3rd Quarter Wrap Up - Investment Screening: Can We Filter for Productive Companies? -
October 27th

To

“Shares of two major prison stocks dropped sharply Thursday after a report the U.S. Justice Department will end the use of private prisons...Corrections Corp. of America and GEO both briefly plunged more than 40 percent in midday trade.” –CNBC, August 18, 2016

By Catherine Austin Fitts

This week on The Solari Report, I will present the theme of our 3rd Quarter Wrap Up: Investment Screening – Can We Filter for Productive Companies?

In the 2nd Quarter Wrap Up, I took an in-depth look at productivity growth, Productivity, Prosperity & the Popsicle Index, arguing that labor productivity has stalled in part because human productivity has been debased broadly. Now I shall look at the screening practices of the investment industry, particularly in regards to environmental, social and governance issues, and explore whether we can screen for companies that deliver fundamental productivity – both labor (in the workplace) and human (throughout our lives) productivity. As the debt financed growth model comes to an end, companies that depend on (i) cheap government debt for contracts and purchases or on (ii) central bank largesse for cheap capital may be less attractive than companies with products and services that serve real market demand.
and add demonstrable value to the wider economy.

A useful example is the recent U.S. Department of Justice announcement that they were not going to renew Bureau of Prisons contracts with private prison companies. As I have argued for years (See Building a New Investment Strategy and Dillon Read & Co and the Aristocracy of Stock Profits) it is not economic to put millions of non-violent offenders in prison at an annual all-in cost of approximately $150,000 + per prisoner (GAO, 1996). This cost is particularly high for prisoners who commit only minor offenses that should not be criminal felonies in the first place, and even higher for private prison companies to run prisons that government employees can run better and more cheaply when all liabilities are taken into consideration. Now we are in a budget squeeze and voters are balking at a private prison industrial complex that is inhuman both to enforcement targets and taxpayers. So the government cannot justify spending billions of dollars on a function that is not economically productive.

Institutional and retail investors want to invest in companies with a productive future – not in companies with balloons that could shrink or collapse as budget cutters target newly unaffordable crony capitalism. Remember the prestigious money manager who invested $1 billion in Fannie Mae equities in the Spring of 2008 only to watch their investment collapse months later when Fannie Mae was taken over by the Federal government? So, now is a good time to think about how we screen for productive companies that create enduring economic value for shareholders, employees, customers and the wider economy.

It’s the last week of the month, so no Money & Markets this week. I will address your questions for Ask Catherine next week.

For Let's Go to the Movies, check out The Corporation, a documentary that explores the rise of the dominant institution of our day. It includes interviews with Ray Anderson whose efforts to build a global company that had a positive impact on the environment will inspire you with the possibilities for all of us.

Talk to you Thursday!

Catherine Austin Fitts

From The Site

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November 10th
Scenario Thinking with Eric Best

Catherine on USA Watchdog

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Highlights from Last Week - Blockbuster Chartology with Rambus/3rd Quarter Equity Overview with Catherine

This coming week we will publish the quarterly written Blockbuster Chartology text from Rambus, with an in-depth review across currency, commodity, equity and precious metals markets.

For our audio interview, I will solo to review insights from Rambus as well as our 3rd Quarter Wrap Up Financial Roundup. You can link to the Financial Roundup now in the web presentation for the 3rd Quarter Wrap Up, which is linked to your Subscriber Resource Page. I will post a link to the Blockbuster Chartology on Thursday in your subscriber links.

Across all markets – whether with technical analysis or fundamental analysis – everywhere you turn, we are reaching an inflection point. We are engaged in “battles royal” to define that model that organizes our society, governance, and economy. Will we be a humane society or an inhumane society? Do we maintain the rule of law or reign through politics and force? Are we free and sovereign individuals or “deplorables” to be microchipped, vaccinated and sprayed without our consent? Serious struggles about our most basic values lead to major market shifts, institutional overhauls and war. Uncertainty is the context, so investors are concerned.

Posting from home base in Tennessee, I will address current events in Money & Markets and report on our great launch party this evening in Tulsa for the Joseph P. Farrell Pipe Organ crowdfund. Please make sure to e-mail or post your questions for Ask Catherine.

See it here or Subscribe
About The Solari Report

A weekly 1-hour briefing with Catherine Austin Fitts and specialized experts, The Solari Report helps to navigate you through the shifting political and financial climates while building your wealth.

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