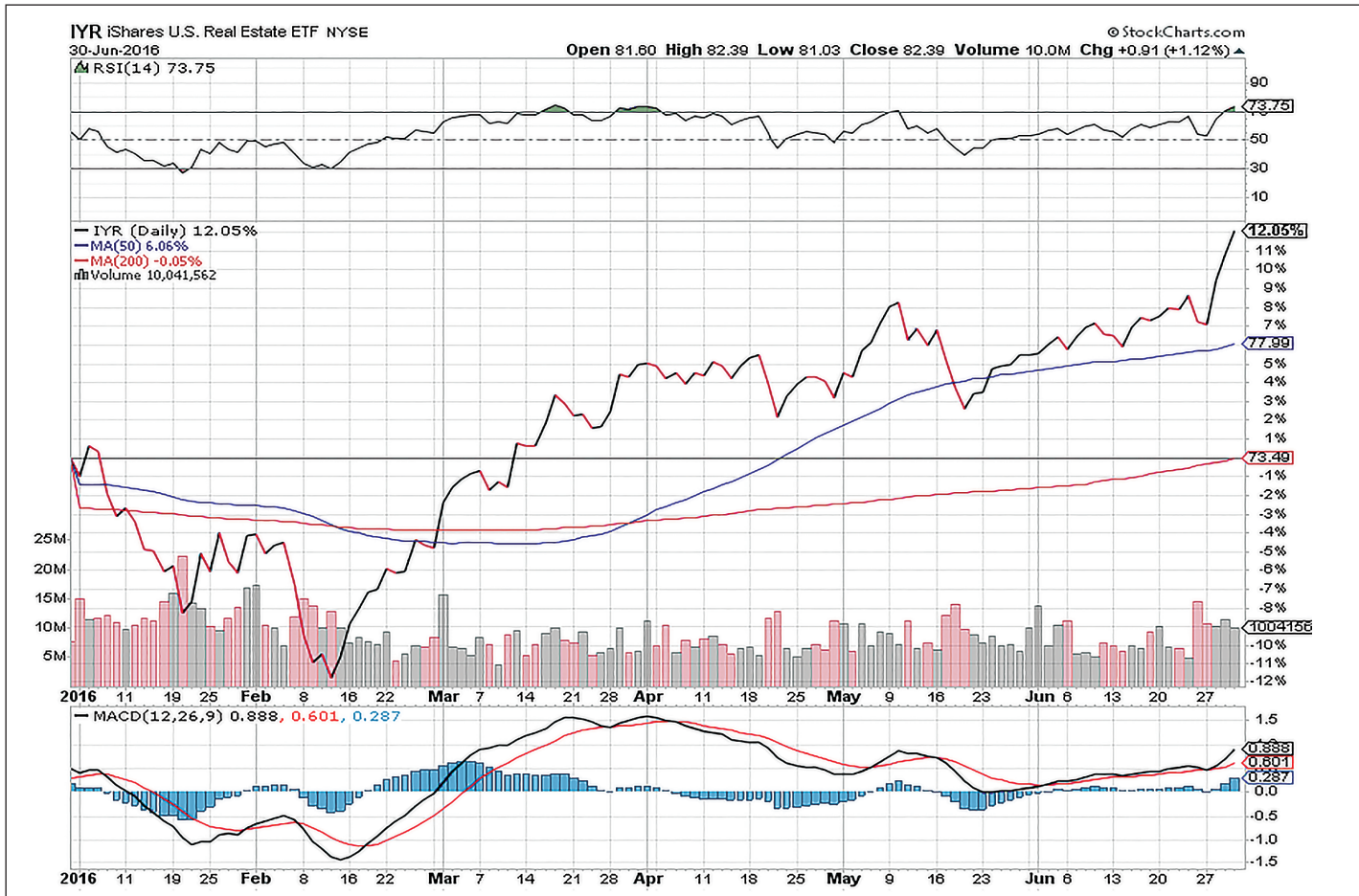
One Year Return **-17.2%**

Created by: motif

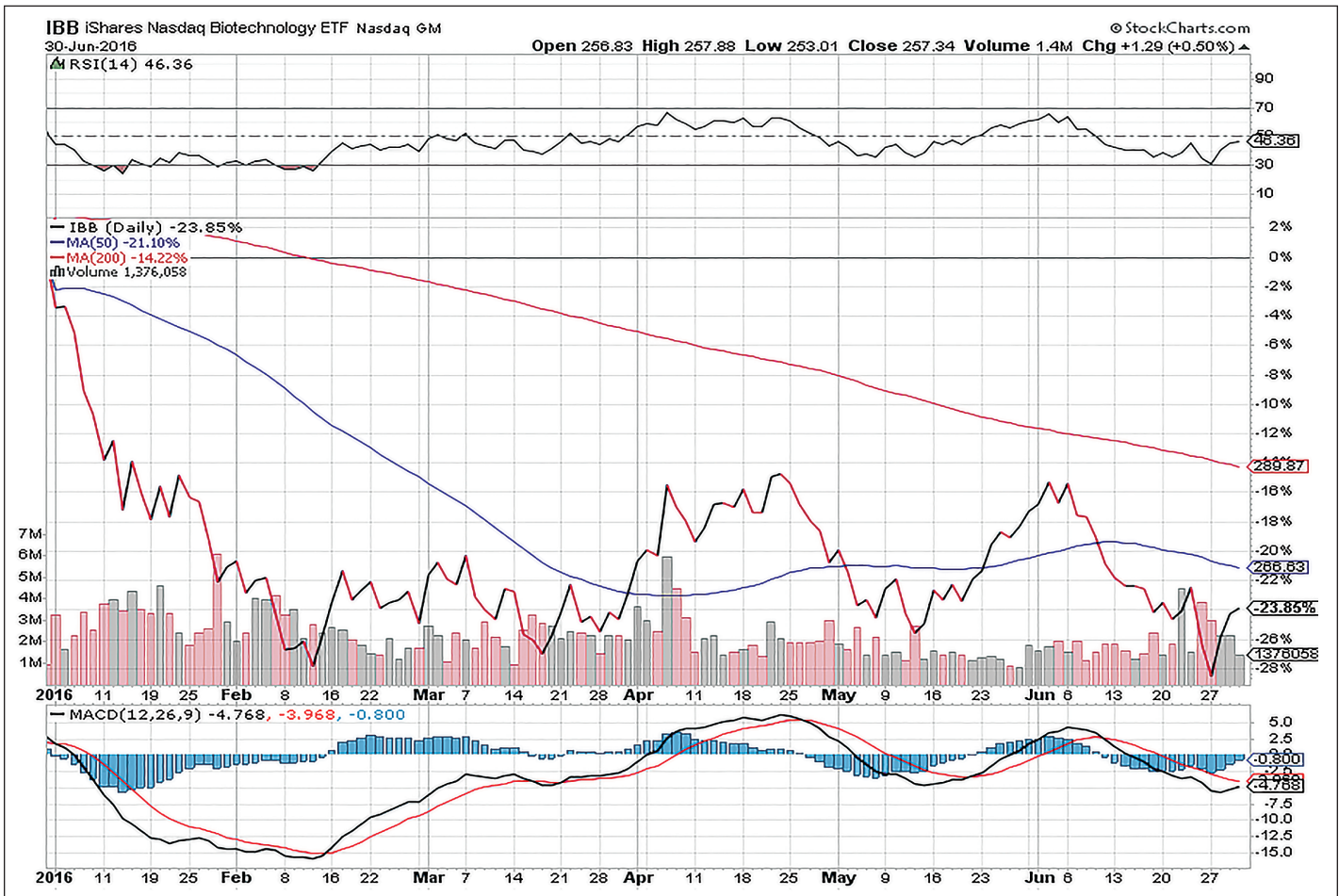
ITB (U.S. Home Construction)



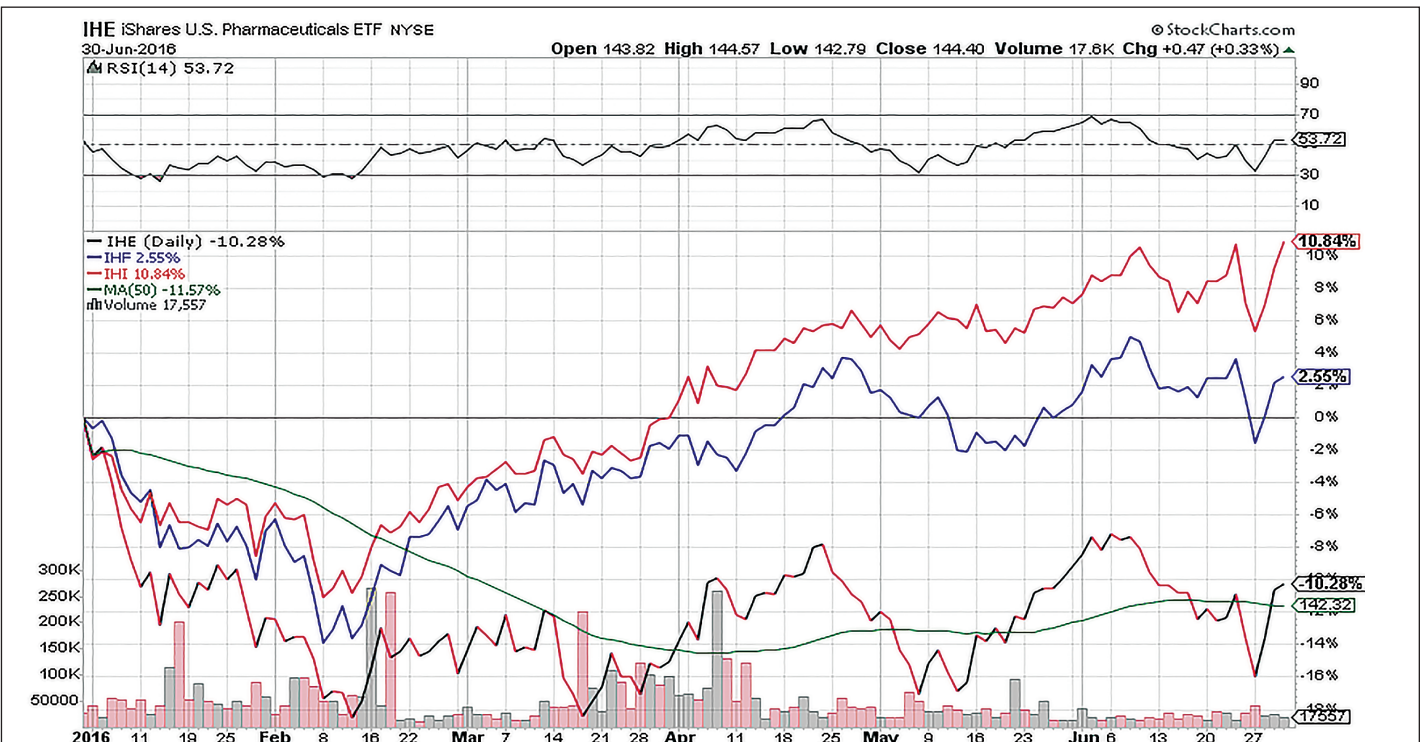
IYR (U.S. Real Estate)



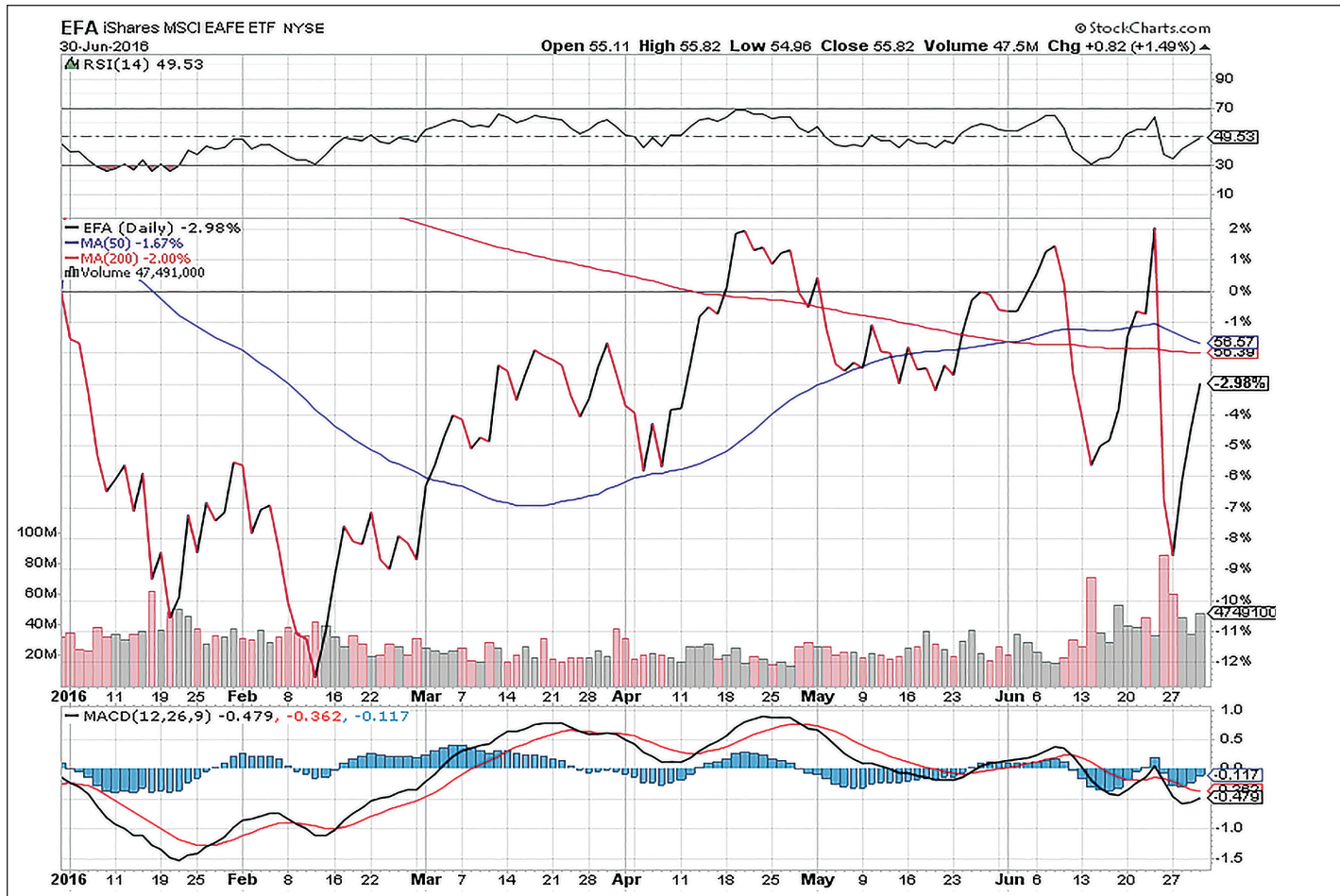
IBB (Biotech)



Obamacare ETFs: XLV(Health Care Select), IHE (US Pharmaceuticals), IHF (Providers), IBB (Biotech), IHI (Medical Devices)



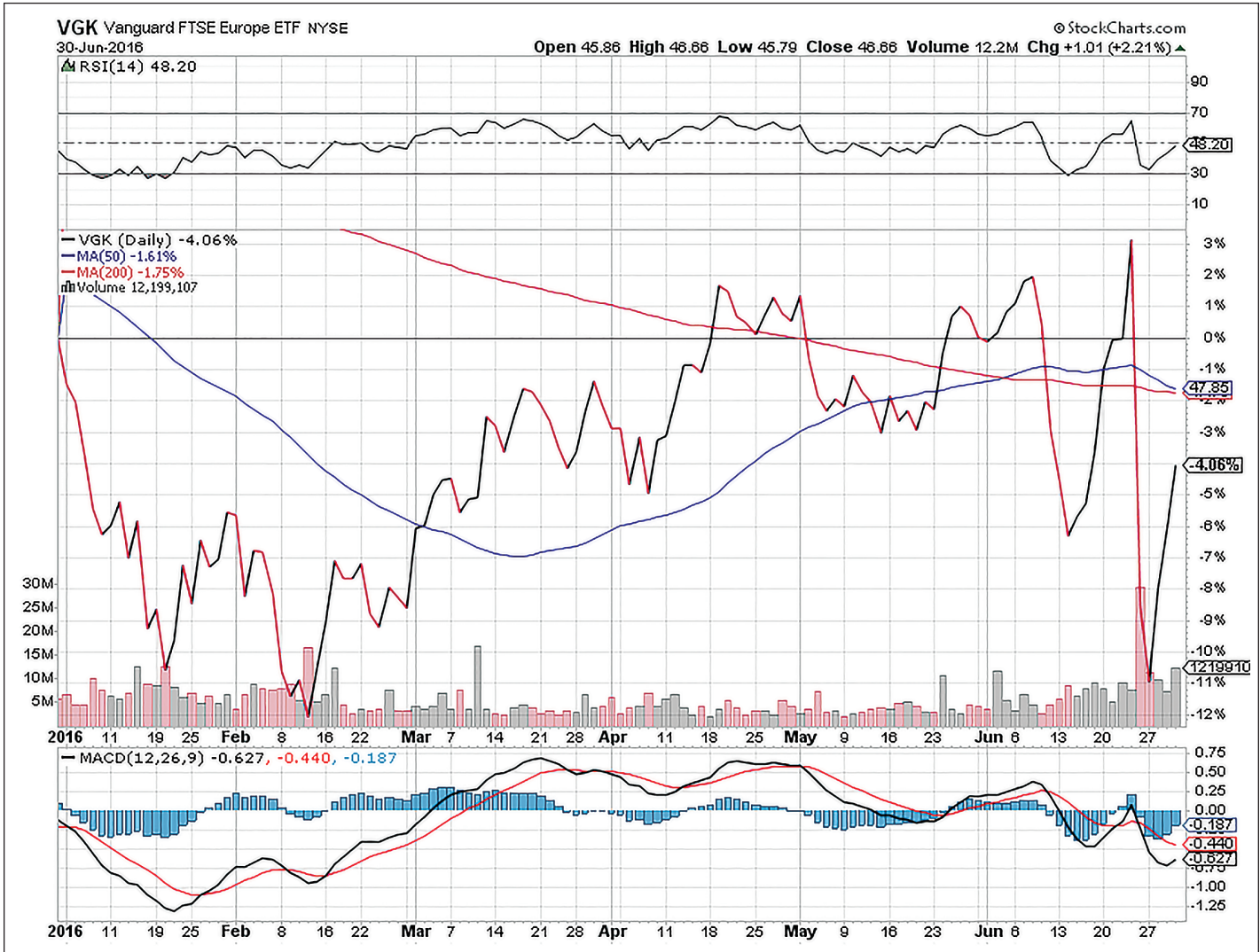
EFA (International Developed)



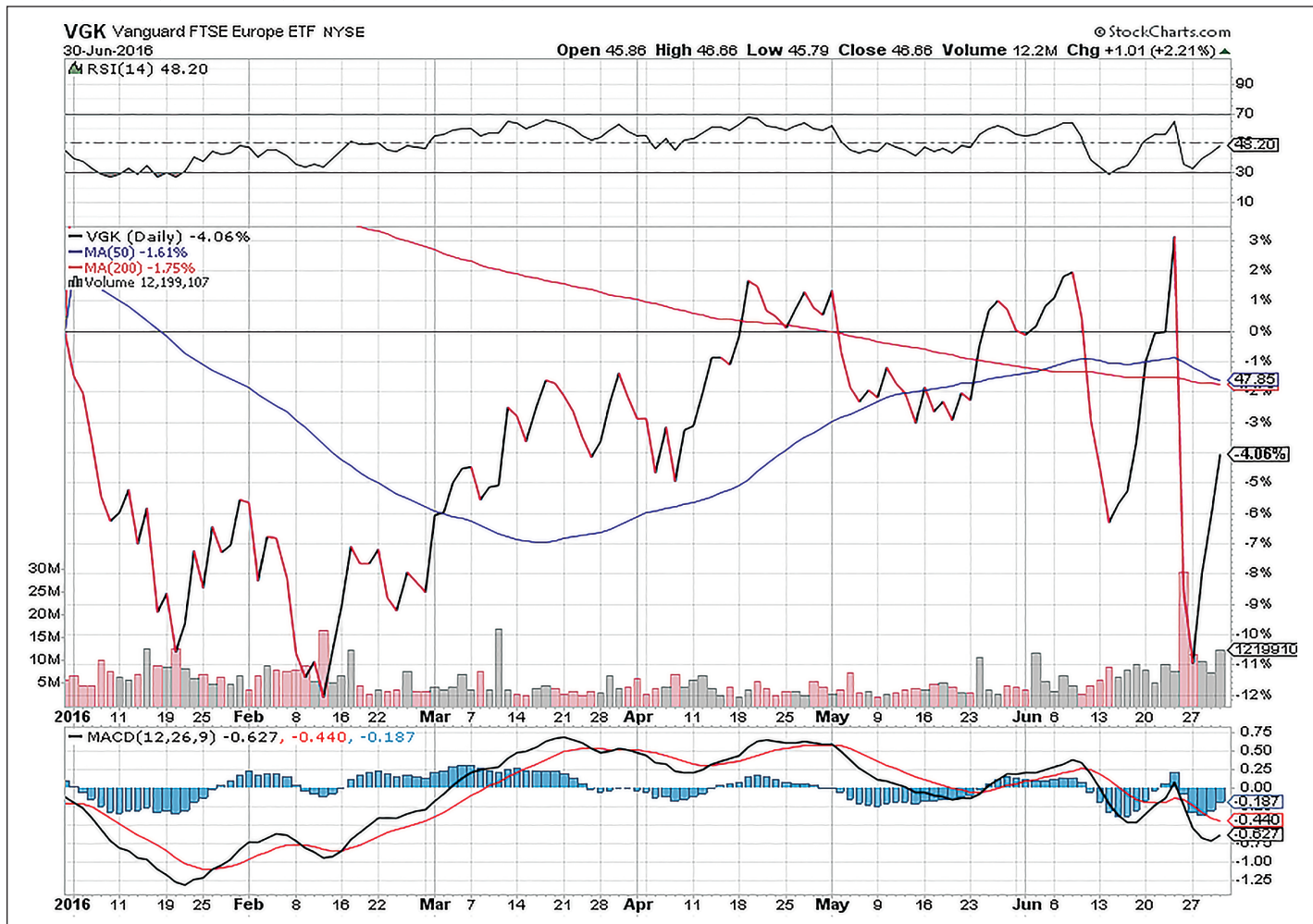
EUROPE

Brexit hit European markets hard at the end of the 2nd Quarter, returning equity prices near to the February correction lows.

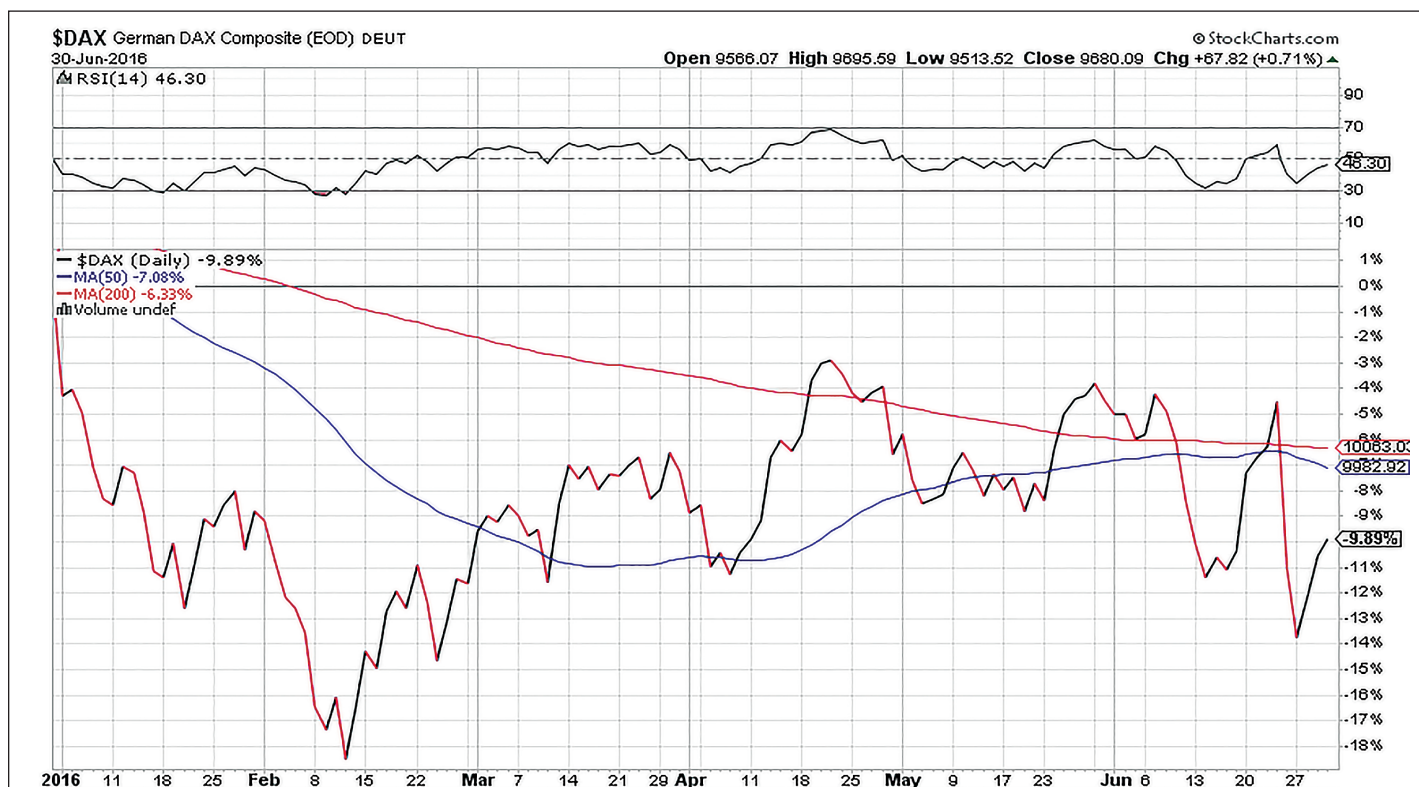
VGK (FTSE)



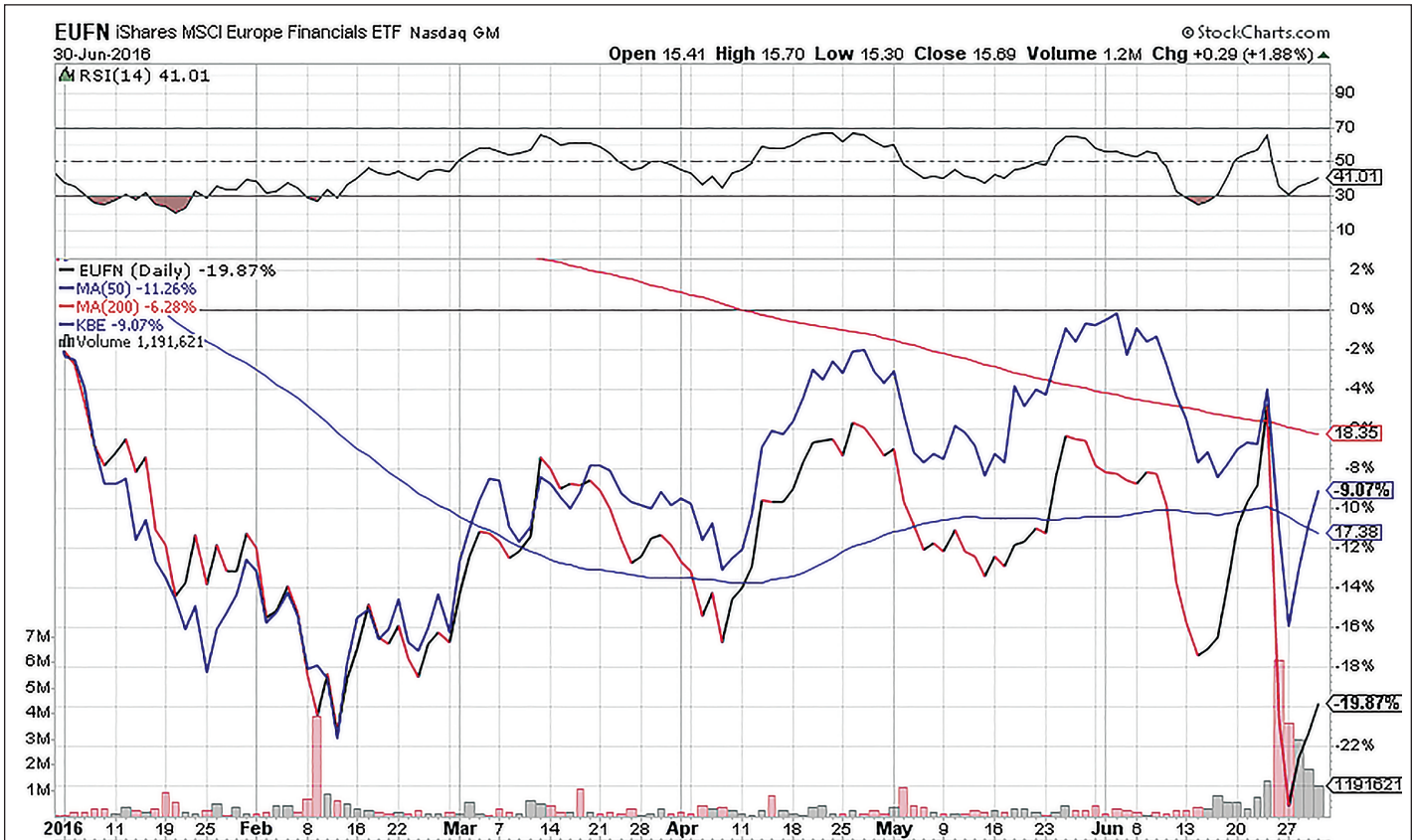
VGK(FTSE), EWU (UK), SPY (S&P)



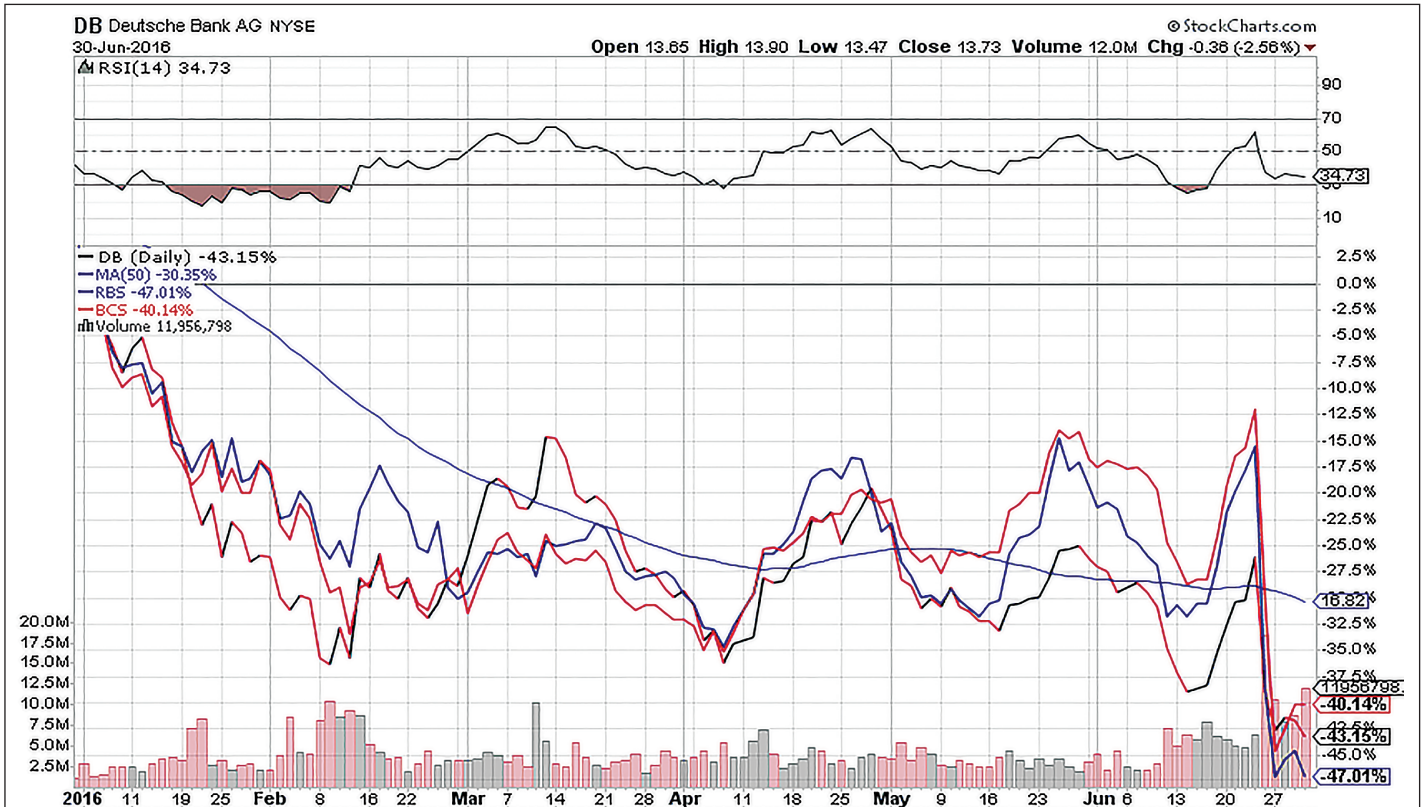
DAX (Germany)



EUFN (European Financials), KBE (US Financials)



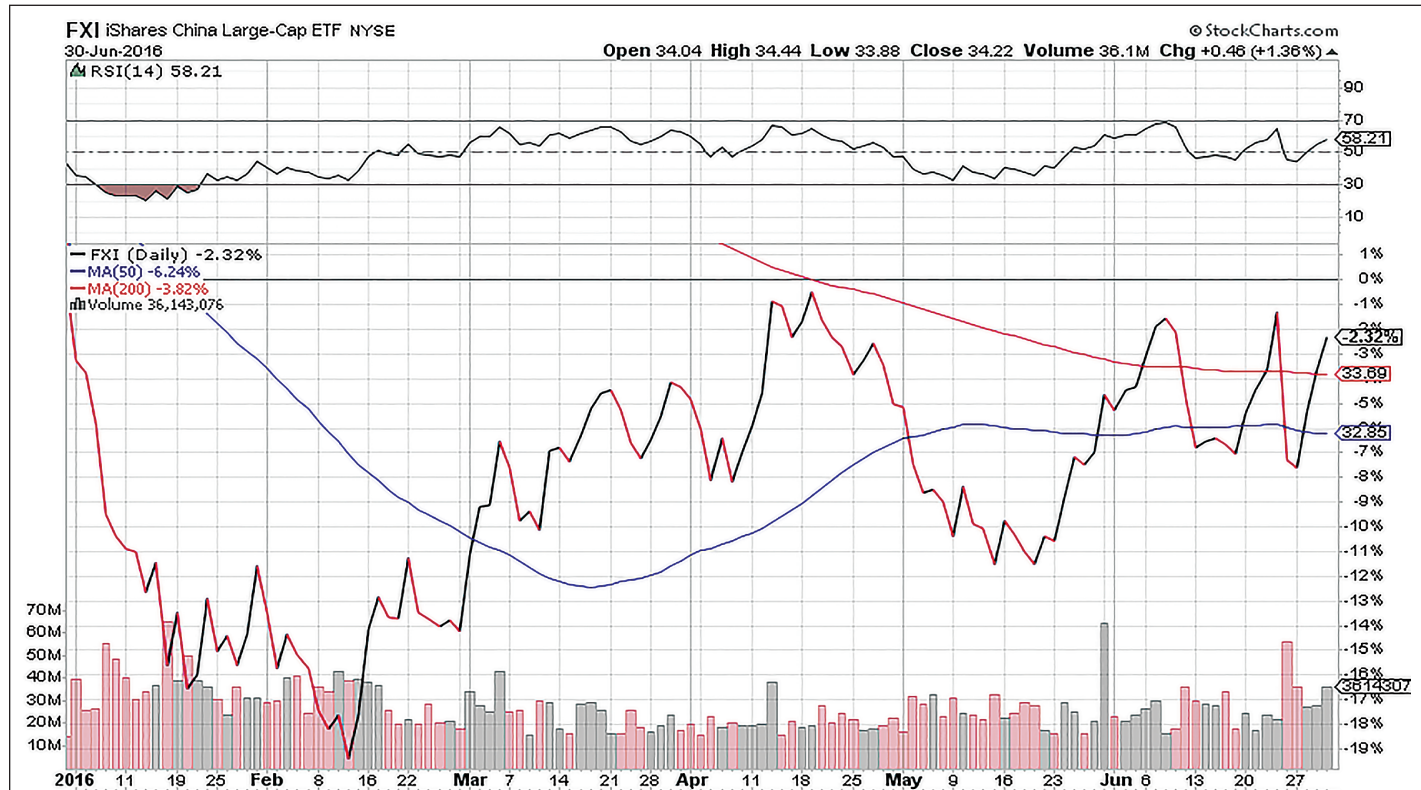
European Financials: DB (Deutsche Bank), RBS (Royal Bank of Scotland), BCS (Barclays)



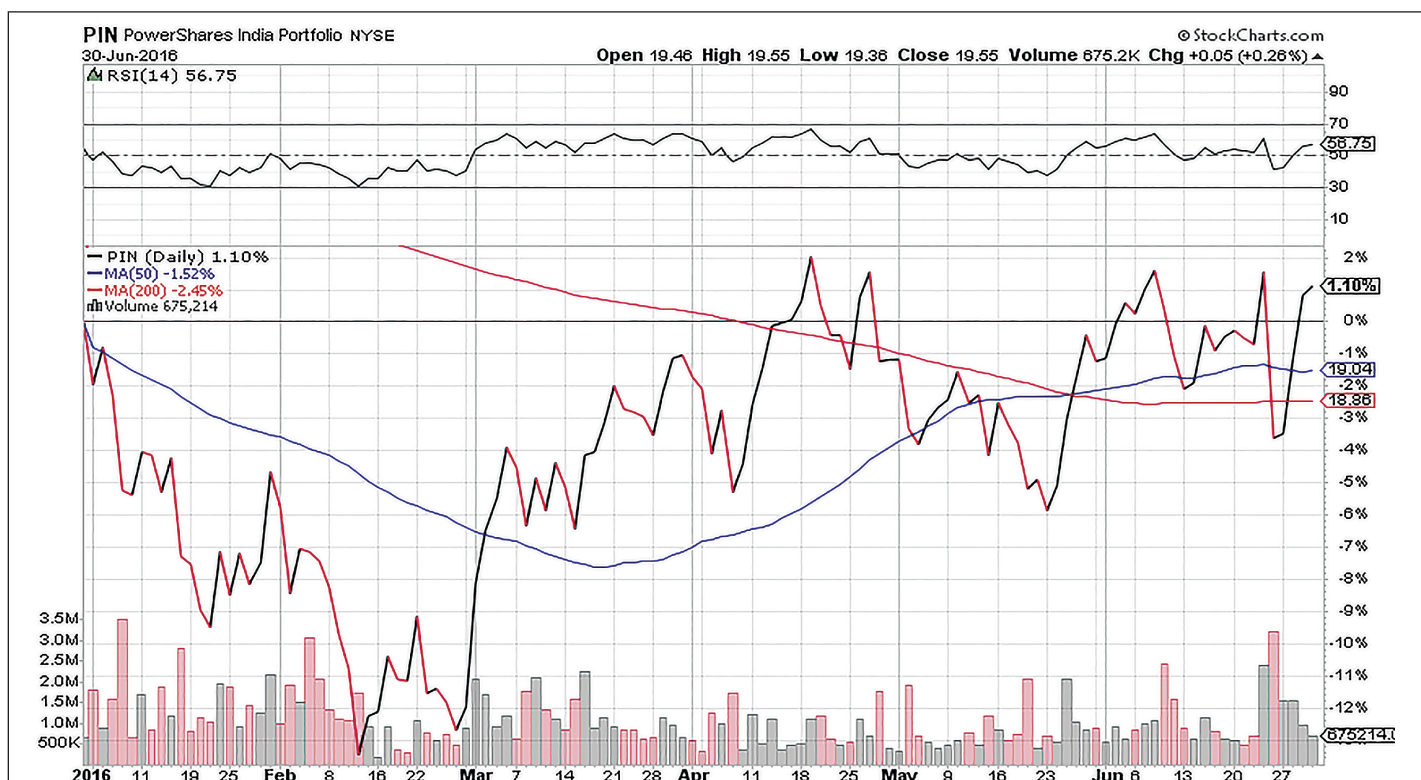
ASIA

The Asian economies are clearly outperforming the rest of the emerging markets, although in equity markets in the 2nd quarter, it was the emerging markets that were strong. Concerns about a China slow down and debt levels are growing. However the biggest challenge for the world is Chinese structural reform as China rebalances the domestic economy and uses financial

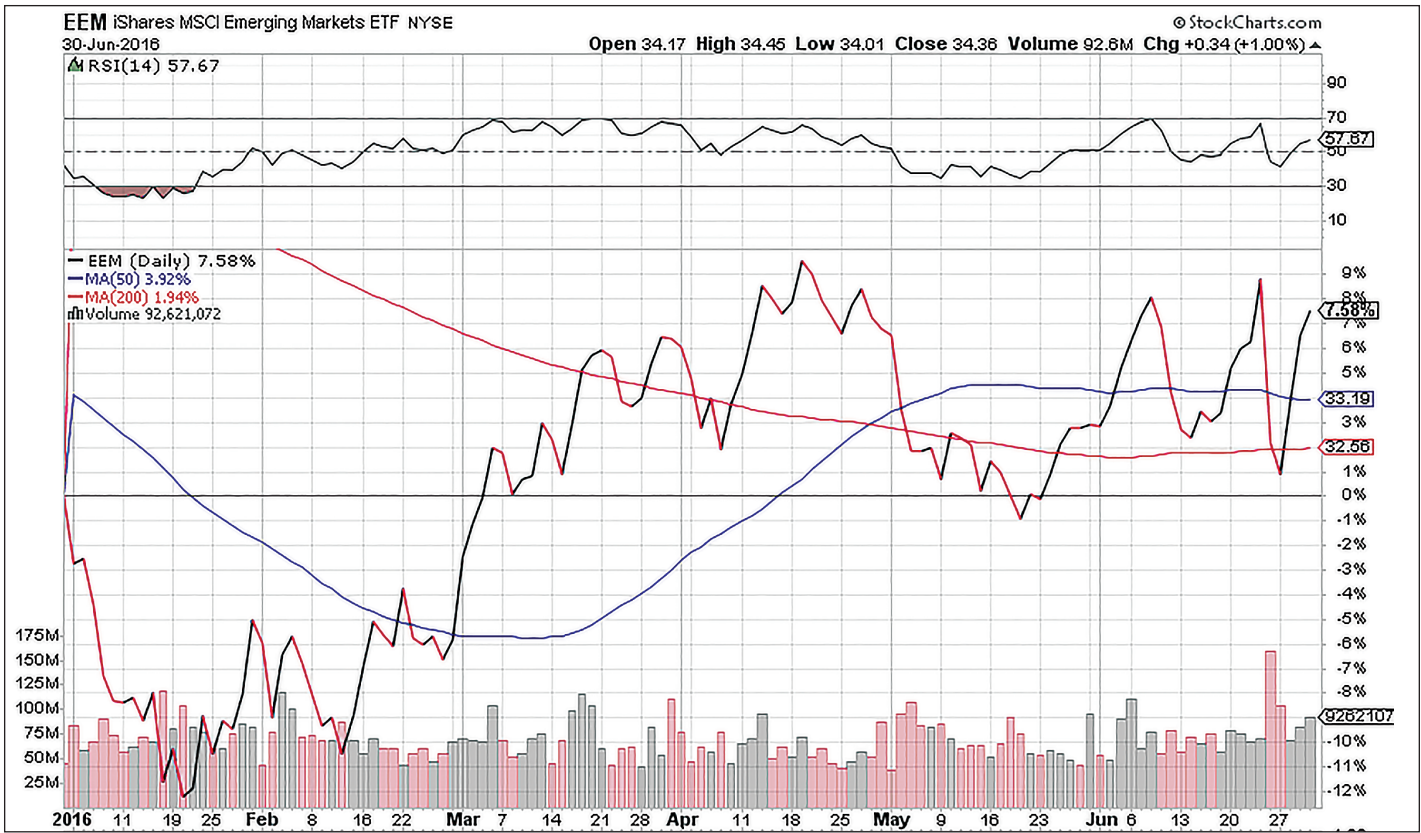
FXI (China Large Caps)



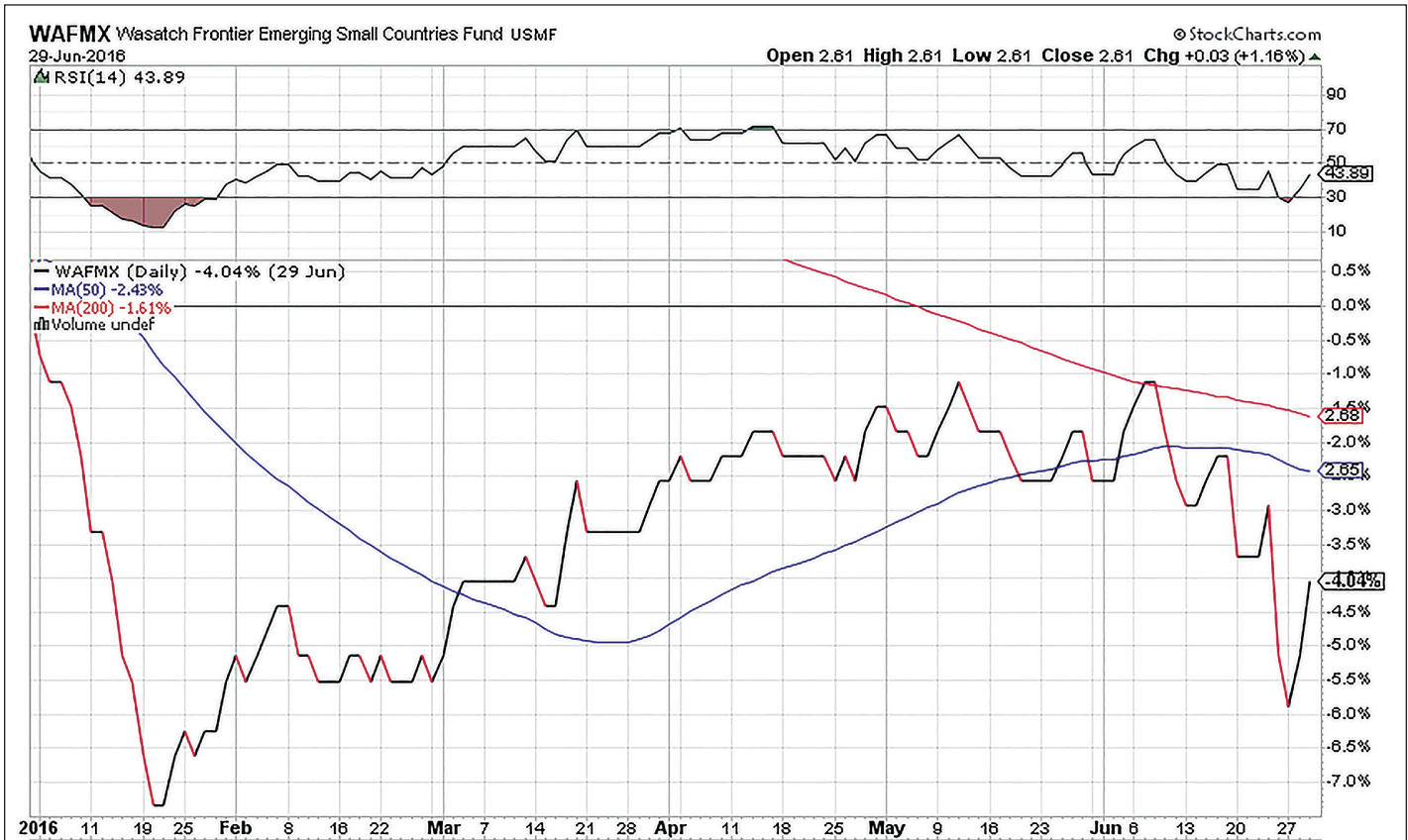
PIN (India)



EEM (Emerging Markets)



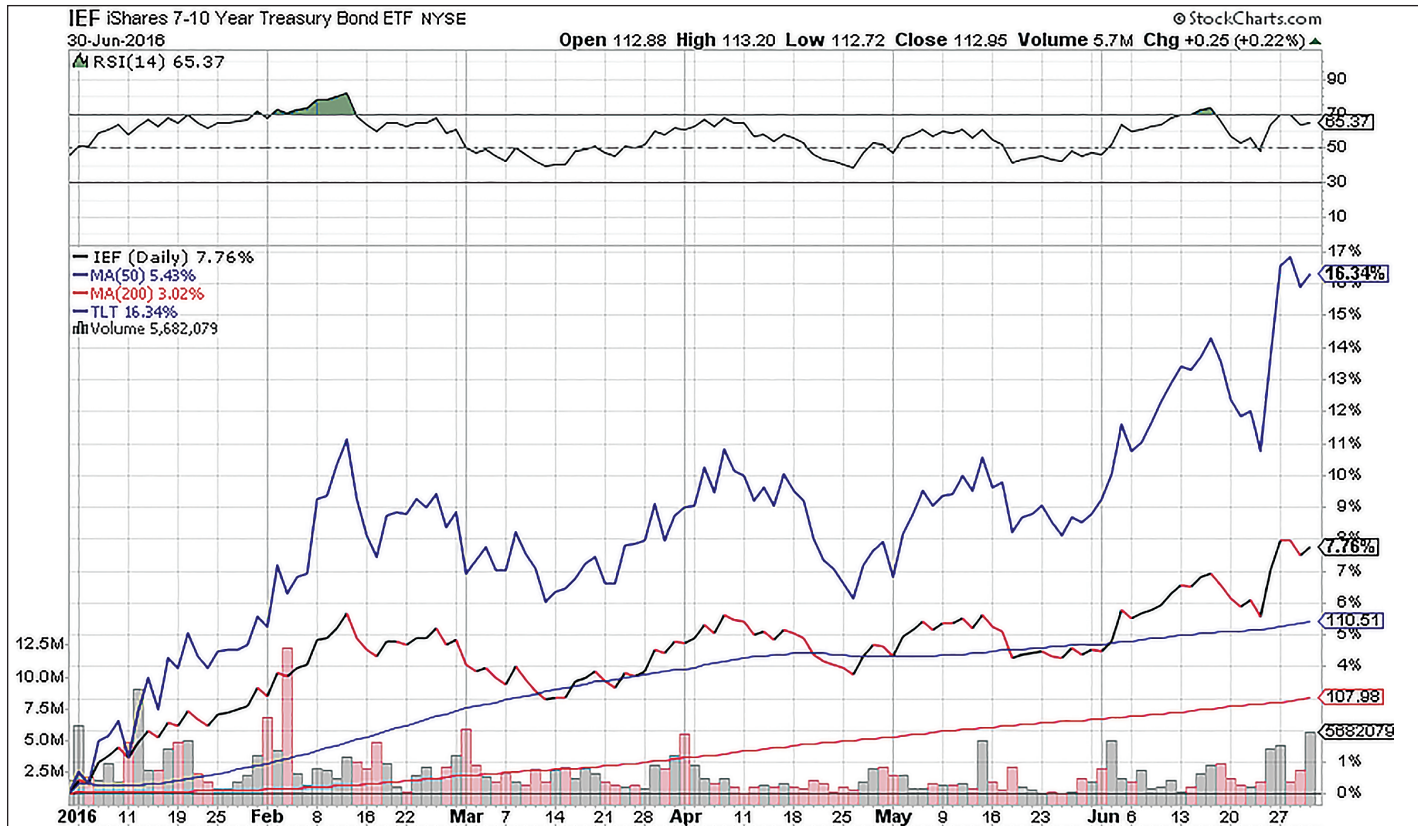
WAFMX (Frontier Markets).



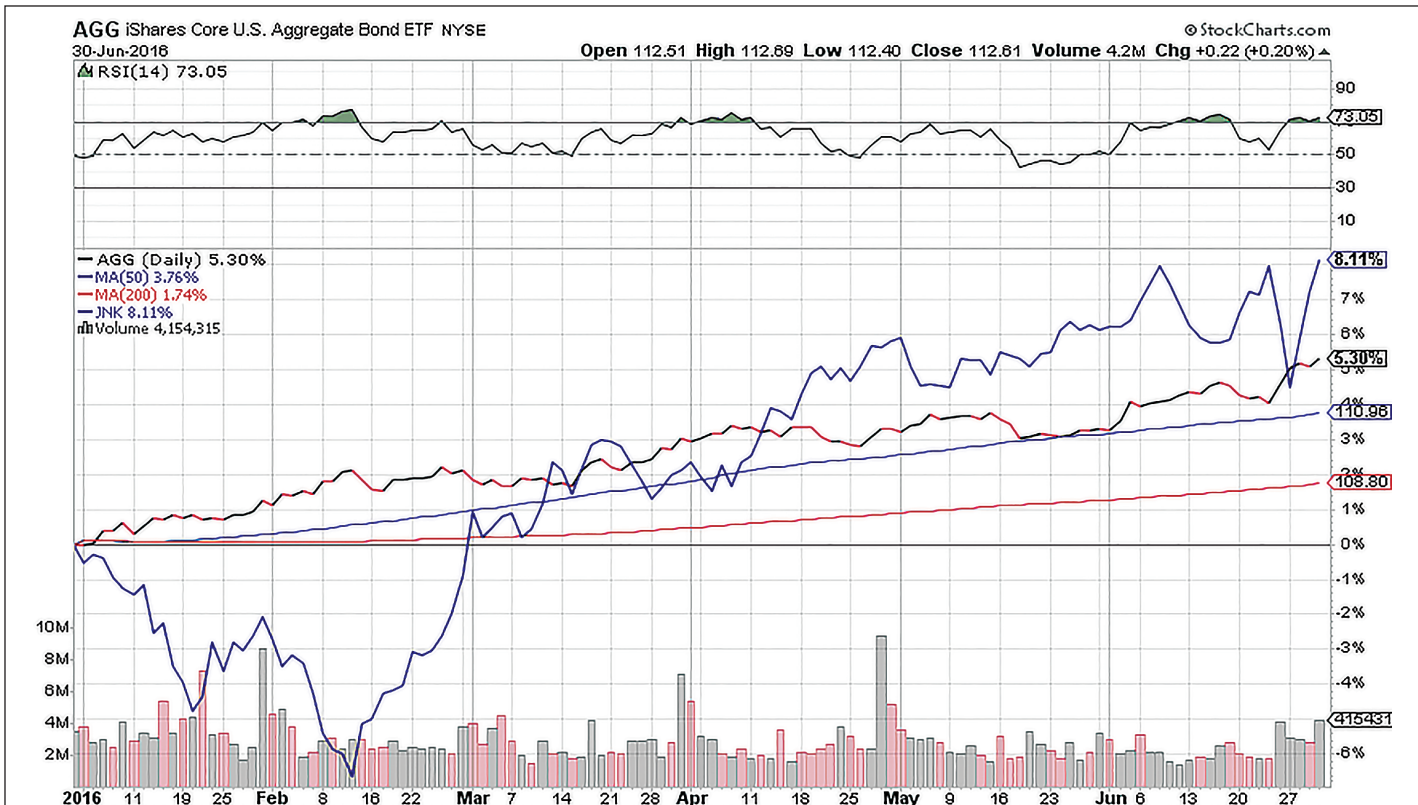
Fixed Income

Interest rates continue to fall, reaching historic lows in the 2nd Quarter. Given central bank policies, interest rates are expected to stay low for the foreseeable future. resources to build the Silk Road and flex its naval muscles in the South China Sea.

IEF (5-7yr Treasury ETF), TLT (20 yr. + Treasury ETF)



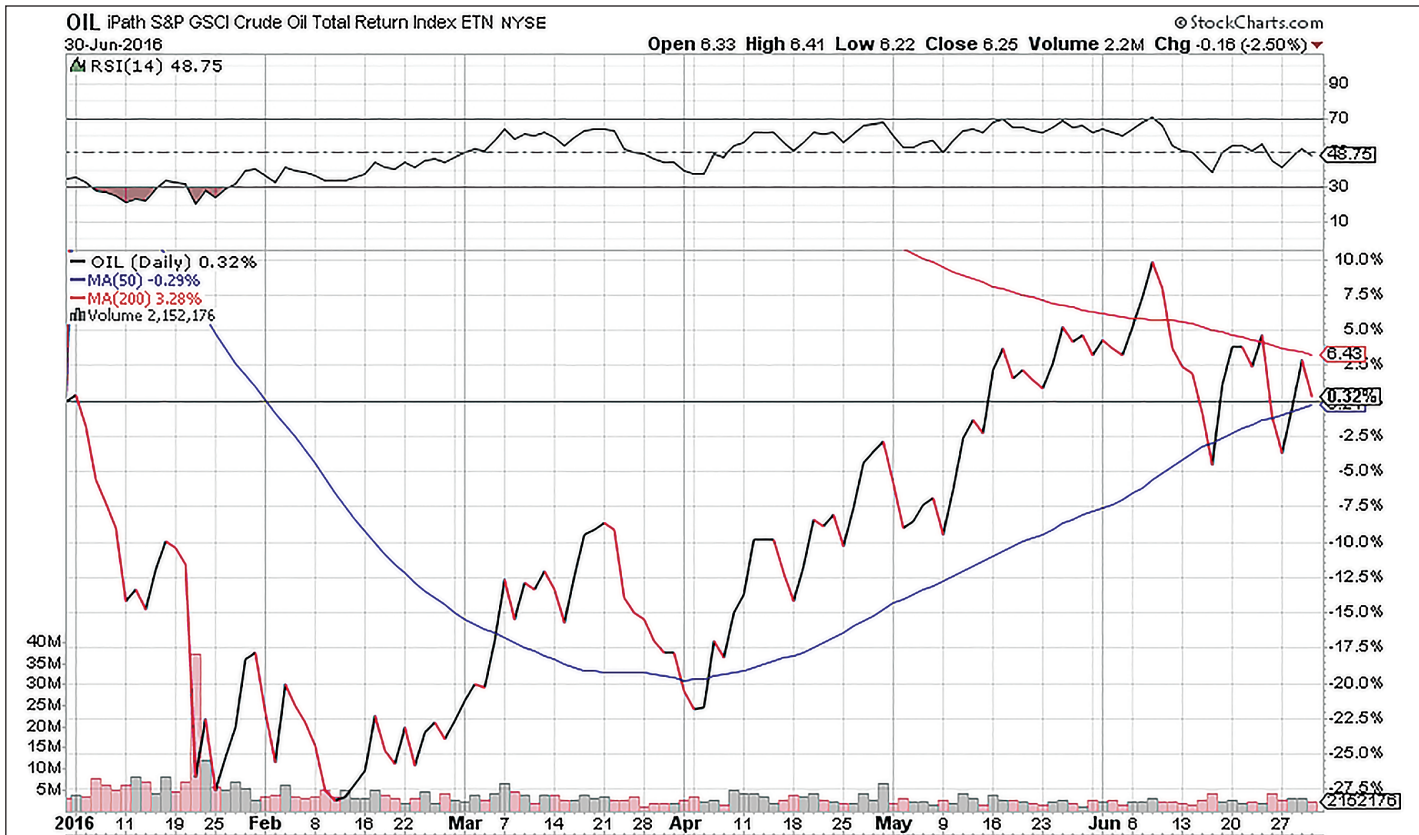
AGG (US Bond Aggregate), JNK (High Yield Bond ETF)



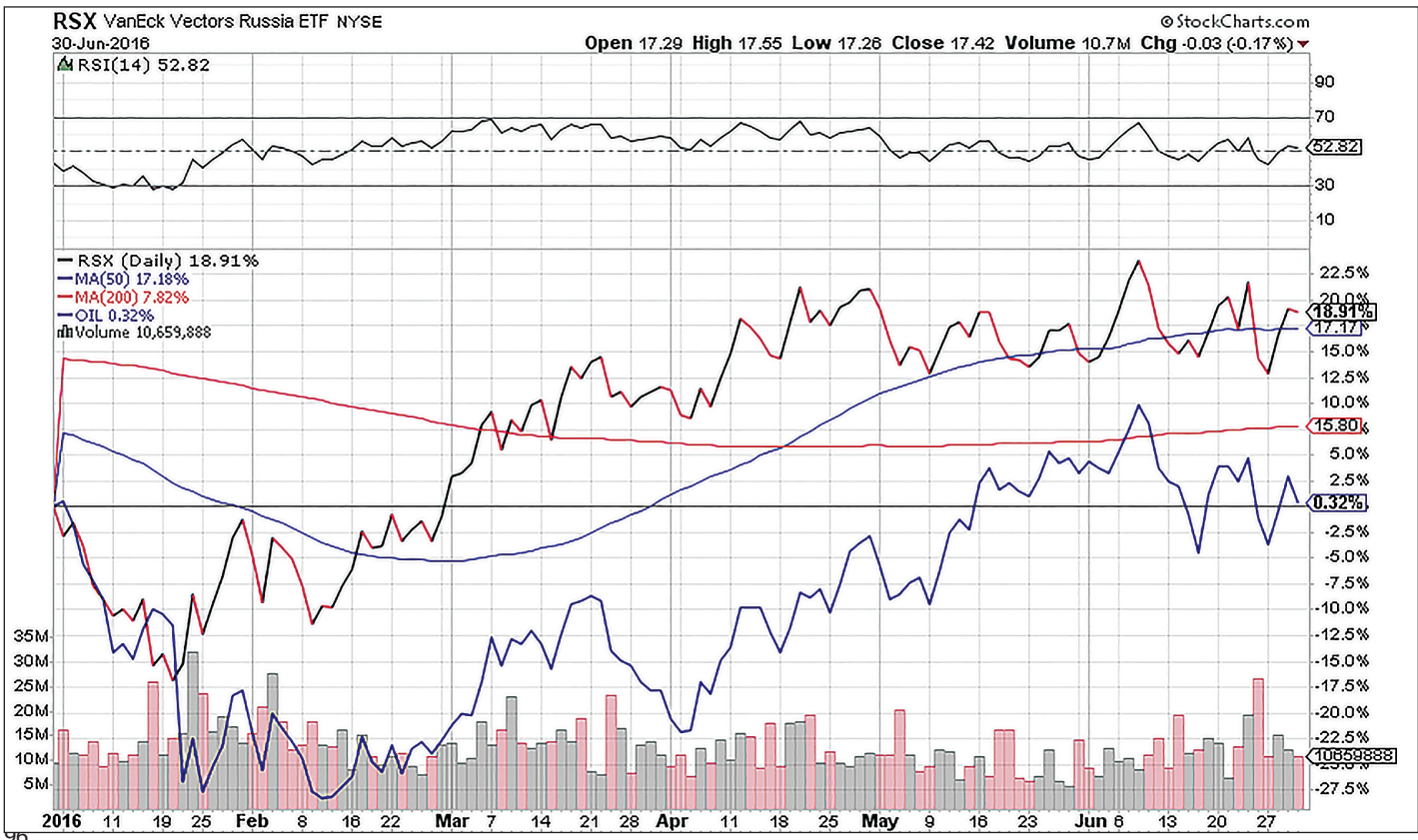
Commodities

Commodities rallied in the 2nd Quarter. The price of oil rose and then fell back as concerns regarding global slowdown grew. Gold and silver were the star performers.

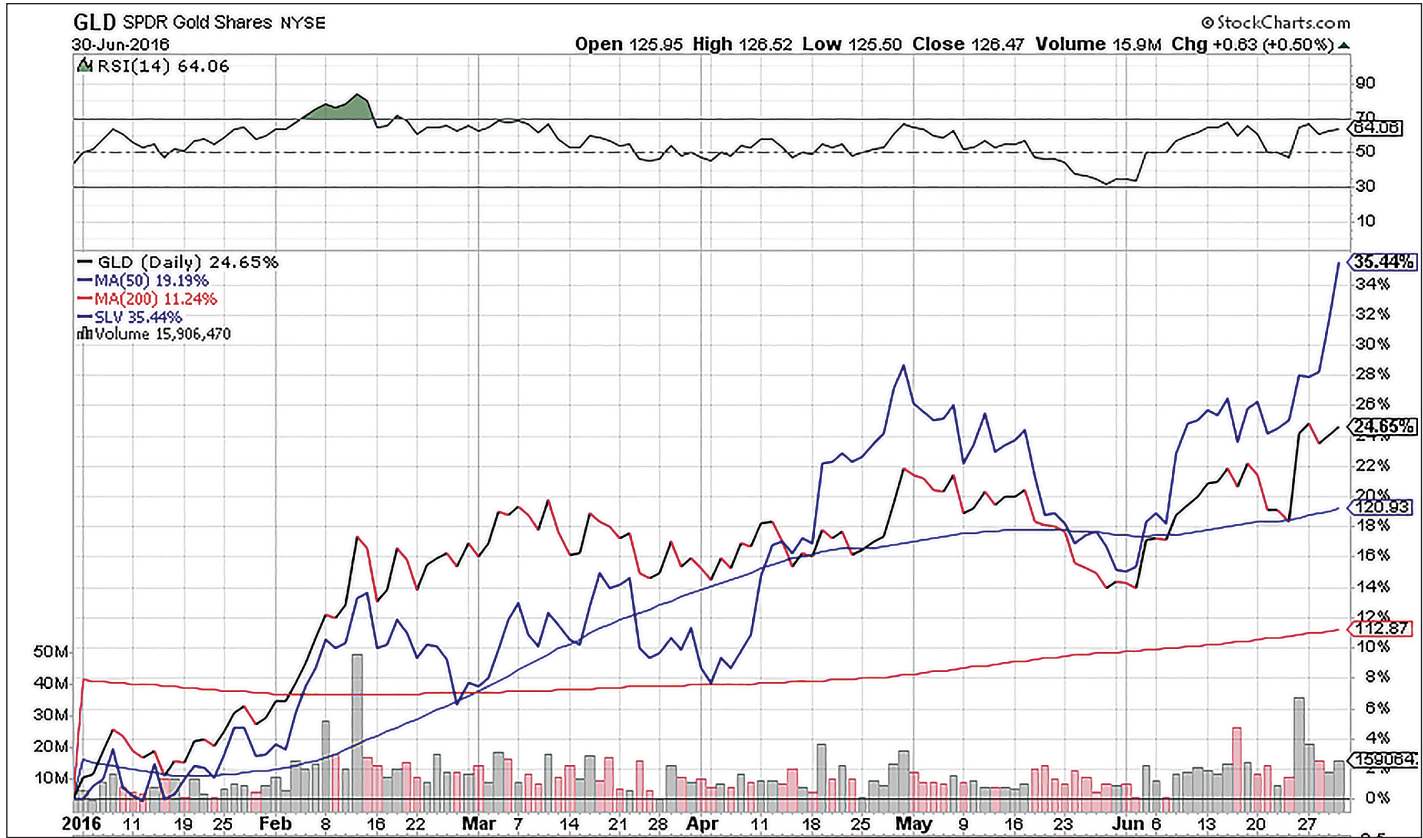
OIL (Crude Oil)



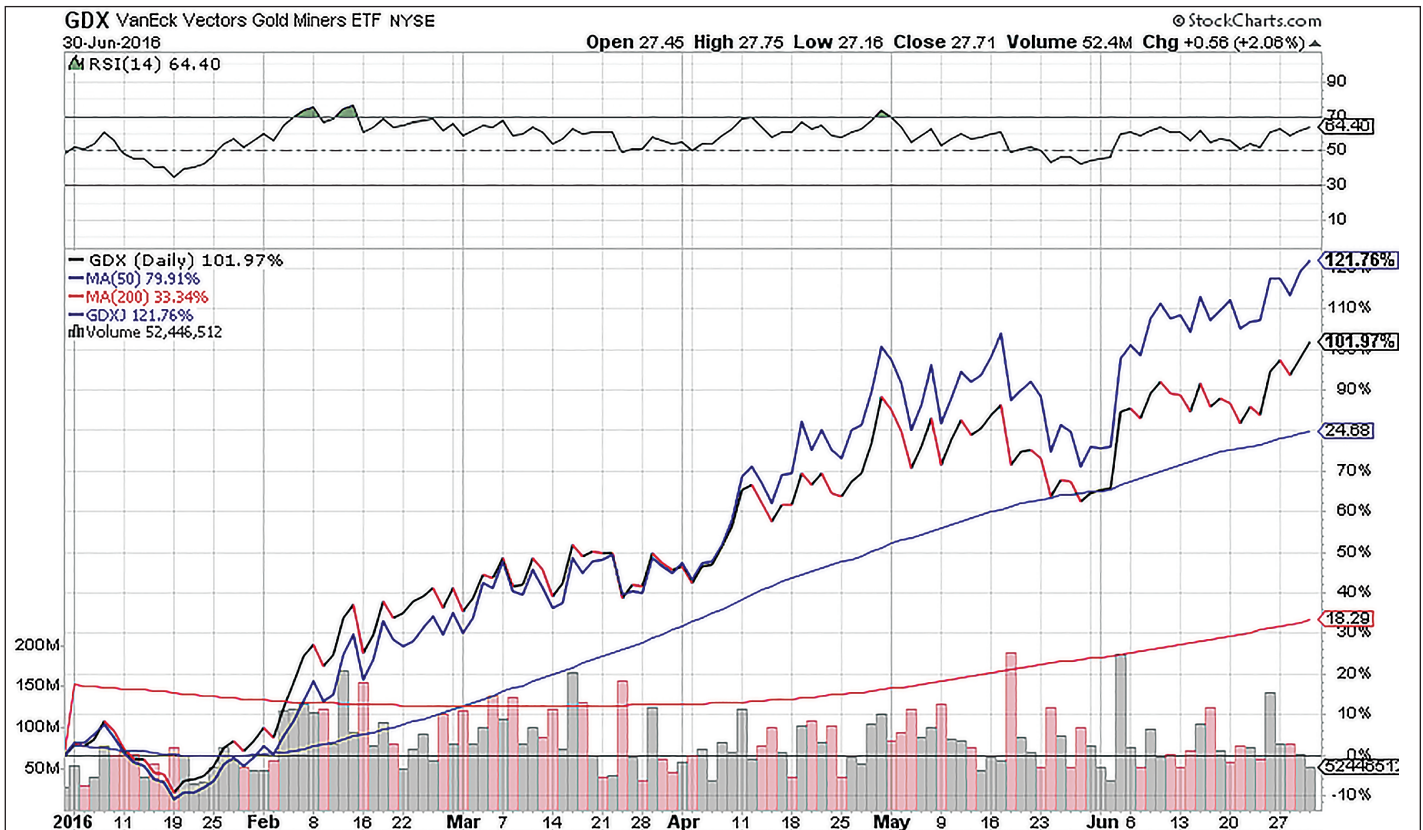
RSX (Russia), OIL (Crude Oil)



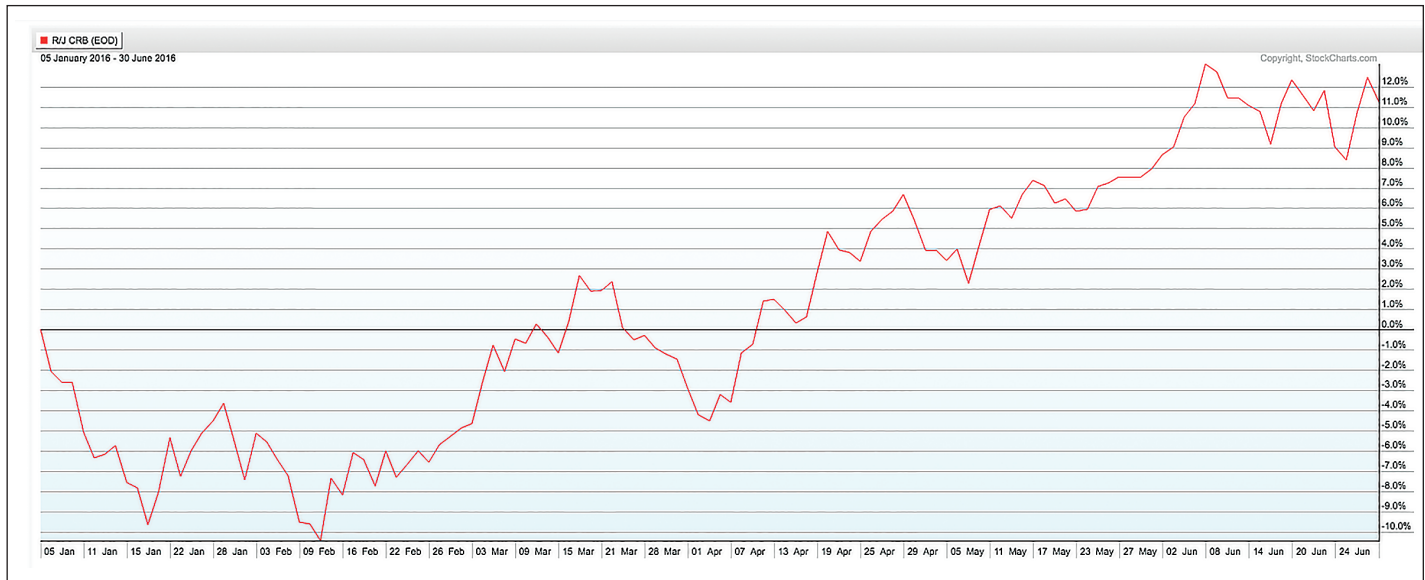
GLD (Gold), SLV (Silver)



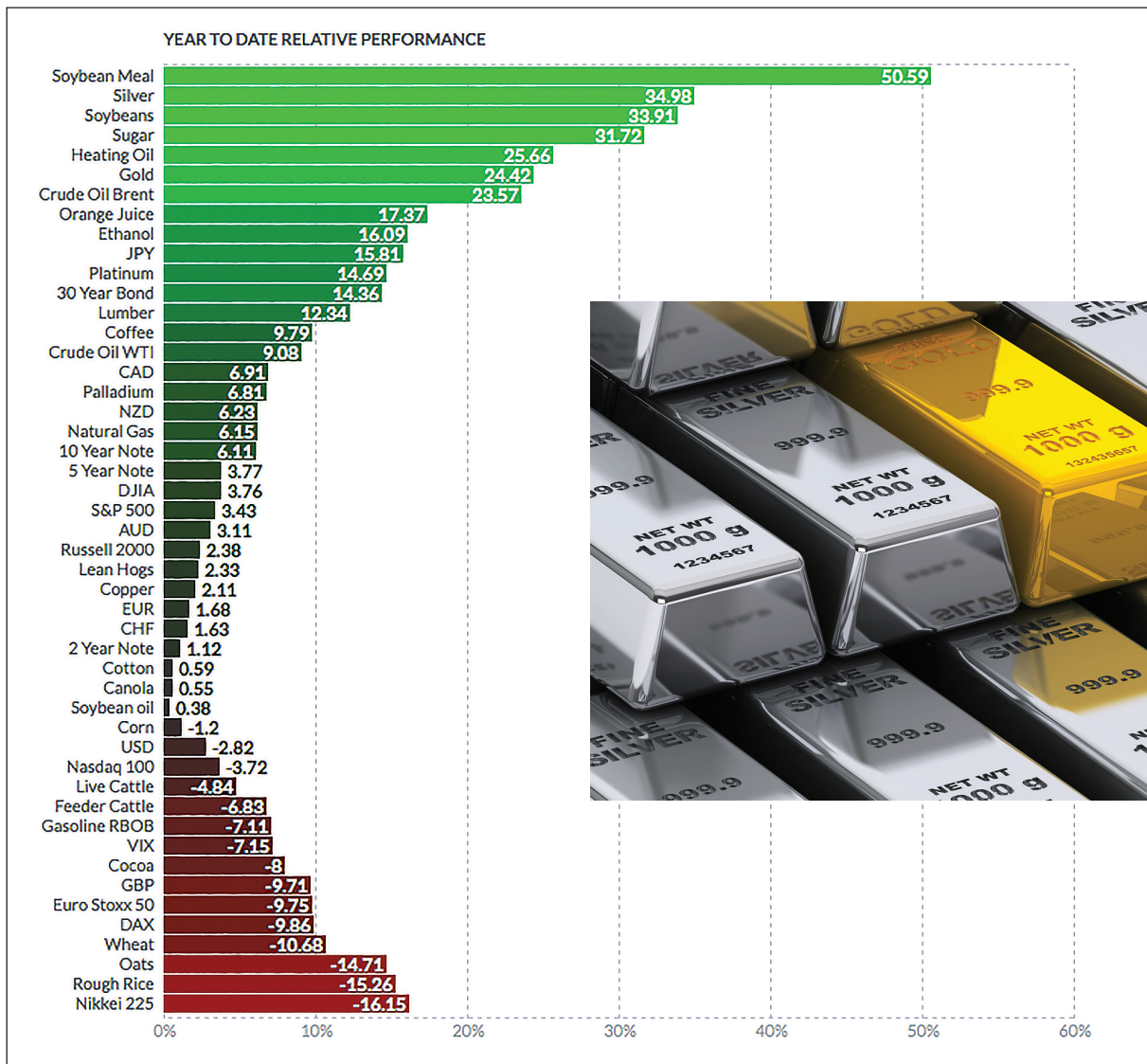
GDX, GDXJ



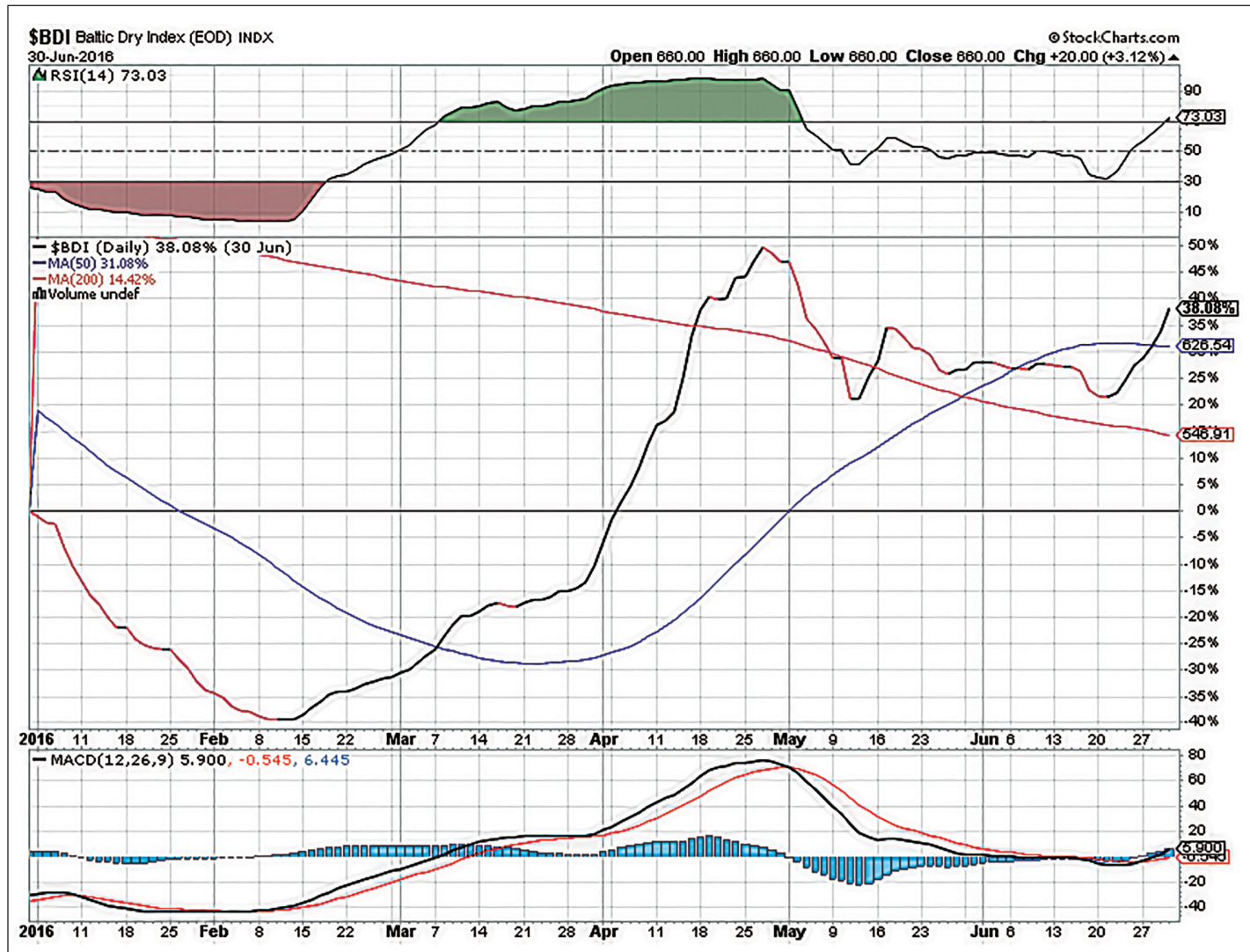
CRB (Commodities Index)



YTD Commodities Performance



Baltic Dry Index





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