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# The Solari Report

October 4, 2018

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## 3<sup>rd</sup> Quarter Wrap Up News Trends & Stories Part I with Dr. Joseph Farrell



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Dr Joseph P Farrell



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**C. Austin Fitts:** Ladies and gentlemen, it's that time of year again for the Quarterly Wrap Up, and I am with Dr. Joseph Farrell.

We have been chewing through what happened in the 3<sup>rd</sup> Quarter and year to date, and what it means for the road ahead. These are always wide-ranging conversations that we are free to engage in. Dr. Farrell has called it 'high octane speculation'.

We are going to talk about what we think is important, what we believe is real, and just keep up if you can!

Part I is today, which is Economy and Financial Markets and Geopolitics, and many of the stories overlap and integrate. We have a great News Trends & Stories editor. Throughout the quarter we post stories, and then we examine them, talking about what is important.

It is interesting that every time I go through the process, I think, "Oh, I know what is important." Then we call through on a systematic way – which is a huge amount of work for Brad Eddins, our great News Trends & Stories editor. Then things come out that we never saw before and it's quite remarkable.



Then I talk with you, and realize, “Oh, I really didn’t know what was going on.”

### **Story #1: AI Superpowers: China vs. USA vs. the Rest of the Planet in AI and Tech.** Why don’t you open this up here?

**Dr. Joseph Farrell:** The world is becoming divided into China and the United States for AI. My biggest concern is that, to a certain extent, AI is already here. We’ve talked about this before. I think that AI is going to have a huge effect on geopolitics. You were mentioning some article that you had read and I think that there is more happening than meets the eye with that article.

Geopolitically, I have suspected for some time that AI is being used to model global trends, financial trends, geopolitical trends, social trends, cultural trends, and on the basis of this analysis, policy is being formulated. The problem that I have always had with this is: Garbage in, garbage out.

If you have AI directing policy, effectively that is what it means. If you have AI directing policy, it is going to appear to humans as being insane and inhuman, in a certain sense. I think that we are quite literally watching AI-driven policy formation and formulation. That is what I think the problem is here.

We have talked about this in connection to markets. The AI-driven markets are really behaving-if you look at commodities, equities, or whatever market that you want to consider-AI is driving most of the trades now with algorithmic trading.



That means that the markets are increasingly not reflective of genuine human activity and this is my concern.

If you translate that to geopolitics, if you have artificial intelligences modeling and gaming out scenarios, and you have people acting on that basis; this is a big problem. The other part of this problem is that with China getting in on this act, my suspicion is that they are going to program their gaming systems and their modeling systems very differently than we do. One of the things that I think that they are going to try to do is to take into account cultural considerations. I don't see any evidence that American modeling systems are trying to do this.

We have been trying to play catchup with social media, but even that is not going to work. I think that the Chinese are going to do something different with it, and they are going to drive a different kind of modeling of the globe, and that is going to create some real tensions and conflict.

**Fitts:** If you look at the AI, there are many different kinds of it. The AI of robots acting and thinking like humans has not been created. So, the kind of AI that is really exploding, particularly in business, is deep learning. I think of it as the old neural network. It's taking the data and searching for patterns. The more data you have, the better your AI is, so it's the person with the biggest base – which I will talk about in a second.

So financial markets are the perfect place to start to do it. They've been doing it for quite a long time, and you are right. They have algorithms driving insanity. . The problem is that when you started to do that, —



— you had hundreds of thousands of analysts making sure that at the accounting and reporting level, the company had integrity. Now you've wiped out that whole infrastructure, so now we are in 'lala land'. The corruption that is going on underneath the video game is what we are seeing.

**Farrell:** Right, and translate that into geopolitics. If you are designing systems with no accountability financially, that puts us into 'lala land'. Then take the same approach and apply it to geopolitical modeling.

**Fitts:** Then you can't optimize top-down; there is no optimization because without integrity bottom-up, there is no optimization. So, you get what I used to call, 'the giant smush'.

**Farrell:** That is what is occurring.

**Fitts:** It's like a deep learning video game where nothing bottom-up is what it is supposed to be, so the opportunities for another whole layer of fraud are just unbelievable.

**Farrell:** There is another factor here, and it's almost childish to even mention it, but that is the factor of the 'ne'er do well' – the person who deliberately fibs when the polling agencies call them on the telephone, or people who falsify things on Facebook and so on. That trend has been increasing dramatically.

In other words, you are inputting data that is not necessarily generally reflective of things, and then that gets crunched into the model.



This is another huge problem. What safeguards are they putting into play to sift the integrity of the data? As far as I can tell, they haven't come up with any solution to that problem.

**Fitts:** Let's go back to what you were saying about China doing it separate, because China really is building almost a separate internet.

Culture is very important to this because when you are deep learning what a population is doing and the way they are behaving, it reflects their culture at the deepest level. In other words, when you deal as a portfolio strategist with large amounts of money, what you start to see is that culture drives the price. It's all about what people value. In one culture they value this commodity enormously, and in another culture they couldn't care less.

In America the pet rock sells. I doubt that they sell in Bulgaria. So, culture is a tremendous driver of this. One of the most interesting things is how deep learning is going to spread.

One of the issues, of course, is if China and the US are far out in the lead in AI, 50 years ago the IMF and World Bank would go through and lend financial capital, but that is not what everybody is going to need now. They are not going to need financial capital; they are going to need something to deal with a data beast.

So, one of the things that I wanted to bring up – and we will get into it more in 'Unanswered Questions' – is with deep learning AI; the person who knows the most is the person who has the biggest data. More data is more important than smart engineers.



What we are seeing is a real race. Wherever you go, every company, and every institution, and every government are trying to suck up every ounce of data. I recently had to fill out for Solari one of the census surveys. This thing is so invasive, and I am already screaming, “You have this data ‘eight ways from Sunday’ already from me. Why do I have to do it again?” But there is an effort to suck up every ounce of data, and I think that it is because the winner is the person who has the most data.

Here is what is interesting. I just finished a book called *AI Superpowers: China, Silicon Valley, and the New World Order*. It’s by Kai-Fu Lee, a venture capitalist in China. I placed a book review on the website, and I recommend it.

For a new person to the issue of AI, it’s the best introduction. He gets right into how deep learning is being applied to businesses that are impacting your life right now, and he gets into many of the cultural issues.

One of the things that he doesn’t understand is saying that China has a real edge with AI because they have more people and more data. They have been much more efficient at mobile payment systems than we have, so you can do bank-to-bank on your mobile with no fees. You read that, and you think, “Wow! Their leadership is not captured by the financial industry the way that we are.”

They have more people, and they are collecting more data much faster. They are going much faster, but he is talking about the overt economy. He doesn’t understand that on the covert side we are ionizing the whole sky.



We have nanoparticles in every human being. We can suck up much larger amounts of data.

**Farrell:** I have not read the book, so I don't know if this observation has any merit to it, but I think we are missing a third player here. We are intending to analyze everything in terms of a US versus China paradigm, and I think that it is much more complex than this. I think that there are two key players who we are ignoring here. One of them is India, and the other is Japan.

Japan really interests me right now, as I am going to mention in some of the other points that we are going to discuss. Japan is perfectly positioned, given their technological expertise, to be somewhat of a third player in this AI world. From everything that I can see, they are trying to position themselves very deliberately to be that alternative between the United States and China.

**Fitts:** The other thing is they are pouring a large amount of money into venture capital. They are the one who has announced that they are doing a space elevator.

**Farrell:** And they have done something else very significantly and recently that we need to pay attention to in the context of this Japanese effort to become the third player, and that is they have successfully landed probes on asteroids. That is tremendous and is a huge step in the technology tree.

**Fitts:** The Europeans have done it, too.



**Farrell:** Yes, the Europeans also have done it. That is a big step in the technology tree to getting out there and mining material. If they are going to do that, they have to have the communications infrastructure to make use of that.

In other words, they are positioning themselves in terms of this AI conflict. I think that you are going to see them positioning themselves to be a player in that respect as well. The reason I say that in the context of this AI discussion, is that we go back three years to the fact that Japan allowed Russia to use its credit card clearing system, which is the widest in use in the Pacific Basin.

They provided Russia a way around American sanctions. That was very big news and almost nobody paid any attention to it. If they are willing to do that, then they are going to have to be players in AI. I would be very surprised if in the next year we don't see something coming out of METI, the Ministry of Economy, Trade and Industry in Japan, announcing some big AI push.

**Fitts:** One of the things that Kai-Fu stresses is describing how the central government has promoted in its planning and in its incentives to create leadership in AI in a way that gets every mayor working to provide space and make sure that there is venture capital. In other words, they are building an entrepreneurial ecosystem juggernaut.

One of the other things he said is that when the AI beat AlphaGo, it was the magical moment when every young person in China said, "Whoa! I'm going to learn how to do AI!"



Did you read Asimov's *The Foundation*?

**Farrell:** Absolutely.

**Fitts:** If you want to understand the concept of using garbage-in, garbage-out to invent your world forward, I think that reading Asimov's *Foundation* series and understanding this notion of using scenarios done by computers to invent and create your future is rather scary.

**Farrell:** It's interesting that you mentioned Asimov and *The Foundation* trilogy. That is one of my favorite sets of science fiction books. I actually have in my Members Area on my website a paper on *The Foundation* series.

**Fitts:** I should read that.

**Farrell:** The interesting thing about *The Foundation* series is that Asimov was so incredibly prescient in his predictions. He wrote that 50 years ago, and one of the things that he points out – and this is the real danger that AI is bringing – is that as this civilization becomes more and more addicted to artificial intelligence, the people themselves start losing the ability to fix anything, so they can't even fix the AI system when it starts to break down. They don't even know how to repair their spaceships anymore.

This is a real danger that I think is also being faced with the rollout of AI and robotics. What happens when the robot at McDonald's starts flipping hamburgers onto the floor and you don't have anybody to repair the robot?



This is the problem that I think is going to come down the pike. From what I can tell, nobody is really adequately – other than Asimov – thinking about this problem.

**Fitts:** What concerns me is that what AI is really good at is calculating things out at a much greater speed than you and I can do. But you can't let that run things. In fact, the way that you create civilization is from very deep values and a very deep spiritual alignment, including with nature. You have it backwards. It's not that you calculate what is smart or clever and then you do that because that is letting a mathematical process create your future, and your future involves greater things and greater issues.

It happened to me during my litigation where I would essentially be in a box where there was nothing I could do but go along with it with no options, but I refused to go along.

Suddenly my refusal to go along was like the dimension shift. There was a tremor in the force, and suddenly an option appeared. I was thinking, "Where did that come from?"

**Farrell:** This is a very important point. We have complained here about artificial intelligence driving so much of market trading, and if you translate that into geopolitical modelling, the problem is that you are really reading out the statistical fluke. Everything is based on statistics so that you cannot predict any individual response. This is the problem that was set up when all these physicists came in with their quantum mechanics and started applying those models to economics. Those models are based on statistics; you cannot predict an individual response.



If that individual is in the right position, it can upset the whole system, and this is what Asimov also brings out in *The Foundation* trilogy. He has a character in there called ‘the mule’ who has not fit into the model’s prediction, and he is creating all this massive chaos because he is refusing to do certain things that the model is predicting, and he is in a position of power to do it.

This is the problem with these systems. Ultimately, it’s coming down to human beings. So, the real question is: Are we going to look at these models and use them to formulate policy – which I think has been done and which has proven to be a disaster – or are we going to take these predictions and inject the human factor and maintain human control over the decision-making and policy formation?

No one is addressing this.

**Fitts:** I think that you need to understand how we create our world, and you have to believe and understand how each individual creates their own world. That is the impulse that we want to nurture, grow, and develop. From that comes the creativity and imagination for the greatest things.

**Farrell:** Here is the other problem, going back to my childish observation: What if there is a global movement to purposely deceive the model and the data collectors? If you have 10% of the global population injecting deliberately deceptive decisions into this, then the model that the computers spit out is going to be skewed to that extent. Then you are going to have people making policy on this. This is the whole problem with it.



As far as I am concerned, there has not been enough attention to the quality of the data itself that is being injected. I don't know enough about information technology to tell you, but my guess and my suspicion is that there is no algorithm they can set up that is able to evaluate the quality of the input data with one exception. That exception is probably CERN because I've been maintaining all along that CERN has several filters and it is pulling anomalous data out and sending on what the model predicts to the scientists to evaluate. At a deeper level, it is pulling anomalous data and shuttling it off to secret committees and saying, "Look at this."

If they are doing that, it is conceivable that they would have a way to filter data that is not falling within the predictive model. If that is the case, then they have a real AI. But nothing I've seen indicates that they are thinking in these terms for general purpose AI unless they are using the CERN model and we are not being told about it.

**Fitts:** Here is the reality, and this is one of the reasons I like the book by Dr. Lee. If you are going to read one book on AI, I would read Dr. Lee's book.

We are engaged in a massive experiment. We are just popping this out and letting it roll without any oversight or regulation. So, some person in some basement someplace could build something that could destroy the whole planet, and we are just going to let it rip.

**Farrell:** This is the other problem that you have pointed out many times, and it is worth reiterating. "There is no cyber system that is secure."



**Fitts:** Any digital system is insecure. This is a zero-integrity system, and it is going to be that way for centuries until it does enough harm and damage and everybody is comfortable enough with it that they are going to say, “The experiment is over. We are going to regulate this, and we are going to have standards and codes and all that type of thing.”

**Farrell:** Let’s play the Asimov scenario again. Imagine that you have set up a civilization, as he does in *The Foundation* trilogy, that is being run more or less by a mathematical computer model. Then let’s inject into that scenario someone who is a computer programming whiz who injects a couple of lines of code into the system to skew the analysis a certain way. They are creating a nightmare, and are not even thinking in these very basic common terms.

If you can do that – and I’m quite certain that we have already seen evidence of that type of activity with the various flash crashes that have occurred in markets when the algorithmic trading systems suddenly go ballistic and drive a stock price to the bottom of the barrel. I think that a lot of that could very definitely be some sort of hacking or cyber warfare.

**Fitts:** One of the things that has come up in all this by example is: I will never forget when I was on the board of Sallie Mae and we had seven bank vice-chairmen for seven of the top banks in the country. They were doing a lot of interest rate derivatives in the Sallie Mae investment operation.

One of the finance people who was running the derivative portfolio made a presentation. What came out was that not one of those bank Vice-Chairmen understood.



Now we have companies, for example, having young entrepreneurial founders saying China doesn't understand their operations etc., but you have companies throughout the world who are implementing it, and the members of the Board of Trustees and the governors have no idea.

**Farrell:** They have no clue.

**Fitts:** So, they are not in control either.

**Farrell:** It's the technocrats who are in control, and that is the problem because the technocrats are selling us this bill of goods about how wonderful this is, and you and I can sit here and talk about these very obvious dangers to the system. No one is factoring this into their modeling of what can happen.

**Fitts:** Because customer service is not economic, so you just slap it out there and use it to prototype your products. Then after you figure it out, you sell it for a large amount of money, and you go on to torture the next group of people. And now they are going to apply this to the financial markets.

**Farrell:** Or geopolitical strategic modelling, which is the really frightful thing.

**Fitts:** My message on this story is: AI is here, and it's moving much faster than everyone expected in certain areas such as deep learning.



If you look at our 'Best Books for 2018', I mention Tim Wu's book, Cathy O'Neil's book, and these are books that can really help you understand it. The book by Kai-Fu, *AI Superpowers*, is very much worth reading and helping you see what is happening in business and politics.

The reality is that whether we like it or not, this is here, it is out of control, and it is going to rock every one of our worlds.

**Farrell:** It is already doing it.

**Fitts:** It's rocking and we are going up an S-curve, and we are only at the beginning of the S-curve.

I see a couple of tsunamis hitting at one time, and this is what I said in *The Rise of the Asian Consumer*: "You are going to have the AI robotic tsunami hitting at the same time that the rise of the Asian consumer tsunami is hitting at the same time that the space tsunami is hitting. All these tsunamis are going to be hitting together, and if you think about them now and figure out how they are going to relate to your life and the life of your family, your business, and everything else, you can get ahead of that curve." That is what I said.

**Story #2: The Growth of US Dollar Alternatives.** The Germans are in the lead. Tell us about what the Germans have been up to.

**Farrell:** This one is so obvious that it hurts. You and I have both been talking about the German finance minister, Heiko Maas, with the statement that Europe should build out an alternative to the SWIFT financial clearing system.



I even did a ‘News & Views’ on this because I thought this was a ‘Who do you think you’re fooling, Mister?’

The reason that he gave, and this is just classic Bismarck. He said, “So that the European companies doing business with Iran,”- and Germany does a lot of business with Iran- “could bypass American sanctions and bypass the American dominance of the Swiss system.”

I thought, “No, this is a convenient crisis of opportunity.” This is Bismarck going to war with Austria.

**Fitts:** Here is what was interesting. When he said that, it was made very clear that he was speaking for himself; he wasn’t speaking for the German government. That was a trial balloon because they wanted to test the water and see who would play and do it all informal before anybody had to be embarrassed or get out front.

What was amazing was that nobody got slapped or punched, and two weeks later – ‘baboom!’- out comes the official announcement.

**Farrell:** Exactly. Out comes the official announcement, and this is classical Merkel, too. Whenever Merkel wants to float an idea that she has in her noggin, she has one of her cabinet members make the announcement so that she can pretend that she had nothing to do with it.

**Fitts:** It’s the same as the Queen in Brexit.



**Farrell:** Yes, “I have nothing to do with this.” But the reality here is that this was such big news because Iran is the crisis of opportunity. What they are really saying is, “We need to get out from underneath the American domination of the financial clearing systems.”

**Fitts:** Let me step back. I did a book review a couple of years ago on a book on financial sanctions and I recommended it as a way to learn about financial sanctions. If you control the digital systems – the payment systems and the clearing systems, and you would be amazed how many countries around the world have JP Morgan as their clearing bank – and if you control SWIFT, and the payment and the clearing systems, and you have all the data from those systems, and you control the satellites that those systems run on, then you can implement and enforce sanctions because you have the data.

What the Europeans are saying is, “We want to be able to transact money in size,” because you are talking about big contracts, “And we want to be able to move gold and cash and securities, etc. without you being able to see it,” which means that you can’t enforce a global empire.

**Farrell:** Iran was just the convenient crisis of opportunity. They need the system, and you and I have been saying this for years. Europe needs an independent financial clearing system that is genuinely international for several reasons: Most of Europe’s trade, particularly Germany because where Germany goes Europe goes, is going to be conducted with Russia, and China, and Asia, not with us – although we still remain Europe’s largest trading partner. But that is going to change. This is why the Europeans are making this move.



**Fitts:** Last year we went through it in the Annual Wrap Up, but China has created 12 trading centers around the world for their currency and securities, and they have opened up their bond markets. So, this is all the beginning of creating that kind of liquidity.

**Farrell:** The other factor here is Japan, as I mentioned before. Japan opened up its credit clearing system to Russia to use, completely bypassing American sanctions. That is a huge clue as to what Japan's long-term goal is.

There are other little indicators that the Europeans are very, very serious about this. Just to give one example, I read an article two days ago about a rail service that they are going to be opening up between St. Petersburg, Russia, and Berlin directly.

**Fitts:** That is very big.

**Farrell:** That is very, very big. This means that they are going to have to be going through the Baltic States, through all this pressure, the Kaliningrad Oblast, as the Russians call it, directly to Berlin. This is the counter-move to American rebasing of troops into Poland and the Baltic States. This is their counter-move, which is very interesting to watch. What we are seeing now is America trying to maintain a dominance in Europe through its military presence, and the Europeans and Russians are trying to offset that and to leverage it out through economic pressure. I think that the latter is ultimately going to win.

**Fitts:** It looks as though Trump has done a great deal to try to destroy the American-Atlantic Alliance.



**Farrell:** Absolutely, I think so.

**Fitts:** The question is: Why?

**Farrell:** That is a troubling question because what it really boils down to is: Is this a deliberate policy that he or his backers are pressing, or is it merely the accidental result of his Trumpean bluster, and tariffs, and all that?

I suspect that it is deliberate. I think that from the strategic calculus that these people have to be thinking of regarding reshoring money, reshoring manufacturing, etc., they have made the conclusion that we cannot afford to maintain a military presence in countries that: Number one, are not going to attack us, and number two, very expensive for us to do so.

I think that this is a deliberate policy. How it is going to work out and how they are going to manage this transition remains to be seen. I definitely think, at least for now, that it is a deliberate policy.

**Fitts:** Much of this is going to come down to how much power you can project with drones and from space, and how and who has the edge there. We will talk about this later because it is so important, but I would note that the Chinese are developing AI-run autonomous submarines.

Another thing that I also want to point out is that I am really struck to the extent to which the Chinese are building independence. When you go to the area where you can buy the duty-free items in the airports, there are always two machines for your credit card: One for the Chinese credit cards and one for everybody else.



These mobile ecosystems that they have are much more efficient, much faster than ours, and permitting much more entrepreneurship because businesses can start and the payment fees are much lower, and the speed of the transaction is much faster. So, speed is faster, costs are lower, and you are building a much more powerful entrepreneurial ecosystem. Traditionally, that was our strength. We had the money to build the entrepreneurial ecosystem.

**Farrell:** This is another important consideration vis-à-vis this decision by the Germans to build out an independent financial clearing system. They are looking at the Chinese, and clearly they are wanting to do more business with the Chinese. So, they are going to have to have a similar system that is much faster, much more efficient, and not laden with all the fees.

In other words, I think that this is the other reason – the hidden economic reason. They realize that if they are going to have to compete, they are going to have to do this.

So, forget about Iran. Iran is not the real reason the Europeans are going to do this – and they are going to do it. I don't think there is going to be any way to stop them. The real problem that they are going to have in the short-term is putting up enough space platform to do it.

**Fitts:** Let me ask a question. You and I have long believed that the reshoring of operations will hit the coast first, but then they are going to move it into the heartland. If you look at China's plan to build all this out, their central planning group has every mayor trying to set up different incubators, and places for entrepreneurs, \_\_\_\_\_



—— and attracting capital, and working with the local financial system, and working with the local education to encourage these entrepreneurial ecosystems. Why isn't America doing that if they want to move back into the heartland?

**Farrell:** That is a good question, and I don't have any answer to that other than I think there is still too much of an entrenched presence of 'Mr. Globaloney' within the American deep state.

**Fitts:** They still think corporate. They still think 'defense contractor'.

**Farrell:** Yes, they are still thinking in the old playbook. To his credit, I don't think that President Trump is, but I think he is confronted with an old guard – quite literally – that is still thinking in those terms.

Let's go back to Europe and the Chinese ability to make bank-to-bank transfers without fees. Sheer competition from China and Europe in this respect is going to force it. That means that they are going to have to start paying attention to the heartland, and they are going to have to start building out an infrastructure to do very much the same thing.

**Fitts:** It was phenomenal. I was in Europe for two months – in Eastern Europe and Western Europe. The entire time I felt like everything I was doing – whether I was taking a train, or paying for something with a credit card, or buying food – was all designed to support humans. Whereas here, I feel like I am cannon fodder being used to prototype somebody else's product that doesn't work.

It was amazing because it was two months of everyday experiencing everything designed to help humans do what humans need to do.



It's so human-friendly. You realize that the world can be nice; it doesn't have to be like this.

**Story #3: Rising Interest Rates & US Debt Acceleration.** I know I 'beat the drum', but I need to 'beat the drum' on this. This relates to the growth of US dollar alternatives. As China and Asia move to financing their own development or the development of the Silk Road, as opposed to our Walmart operation, that is going to put pressure on the cost of imports, it is going to throw the trade balance up, which is exactly what we are seeing, and it is going to put pressure on the cost of living in this country and in the developed world.

Now we see rising interest rates. Since 1980 we have been experiencing steadily falling interest rates. Many people who are alive today – who became an adult after 1980 – have no idea what that is like.

The thing about interest rates is that it impacts every business you deal with and every product and service. If you look at all the different things that you spend money on – food, energy, etc. – when you raise interest rates, you raise the expense of everything. You raise the expense of every person and every operation. It's a contraction, and it feels like a vise. Many of the things all year long that have felt like that vise are steadily rising.

**Farrell:** We have a whole generation that doesn't remember what it was like economically and financially under Richard Nixon through Jimmy Carter. It's going to be a shock.

**Fitts:** It is a shock and is a shock now.



One thing that is happening is, if you look at the US budget, this is dramatically accelerating their interest expense. Of course, how do they pay that interest expense? They borrow more. So, it's one of the reasons you have a variety of people in the world predicting hyperinflation. I don't think that hyperinflation is in the cards any time soon because the system will always go to war rather than hyperinflate. They will kill Libya and take their gold. So, the tapeworm will always find a victim rather than general system hyperinflation. I'm not a great believer that will happen, but no doubt that this is going to cause pain in millions and millions of businesses, households, quarters, and it is going to mean the cost of the worst system – the military system globally – and the system to enforce the dollar's reserve currency is going to get more and more expensive.

I would note that Congress is just rolling spending bills; they are not even creating a budget. I think that they are afraid of what the numbers would say.

One of the headlines we have in this story is, “Feds collect record individual income taxes through August, still run \$898 billion deficit.”

**Farrell:** That is unreal.

**Fitts:** I had John Williams on during the 3<sup>rd</sup> Quarter because I wanted to focus people on the cost of living. Right now, if you look at the Chapwood Index, which is the index that I use, the cost of living in the United States is 8% in a place like Memphis and Silicon Valley is at 13.5%. Williams said that on average in the country, it is 10%.



From what I saw in Europe, I think it is lower. I was having breakfast in Bucharest in Romania, and I opened the paper. You could tell that their paper was a bit more honest. It said that inflation was running at 5%. I think that theirs was lower than ours; they are just more honest about it. In Australia, it seemed relatively low compared to here.

I think that throughout the developed world, you are seeing it kick up. Part of it is peak inflation, but part of it is just wild printing, etc. Interest rates are rising, and that is going to put a lot of pressure on everybody.

How do we prepare for a 10% a year increase in expenses?

**Farrell:** I honestly don't know. The things that are going to happen are the usual things, and that is everybody is going to raise prices, raise fees, and everything else. The cost is just going to keep going up.

The problem is: How are they going to reshore all of this capital and keep the cost of capital down?

**Fitts:** They're not; it's going to kick up.

**Farrell:** That is the problem. I haven't seen any indicators that they have any solution for that.

**Fitts:** One solution is that when you bring the operations back in, you swing in hundreds of thousands of professional engineers and other talent from abroad – which I think is happening. So, I think that we are not only going to bring the manufacturing back from Asia, but we are going to bring the executives or the engineering talent back from Asia.



The way that you keep a lid on the costs of capital is import the brains. So, I think there is going to be a big shift in importing intellectual capital, and that will help keep the lid on labor prices. I think the ultimate proof that extreme measures will be used to keep the lid on things is: How do you get a million acres in California? If you had to buy it or do eminent domain in Santa Rosa and buy all that acreage, that would be enormous.

That is why my fear is whether it is the eminent domain rules that they put into place in Washington or the fires in California, these people are moving fast, and they can't afford to have a conversation; they are just going to take it.

To a certain extent, if you look at the double-bind they are in, my attitude is: "Don't have a conversation; get out of the way." I think that you knew that and that is why you left California.

**Farrell:** That was one of the reasons because you can just feel it.

The other thing in that respect is you mentioned that in Northern California there was a survey done of people who are planning to leave the state, and it is 47%. It's just a palpable feeling there that they have to get out of the way and have to get out.

The other thing that is going to happen, and they don't realize it in California yet, is bringing in all that foreign intellectual capital. That is going to dramatically change the political complexion of that state. This, I believe, is part of the thinking behind certain factions in the American deep state.



They realize this is coming down the pike, and are upset about it because they know they are going to lose a considerable amount of power they have had in that state. I don't think that you are going to see the craziness over the long term coming out of California that we've seen in recent decades. It can't continue that way, and it won't.

As California changes politically, that is going to change the political landscape of the entire country.

The thing that I find very disturbing about this whole importation of intellectual capital is: Why do we need to bring in intellectual capital to begin with? It's because we are not producing the engineers and so on.

**Fitts:** We have significantly debased our intellectual capital. We have significantly debased the population.

**Farrell:** We've had such 'nuttiery' going on in the 'quackademy', as I like to call it. This has resulted to the point that people are talking about socializing mathematics and eliminating 'white privilege' in mathematics etc., which is sheer nuttiery. Of course, they don't have any of that in Asia.

So, as we are debasing our educational institutions, we are not producing the engineers and others; it's the Asians that are.

**Fitts:** We will talk about it more when we get to the 'Gender X' question. I'm assuming that all of that is just keeping people busy and preoccupied. It's a distraction.



**Farrell:** Precisely.

**Fitts:** One of the most intelligent comments that I got when I was researching ‘The Rise of Asia’ was somebody speaking about the Chinese. They said, “We care about family, and we care about wealth. All of this other stuff, that is just a distraction, and we don’t have time for that.”

**Farrell:** It’s not just the Chinese; it’s the Vietnamese, the Burmese, the Indonesians, the Indians, and the Japanese.

**Fitts:** They see that as essentially a game to distract you. If it’s football, you are playing for the ball. So, they never take their eye off the ball. All these different things designed to get you to take your eye off the ball, they know that it’s a tactic, and they don’t bother with it. They can’t fathom that the Americans care about it.

They ask, “Why do you care about that? Why would you give that any time? You could play with your family. Why would you do that?”

**Story #4: The Emerging Markets US Dollar Bear Trap.** Since 2008 we have lent massive dollars into the emerging markets. Basically, we have gotten the entire emerging markets up to their ‘eyeballs’ in dollar debt, and now we are pulling the dollars out.

It always appeared we were setting up a global bear trap, like what we did to East Asia in 1997 and 1998. We pulled the liquidity, and then suddenly we show up and are ready to buy all their equity cheap.



People have been saying, “The dollar is going to crash. The dollar is going to fall.”

My concern is that you pull the money back home, which is now what we have done with tax reform and repatriation, and then suddenly it is going to leave the weakest credits in the emerging markets. You pull the blood back to the heart and lungs, and it leaves the fingers and toes. It’s going to leave the weakest spot first.

**Farrell:** Well, there is something that is going to happen by way of blowback and backlash. We are putting countries like Argentina, Venezuela, and to a lesser extent Brazil, and we are putting all Latin America back in this bear trap. Turkey is another example.

**Fitts:** It is Turkey, Argentina, Brazil, Venezuela, Egypt, and Indonesia.

**Farrell:** We are going to try to do that, and I think that in the short-term it will be successful. In the long-term, I think that there is going to be a huge blowback. What those countries are going to do is go to other players. They are going to start turning to other players. We have already seen this happening – to a certain extent – in Argentina, particularly under Christine Fernandez de Kirchner. We are going to see them start to turn to China and to Europe to refinance all that, and this is another reason I think this European move for an alternative to SWIFT is so significant, as is the Japanese presence in all this.



The way that Japan looks is they are trying to position themselves to be an alternative between the United States and China. The Japanese already have a presence in Latin America. Most people don't know about this in Peru, Ecuador, and so on. I think they are going to leverage that, and I think they are going to emerge in the long-term as players in the geopolitical blowback that is going to happen. It will happen as a result of placing these countries in the bear trap.

Another thing to consider here is that the Europeans, in addition to talking about setting up the SWIFT system, have also decided they need a European equivalent to the World Bank and the IMF. Did you see that story?

**Fitts:** No.

**Farrell:** That came out at the same time that Heiko Maas floated his trial balloon about the SWIFT system. So, this came out, more or less, at the same time as that story about Europe wanting to do this officially. One of the things that they mentioned was, "Yes, we need a European alternative to the IMF."

In other words, what they are saying is, "We see the bear trap, and we want to be in the position to step in and refinance these countries."

**Fitts:** When I was in Bulgaria, I noticed that there was a meeting of 11 Eastern European countries with China while I was there. You feel the arbitrage. You have Asia on one side, and Europe on the other. Europe right now is the biggest consumer market.



**Farrell:** It is still the biggest market in the world.

**Fitts:** Asia is the rising juggernaut, and the opportunities to build things between them – transportation, trade, etc. – everybody feels it, and everybody is excited about it.

There is an energy because you have this enormous arbitrage, and, of course, everybody in the world gets paid to get up and get something useful done. So, they are all racing to do this, and it has a beautiful spirit to it. It has a fun future, and there is a feeling that the future is exciting.

The US is not participating whatsoever. We are just the ‘stinker’. We are running around putting up toll booths, and everybody else is having fun.

**Farrell:** Everyone else is tearing the toll booths down.

The other thing here important to mention in terms of this potential geopolitical blowback to this bear trap. You said– and I couldn’t agree more – “Nobody trusts the Chinese.”

**Fitts:** “Nobody trusts the Chinese.”

**Farrell:** This is Japan’s key.

**Fitts:** And Germany’s key. Germany has a huge opportunity here if they can get up to speed on AI.

**Farrell:** Which I think they will do. There is no doubt in my mind they will be able to do that, but I think the Japanese – for the moment –



– are in a much better position. People do trust the Japanese to a certain extent, particularly once you get out of Asia and the memories of World War II.

I think that the Japanese are leveraging their position very, very carefully, and I am going to talk more about that later as we get to subsequent stories.

I think that you are going to see the Japanese step up and do something very similar to what the Europeans have done with this announcement about creating a European version of the IMF. I think the Japanese are just waiting for the right opportunity, but I wouldn't take a bet that they are not thinking in these terms right now.

**Fitts:** One thing that shocked me was that people will say, “Such and such is coming.” They will say, “Bad times are coming.”

If you look at the statistics of what is going on in some of these emerging markets, Venezuela had a 99% drop in their currency value this year. Imagine living through that.

If you look at Argentina, they had 30% inflation and 10% unemployment, and it has just started. There is plenty of extraordinary pain around the world. Don't underestimate the pain.

**Farrell:** Another country I think is going to figure very prominently in the coming couple of years is going to be Spain. The same problems that we have seen elsewhere in Europe are going on in Spain, and that is going to be the next hot spot in Europe.



**Fitts:** Italy is refusing to play.

**Farrell:** Italy is refusing to play, and they are putting together this Pan-European type of national alliance, which I think is highly significant that the Italians would lead this charge. The reason I bring up Spain is because, once we see these problems really start to hit in Spain, the Italians are going to reach out to those so-called populists of Spain. This is going to put tremendous pressure on Merkel. If they want to save the European Union, they are going to have to restructure.

**Fitts:** As part of the bear trap, commodities are seeing deflation. Commodities were having a great year, which is great for the emerging markets. Then the trade wars started, and now – ‘wham!’ – commodities are down.

So, the US dollar bear trap is happening, and the US is pulling the dollars back while the value of commodities is going down. So, it’s a ‘triple whammy’ on these people.

**Story #5: The US calling the Capital Home.** Interestingly enough, because of Brexit, London lost in the surveys the top spot to New York. The capital is coming home, and that means that everybody who helped do the financial coup positioned properly for the future is rolling in dough. The message-if you look at the market shares for all the persons who led the bailouts-is that crime pays.

Interestingly enough, we had a big switch at Goldman this 3<sup>rd</sup> Quarter. The people who engineered the financial coup came out of the mortgage and gold markets.



I think that they were the ones who designed the suppression of the gold price and the housing bubble and led the brains. JP Morgan was the big guns, but Goldman, I believe, was the brains.

Those people are now both out – Blankfein and Cohn. And who comes in but the people who came up the media and tech ladder, and they are relationship bankers. So, we are seeing a real turnover as that capital comes home as to who is going to lead the way next.

**Farrell:** You made a very good point, and I think it's worth bringing out here. What you are watching is somewhat of reverse globalization. If you factor in everything else that we have talked about – the European alternative to SWIFT and the Japanese positioning themselves to be a third alternative in Asia between China and the United States – what you are really seeing is the emergence of this multi-polar world which, to his credit, President Trump was predicting in his strategic analysis that they came out with a few years ago.

I think that if people take one thing away from this Quarterly Wrap Up, it's this trend towards reverse globalization.

**Fitts:** They are getting prepared for a multi-polar world. They are assuming that the global empire is over and they are not telling anybody this. That is why they are burning that bind.

In the process of calling all the money home, we have had quite a battle royal about who controls the media.

**Farrell:** That's putting it very mildly.



**Fitts:** The other thing that we have had is, as you bring the money home, it makes it more and more important to control the spin at home.

We have also seen an effort to attract offshore haven money back into the US. It's almost as though you are trying to say to all of the elites, "You engineered globalization by giving preferred status to elites around the world who played ball with you and, basically, engineered your money to come and do what you want it to do or suck money out – whatever you want it to do." Now you are saying to those people, "We are calling the money back home. Feel free to move over here just in case you feel a little nervous about it."

**Farrell:** I think that it goes even deeper than that. I mentioned to you my idea-which you reminded me was your idea-about space being the next tax savings and the next big offshore. I think that part of this strategy is "Trump's Space Force" idea.

What that really is, as far as I am concerned, is we are creating the military infrastructure to protect your new offshore tax haven, which is space. "Bring your money here."

**Fitts:** I think that was the big effort to get rid of the estate tax, and they weren't able to get it all the way there – although I haven't seen this latest package they just passed. They were able to get a phase-out, and that is so people all over the world will come. It's not just for the US.

We are basically being turned into a paradise for oligarchs. It's 'Oligarch Park'.



Then, of course, if you make the US the global haven, but then you add to it an offshore space, and can project power with drones in space globally, and if you maintain that lead, then the Anglo-American Alliance can stay relatively dominant in a multipolar world.

**Farrell:** It's a twin-pronged strategy: Reshore the money, reshore the manufacturing, and build out space. I've been saying this for years and years and years.

If you just stop and think about it, if you are the oligarchs, this is the logical thing to do. You rebuild your power base in North America, and then you build it out in such a way that it maintains space dominance. No question that this is a deliberate strategy.

**Fitts:** Part of this is that coming out of the bailouts, the US market turned up. Since then, it's been in, what Rambus calls, 'the most hated bull market in history'.

It has continued to fly this year despite the trade wars and despite the higher interest rates. Traditionally, you need more than 150 basis point increase in a year to really rock the market, but if you look at trade wars and if you look at politics, it just continues to fly up.

I think one of the reasons is that the central banks, and the sovereign wealth funds, and that sort of government money has worked very hard.

The other thing is that in the US market, you have seen unprecedented buy-back. If you look at the steroids we've used to keep our stocks up,—



— and much higher PE's and lower costs of equity capital than what the Europeans have, they haven't begun to decapitalize their companies to keep their stock levitated.

Goldman's estimate for buy-back this year in US corporations is \$1 trillion.

So, what you are seeing is the float both in terms of number of companies and then how big their float is. You're almost watching a reverse privatization at the stock market.

We may be privatizing government, but the government is buying up all the stocks. It goes back to the analysts getting wiped out who are doing the analysis of the companies. It makes you wonder about the governance and management of the entire infrastructure.

**Farrell:** If that is the case, then it seems— just speculating wildly here on the spur of the moment – that the Anglo-American oligarchs have looked at the Chinese model and have said, “Hey, that works. We need to have government involvement in these companies.”

**Fitts:** I think it's been more organic than that, in the sense they use government to rig things. Unfortunately, increasingly it is rigging monopolies. You are using government, basically, to subsidize corporations or to transfer the most valuable technology in the world to them or guarantee them markets or monopolies. So, you have a centrally-planned economy. You have the worst of both worlds.



The challenge is: How do you enforce optimization and accountability in that kind of situation? I think it would be a nightmare to have to lead this.

**Farrell:** You mentioned something that I think we need to get into, and that is the emergence of the land empire in Asia and the deterioration of Bretton Woods in all this context.

**Fitts:** Essentially, what you are doing is having Europe on one side and Asia on the other. So, you have rising Asia, the biggest market in the world, and Europe. Now with the trains, the roads, and the new sea lanes opening up in the arctic, you are dramatically lowering the time it takes to do business and the cost. Now as both are sending up global satellite systems, Europe has theirs up and China is sending theirs up.

So, between global satellites and doing things to make the maritime go as well, you are, basically, building a land connection and empire between the two largest markets in the world. We're not there.

**Farrell:** This is the context that I want to explore with Japan for a moment because there was a very, very significant story. I even blogged about this this last quarter on my website.

Japan did a test run with freight of some sort on the Trans-Siberian railroad in Russia. The information as to what this test run was for was rather sketchy and limited. My suspicion is that what was really happening is that the Russians invited the Japanese in, and the test run was a cover story.



But they invited in Japanese engineers who are obviously very familiar with running high speed rail systems and making them earthquake-proof.

I suspect that what was really being done was the Japanese were taking a survey of the Trans-Siberian railroad from Vladivostok to Moscow to ascertain which parts of the Trans-Siberian needed to be re-routed or upgraded to run high speed rail.

**Fitts:** Can you imagine if the Trans-Siberian railroad was high speed rail?

**Farrell:** This is what I think is going on. I am speculating wildly here because the story certainly did not have any of these details.

**Fitts:** If you look at what China has done with high-speed rail, there is, under no circumstances, that the Russians are not going to want to do the same thing between the Pacific and the Atlantic.

**Farrell:** The way that I think this is happening; it has been interesting to watch Putin and Abe, and the way that they have sidestepped the whole issue. The two countries are still officially at war. There has never been a surrender of Japan to the Russians, but what they have done is sidestepped that whole issue of the Kuril Islands in Northern Japan. What they have done is decided to create somewhat of a free trade zone.

At the time they did that, I thought, “This is a beta test. This is a test run of something that they want to expand to the whole Siberian region.”



Russia needs Japan to offset Chinese influence and Chinese capital in Siberia. Japan is the only other country that has the technology and engineering experience to build out high speed rail like this.

**Fitts:** And wouldn't they love lots of Russian oil?

**Farrell:** Precisely. This is Japan's way of sidestepping Chinese interdiction of its energy supplies from the Middle East or American interdiction. So, Japan, I believe, is playing this very carefully calculated, long-term game to position themselves to be the alternative to the United States and China, and the test case is Russia. That little Trans-Siberian test run, I think, was a huge indicator that what is really coming down the pike here is potential Japanese investment.

They are already in the billions of dollars in terms of trade deals with the Russians. I suspect that you are going to see a high-speed rail deal being negotiated between Japan and Russia, and here is why. A few months ago, the Russians offered to Japan expertise in dealing with Fukushima. At the time, there was no mention of any quid pro quo.

What I suspect is that the Russians said, "Okay, we have the technology to deal with these kinds of issues. We will swap that technology – bypassing all these American sanctions business – for some investment in high speed rail. Here are your energy supplies." I think that is exactly the game going on, and it will be huge.

If I am right, my prediction is to watch in the next few years for Russian-Japanese announcements about high-speed rail.



**Fitts:** I want to circle back to the US stock market because one of the things that you look at when you look at charts of market return over very long periods of time, in the last 10-15 years yields are permanently lower. They have been lower on fixed income, and they have been lower on equity markets.

There are a couple of possible explanations. Remember, it is lower at the same time that the government has been pumping massive steroids into the corporate infrastructure – certainly in the US.

I think that one reason is ‘peak everything’. If you look at the economics of resourcing natural resources on the planet, peak everything is a real phenomenon, and it is one of the reasons they are talking about asteroid mining and all these other things.

So, ‘peak everything’ is one of the phenomena, but the other phenomenon that I see is the ability of insiders to rake off the good deals, and we are seeing more and more. Whether you use private equity, or whether you use different machinations with public companies, or you use a variety of strategies related to the funny business in the Federal government. A lot more of the wealth is going either into the offshore havens – whether they are earthly or heavenly – and much more is getting raked off the back. Of course, secrecy government technology and government credit make all that possible, which is why this is a socialist thing. The source of inequality is socialism.

That phenomena are happening, and it’s tricky. What most families are concerned about is, “I have a lot of money in the stock market.



What is going to happen to it?” Or, “My pension fund is in the stock market. What is going to happen to it?”

It’s almost as though now we are all addicted to the steroids, and what happens if the steroids get pulled?

My read on all this is that if you look at bringing all the capital back to America, they have just doubled their steroid inventory. I think that the bigger problem for any investors in the equity markets is that the US infrastructure has really harmed its companies permanently by depending on this much steroids. Try flying European airlines compared to American airlines. It is unbelievable.

The other thing is that to get more up in this environment, you are going to need to be concerned about ‘piratization’. If companies bring that much capital home and that much operations home, they are getting killed in terms of global competition, and they are going to need to go further and deeper in the US markets. I don’t want the stock market to go up because I don’t want that kind of political push to go deeper in the US markets and use government regulation, and compliance, and interference to knock out all the small business.

We are suffering enough from a lot of ‘regulatory destruction’ to the small business infrastructure. If we decide to do more steroids for more companies by destroying our small business infrastructure, then you are going to have less independent income in the US than you have now.



**Farrell:** And you are going to have less innovation, which is the bottom line.

**Fitts:** My attitude is: Let the stock market fall.

**Farrell:** I feel similar to that. Comparing it to what is going on in China where they are trying to build out a ‘regulatory climate’ that favors entrepreneurship and innovation, we are doing the exact opposite of what we need to be doing.

**Fitts:** It was very interesting. The reports that I get from people in China who I trust is that life is much nicer for an entrepreneur in China than it is here, although they do work much harder than we do.

**Farrell:** I can believe it. What we are going to have to do is the states have to start stepping up as much as they can to create these kinds of entrepreneurial opportunities.

I live in a state where, classically, there has been a particular industry – and I don’t want to mention what it is – that has been more or less associated with the state. The problem is that when the prices, basically, ruin the industry in the state, there wasn’t any alternative. So now they are trying to talk about, “We need to diversify the economy,” and so on, and yet the solutions that they are pursuing is all this top-down thing.

You look at other states in the area where they are doing the exact opposite, and they are the states that are growing. So, states need to step up and localities need to step up.



Given the current climate in this country, I think there is a real possibility you are just going to see open defiance of the Federal government on the part of states.

**Fitts:** I hope you are right.

**Farrell:** I do, too.

**Fitts:** Let's turn to geopolitics. What is really interesting is that we have been talking through economy and financial markets, and we veer right back into geopolitics because all the markets have become so political.

There is no doubt that this is the funniest story. Talk about staying in a state of amusement!

**Story #6: The Federal accounting Standards Board (FASB) Announcement which Shifts the US Budget into Never Never Land.** This was the ultimate proof that I've been right for 20 years.

**Farrell:** Yes, it really is.

**Fitts:** It was so funny because for 20 years the amount of psychic garbage that has been dumped on me; I've been told numerous times that I am wrong. I've sat at luncheons in Washington while partners at law firms tried to bully me into admitting that I was wrong. It's been all over the world and you can't imagine it.

**Farrell:** I can't imagine the delight that you now feel for having been right.



**Fitts:** You don't feel delight because it's so bad.

All I know is that every time I got another load of psychic garbage, the world inched another inch closer to where I was standing. So, they've been inching for 20 years, closer and closer to where I was standing.

I refused to move, and then, suddenly, the Federal Accounting Standards Board simply leaped into my arms and kissed me.

So, what happened? When Dr. Skidmore came out with his marvelous report, the first thing that happened was the Department of Defense made a huge deal about the fact that they were going to do an audit.

It would be hard for me to say that with a straight face. I give them credit for keeping a straight face because, if you are missing \$21 trillion, to say that you are going to do an audit of a subsequent year and not touch or look for the \$21 trillion is just a joke.

They did say that they would write a report about the \$21 trillion – or the \$6.5 trillion in 2015. They wrote a report and, as we saw, it came out in December and we found it this spring. It turns out that every number in it was redacted.

What came out was that it wasn't the IG who redacted the numbers; it was the Navy. Who is running the space force?

**Farrell:** When you said it was the Navy, if you really drill down into the alternative literature over the past 10-15 years, – even going further back than that if you know where to look –



– there is this relationship between the US Navy, Admiral Bobby Inman, who went on to SAIC. If you look at the SAIC Corporation, one of the things that they have been heavily involved in is antigravity research. I thought when you said ‘Navy’, that was the red bulb on the suspicion-meter.

**Fitts:** Remember when Gary McKinnon hacked into DOD? He found the space fleets by the Navy.

So, they came out with this audit, and the PR on the audit was incredible. It was a real pushback. It was the NPR, Reuters, and *New York Times*; they were all in there.

I get hit with this wave, and I have to explain why this is still meaningless (because there is still \$21 trillion missing). They came out with a redacted statement and then with this announcement.

God bless them! What the Federal Accounting Standards Board said is, “We take the right to, basically, waive the Constitution.”

They don’t have the governance authority or the legal authority to waive the US Constitution, but apparently they think they can. So, what they said was that the DOD can determine that a project is ‘classified’ and move it off balance sheet or into separate accounts that aren’t in the public balance sheet. In fact, if they don’t do this, then they would have to redact the DOD statements, which means that they would have to redact the US financial statements.



What this means is that they are saying that it is impossible to comply with the Constitution related to financial management, and as a matter of policy, they are not going to. That is number one.

Number two, what they are saying is that the secrecy is so great that their only alternative is to not be able to publish financial statements for the US. So, what they are doing is setting up a situation where a small group of people who are unknown can turn an amount of money – which is undefined and unknown – secret and keep it that way. This means that the US government accounts are completely meaningless.

**Farrell:** They are completely meaningless, and it is also an indicator of the extent to which all these black projects, secret research projects, and so on have now come to dominate American financial policy and that is very disturbing.

When you told me that story and the reason I am here laughing is because the only thing that I can think of, in terms of this so-called audit, is ‘Vatican Bank’. That’s the only other institution I can think of that is rolling in money that you cannot find any financial statements for, and it makes you wonder just what the connection might be.

**Fitts:** Supposedly Pope Francis changed that, but I haven’t seen any signs of it yet.

For them to admit this is surreal. What we are talking about is a secret empire which is completely out of control.



**Farrell:** You are talking about an entity that, effectively, has hollowed out all the institutions of government in this country, and is functioning as a kind of parasitic existence.

**Fitts:** Let's talk about who this is. These are not generals; these are corporations. These are large corporations that run the military, intelligence, and black infrastructure, and through the Federal credit – as long as the dollar holds – they can borrow an infinite amount of money, especially with securities fraud, and they can spend it. Whatever they spend it on and build, they can own. They can do it on an out-of-control basis with our credit and our money, and report nothing and no one, and keep the ownership. It is completely and utterly out of control.

**Farrell:** It is totally out of control, and it is complete fraud. The problem with it is that ultimately that system cannot be sustainable.

**Fitts:** I've run companies and I've run a Federal agency. How do you run something when there is no accountability, there are no laws, there is no performance criteria, and it's just out of control?

**Farrell:** It is out of control in the sense that it is out of control to the public eye. But I really think that Richard Dolan was onto something when he coined the term for this whole concept of a 'Breakaway Civilization', because a civilization connotes border controls, which they certainly have in their underground infrastructure, and it connotes a system of governance and maintenance.



In other words, what this whole audit suggested was that this is the secret government, and this is its expression. This is the proof that it is there.

**Fitts:** So, what you are saying is that whether you call it the ‘Breakaway Civilization’ or the deep state, you’re talking about an entirely independent governance system that has total control of the US government?

**Farrell:** Yes.

**Fitts:** So, it is the ultimate in the financial coup. It is the end result of the financial coup d’état. You now have a secret group in complete control who can, basically, do whatever they want above the law.

**Farrell:** It has taken a long time to manifest itself. As I’m concerned, it all began when Harry Truman took the decision to recover all that Japanese access loot and put it in the hands of the National Security Council, and it has ballooned since then.

**Fitts:** You had the 1947 Act, you had the 1949 Act, and then Eisenhower put the CIA – who had that loot – in charge of security in 1951, and then Bush gave private corporations the ability to declassify work, and that was it.

We have now reached the absurd point. I’m right. Skidmore is right. Then the question is: What are we going to do? You’re talking about a system which has a very high rate of entropy.



**Farrell:** Absolutely. Let's look at it this way: You've had a number of states passing currency resolutions or the Texas bullion depository, and now Utah wants one, and so on. I think that at a deep, visceral level there is a perception that they don't know exactly what it is. They are not thinking in terms that we have been thinking with the Secret Space Program, the Breakaway Civilization, deep state, or whatever you want to call it, but there is a perception that there is something drastically wrong and that the system is not sustainable and not fixable. So, we have to put something into place for when that thing breaks down. This is what I think is happening.

At some juncture – and I have said this before, and you have said very much the same thing – that system has to go public. It's either that, or it is going to collapse because it's simply not sustainable. So, the question is: How do they roll it out? I think that you are looking at all the little clues that they are getting ready to do something like that. They have to reshore capital and manufacturing, which they are doing. The next thing that they have to do is accustom the world to new technologies and prepare people, which they have been doing with AI and fusion. They have been dropping little hints that the technology for space exploration is a bit more advanced than chemical rockets. (I would certainly hope so by now.)

That is their problem. They have a perception management problem, and I think they are experimenting and have been experimenting with how to release this in the smoothest way possible.



**Fitts:** Let's talk up the 'North America Book'. You are energy self-sufficient, you are water self-sufficient, you are agriculture self-sufficient, you are now bringing the capital home, and you have amazing technology to rebuild your own manufacturing base without the unions in your way. You also have a place where there is relative safety. So, you have elites and professionals all over the world who are willing to come and help you do whatever it is that you want to do.

The reality is that you have a huge population that is not productive and is dependent on government subsidies. They are not productive from your point of view, and you don't need or want them, and they are rather irritating. What do you do with them?

**Farrell:** To be blunt, you either have to give them something to do, or you have got to get rid of them. Those are the two alternatives. I'm not certain which alternative they have decided on.

**Fitts:** I don't think that it is either/or, but if you look at the opioid crisis, that is an example of it.

I always said that the financial coup was about taking the money for space so they didn't spend it on nursing homes, and could just take it. The reality is that if you are a boomer, and are dependent on healthcare, or nursing homes, or similar things, you really need to think very creatively about how you are going to take care of yourself. I don't think that you can count on the system.

**Farrell:** Oh, the system is not going to take care of you. The system is not taking care of you educationally or in any other way.



They are not taking care of you health-wise or in any other way.

If I were in their shoes, my biggest concern – and I’m going back to something I said earlier – would be, “Okay, it’s fine to import all this brain and talent, but we have to create and be reliant on our own talent. We cannot be reliant on brain drains from Europe, Asia, and so on .”

Eventually, I would be thinking, “We really need to reform education in this country.” Interestingly enough, in that respect, a major talk show host said that people need to just abandon this educational system and start tutoring. Bring back the old tutoring system. This was the first time that I heard this aired on national media.

I think that is the option they are going to pursue, but I think the other thing that they are probably thinking is, “What if this doesn’t work?” These people think in worst case scenarios. “What if all this AI robotics and all that doesn’t work? We are going to need people who can do these things.”

So, the long-term thing is that we are looking within the next three to five years some dramatic changes in the pushing of certain means in the country and actual nuts and bolts education reform. Forget about Common Core and all that. They are going to get back to basics and are going to have to. We cannot be reliant on imports from China.

**Fitts:** I would not wait for anyone else.

**Farrell:** I wouldn’t either.



**Fitts:** This is lifelong because you're going to have to be a lifelong learner. You need a learning plan for yourself, you need a learning plan for your kids or your grandkids, or whoever the children are around you. You need a learning plan, and you don't have time for any of this media. You need to get learning.

**Farrell:** It is interesting that you mention that because I've had a number of people on my website ask me, "How did you learn all of this?"

My response has always been that I decided at a very early period when I saw the deplorable state of American education, back when I was in it, that I was going to have to teach myself. That is literally what I mean by 'owning the culture'. You are going to have to become an autodidact and just read and learn yourself. If you have children, inspire that in them as well.

The system is not going to help, and you can't wait on these oligarchs to make their decision – which they are eventually going to have to do. But you can't afford to sit around and wait for them because they are going to promote their own narratives etc..

**Fitts:** The number one and most important investment in this kind of change is intellectual and human capital, and you need a plan to do that. You need to invest time and money into doing that because that is the thing that you can always take with you. In this kind of change, you have to have it.

**Farrell:** Absolutely.



**Fitts:** Whenever I gift money to children in my family I make them do a ‘taxonomy of knowledge’. So it’s: “Here is all the knowledge in the world, and here is your toolkit. What is the knowledge that you need? Exactly what is the process by which you are going to put this knowledge into your toolkit?”

**Farrell:** You’re going to need that interdisciplinary spirit. You cannot rely on the educational system to provide it because, at least right now, they don’t want that kind of interdisciplinary spirit.

Basically, they have trashed that whole idea of ‘liberal arts education abroad’ and deep foundation and all the disciplines, but that is what is going to carry you.

**Fitts:** One of the great things about spending two months in Europe was that I was associating with highly educated people – people who are very curious and learning all the time – and it is so inspiring.

**Farrell:** It is and is a very different culture than here.

**Fitts:** If you look at who I associate with, basically I travel around the world with Solari Report subscribers, and they are all that way, no matter where they are from. I think that part of it is who you mingle with.

**Story #7: The Deterioration of the Bretton Woods System and the Rise of the Land Empire.** We’ve been talking about it and it’s the theme throughout. I think that one of the most compelling comments during the 3<sup>rd</sup> Quarter was Macron saying, “We are on our own.”



Remember Lafayette was a critical part. The French and the Americans are really tied at the hip.

I was doing more research on the African-American or the Trans-Atlantic slave trade. Did you know that the French moved ten times as many Africans into North America as the Brits? I always thought that the Brits were the leaders, but no; it was the French.

For the head of France to say, “We are on our own. To hell with the United States,” we can’t count on them.

**Farrell:** Macron is interesting here and I haven’t been able to figure him out. Because Merkel’s government is so weak, France is the logical power to take that position. I don’t think that France can hold onto it. France is deeply involved with Germany in setting up a common European military, and like it or not, Germany is going ahead with it regardless of what anybody else does.

I think that Macron is signaling, not just the end of Bretton Woods when he said that, but I think what he is also saying is that it is the end of NATO. He is saying this at the same time as the German finance minister is talking about a European SWIFT and a European IMF and so on.

In other words, I am interpreting that remark as Macron saying, “Yes, France is going to go along with this because we have to.”

I think that you are going to see a lot of push coming out of France for this European SWIFT system, and I think that you are going to see a great deal of push coming out of France for this idea of a European version of the IMF.



Although they think they have made this go away with making Marine Le Pen subject herself to psychiatric evaluation, France is going to have to address their refugee problem. Macron is a placeholder and he is not going to last. The French aren't going to put up with this forever, and I don't blame them.

For the Europeans to do this, they are going to have to get a handle on that refugee problem. Right now, Italy is driving the agenda. That is another reason I think that Macron is not long for the world.

**Fitts:** While the Kavanaugh hearings were going on, we had Netanyahu essentially trying to start World War III by shooting down a Russian plane – although it was technically the Syrians. Putin blamed the Israelis.

We also saw Lavrov come out and give a remarkable speech after Trump's speech at the UN saying that if the US moves bases into Poland, it will dismantle the NATO-Russia Founding Act. So, whether it's Macron tearing up the Atlantic Alliance or Trump and the Russians tearing up the Founding Act, we are really talking about NATO coming apart.

**Farrell:** Yes, we are but I want go back to something. When I first noticed this trend, back when my friend GeorgeAnn Hughes was alive and doing her show, I pointed out to her that this business of America rebasing all its bases in Western Europe into Poland, the Baltic States, Romania, etc., that this idea was tried after World War I with Clemenceau's cordon sanitaire and the Eastern alliances with —



— France to Germany and to keep Germany and the Soviet Union apart. Well, that didn't work out, as we know.

I think that this is one of the stupidest policies. If the Europeans go ahead with their Trans-European military – and I have no doubt that they will, and if they don't, the Germans will – there is no amount of basing that we can do that is going to keep us out of the squeeze between Western Europe and Russia. There is just no amount of it. That will tear apart NATO and NATO needs to go. I am with Trump on that score, but we are playing a very, very dangerous game there, and it is one that we ultimately cannot win.

**Fitts:** It looks like the Siamese twins that are punching each other because we are building Berlin and St. Petersburg railroads at the same time that we are moving a base into Poland. What is that about?

**Farrell:** It can't be done and that is my point. As I said earlier, the Americans are playing a military game. The Europeans and the Russians are playing a cultural, political, and economical game. The problem is that we haven't latched onto the soft power of culture and economics. Ultimately, we are going to lose this game unless we change the game.

**Fitts:** We are too busy destroying it here.

**Farrell:** We are in a bind. I go back to something I've said in these quarterly reports. We are spending enormous amounts of money on weapons systems that don't work.



**Fitts:** I made the comment in an interview in the 3<sup>rd</sup> Quarter that the Bretton Woods system was essentially dying. Somebody said, “It died when Nixon took us off the gold standard,” which I thought was one of the most naïve comments I’ve ever heard.

Financial ‘weenies’ tend to look at finance only, but the US, with satellites and sea lanes operating a global trade system, operating a trade system that was relatively open and stable – you might not have liked it, but it was predictable – now we are going into a multipolar world where everybody is out for themselves, everybody is a thug, it’s not predictable, and it’s highly complex.

**Farrell:** It’s not predictable, and the biggest thug in the world stage right now – as least as far as world perception is concerned – is the United States, and nobody wants to do business with us because of it.

**Fitts:** Can you blame them?

**Farrell:** No, I don’t blame them at all.

**Fitts:** Just as we’ve been living with dropping interest rates, we have been living in a stable, open trade model globally. Now we are going into what Richard Maybury calls, ‘Chaostan’. So, this is going to be highly complex.

**Farrell:** This is going to be highly complex, and highly volatile.

**Fitts:** It seems as if the only people who are going to make money are arms dealers.



**Farrell:** The problem is that the United States has nothing to offer anybody but arms or drones dropping bombs on their head. The Europeans and Chinese, and for that matter even the Russians, have other things to offer people. This is why this rebasing and all of this is going to ultimately fail unless we learn to change the game that we are playing, and I don't see any indication that we are learning that lesson.

**Fitts:** I'll never forget when I was on the board of First American, which was the BCCI Bank after the Feds took it over. Morgenthau pointed Harry Albright to be the trustee. He asked me to join the board. So, I went on the board to clean it up, and it was one of my first most shocking exposers as to how high the corruption went.

I remember having dinner with Harry in New York. He described to me the increase in arms exports during the Clinton Administration and it was frightening. It was, basically, that we were exporting drugs, arms, and pornography and that was it and it was very scary.

**Farrell:** It is very scary.

**Fitts:** When you talk about the Rise of the Land Empire and the real Deterioration of the Bretton Woods System, then you are talking about phenomenal energy going back and forth between Asia and Europe. If that is stable but the rest of the world is not, who are you going to trade with?

We have to mention one of the interesting stories, which was the Arctic Circle opening up a sea lane between Europe and Asia. So, it's both a maritime and land empire.



**Story #8: Global Thermal & Weather Warfare. In many respects, is the most important story so far in 2018.**

You know how struck I was last October by the Tubbs fire and the burning fires in California, which continued this year. You know that I don't think it's natural.

**Farrell:** I don't either.

**Fitts:** There may have been natural wildfires in California, but I think the dominant theme was gentrification. I think that this was a grab for certain kinds of land, and a Silicon Valley North among them.

It's all happening along Highway 101 and Interstate 5 between Santa Rosa and Sacramento. That is what I see and here is what struck me in 2018. It wasn't the fires, but it was the inability of the body politic to integrate the fires into their paradigm and their thinking about how they navigate.

**Farrell:** What you are dealing with is a group of people who have to move, 'very quickly'. They are willing to burn out anybody who gets in their way. This is part of that reshoring of intellectual capital, manufacturing, etc..

**Fitts:** Let me stop you here briefly. They are in the 'red button double-bind'. If they don't achieve this within a certain speed, you could be dealing with a global implosion in which millions would die.



So, their attitude is, “I’ve got to keep this secret. I’m trying to stop a scenario where millions will die, including US military, and I’m trying to make sure that they are safe. Yes, people will die this way, but there will be a lot less dying if I don’t do it.”

So, they are between Scylla and Charybdis in their minds, whether you like it or not, and they don’t have time to have a conversation with you about property rights or the US Constitution.

You have them in a double-bind because you are depending on them to keep your dollar up. So, it’s back to the red button problem, and all the people who depended on the machinery to keep the system going are also ‘yapping’ at the system about this right and that right, but they are not willing to take responsibility for their own participation in the multiple personality disorder, if you will.

**Farrell:** People have to latch onto this. This goes back to something that I said after the financial bailouts, and that is these people are in a hurry.

**Fitts:** I think that you are seeing the fires in Greece, the fires in British Columbia, and this happening all over the world. On weather warfare, whenever you see these monster storms, the resorts come in behind and are picking up all sorts of properties. The disaster capitalism continues.

I am reminded of that line in *The Godfather* when he says, “This is the world we’ve chosen.” We have to understand that this is the world we live in, and we have to be ready to duck.



There are many, many things that people can do to be prepared for disasters, and we have to make sure that we have done them.

I don't know how you get to the point where you integrate this into your cosmology, but we need to do it. It starts with all the people who have a significant addiction to Q-Anon and hope porn.

**Farrell:** I quite agree.

**Fitts:** You have this enormous following who is very enthusiastic about the future of America because of what Q-Anon is telling them, but they can't seem to integrate that the military permitted all this.

**Farrell:** The Q-Anon bothers me and it is something that you pointed out in the previous report. It has made people passive. Over and over again, you look at that material, and it is saying, "Trust the plan," but we don't know what the plan is.

**Fitts:** I also think that they are weaponizing the population to be a part of a purge mob that is not going to purge the guilty; it is going to purge political targets.

**Farrell:** That is exactly my fear.

**Fitts:** I think that if you do feel very led by the hope porn, sit down and think hard about what the thermal gentrification means. Maybe it will broaden your horizon.

We have to integrate that as part of our intimate space.



**Farrell:** The biggest problem I have with the Q-Anon issue lately is the prediction that team made – and I think that Q-Anon is a team – about Senator McCain’s death. It was strongly implied that it was an execution. Watching the response of some people when McCain died – and McCain was certainly not one of my favorite people, so don’t get me wrong here – was, “Hooray! He’s gone! They got rid of him!”

I’m thinking, “Do you realize what you’ve just said? You’ve just legitimized Star Chamber justice, which is not the American system at all in any way, shape, or form.” That is very disturbing to me.

I find the behavior of the radical left in this country as absolutely abominable. But what I’m finding on the Q-Anon material is that they are creating a climate of opinion on the political right that is equally dangerous. It is willing to toss aside due process and presumption of innocence just for achieving a political agenda, and that is so dangerous. I don’t need to tell people listening or reading this report what precedents there are in history for that. I am just thoroughly appalled.

**Fitts: Story #9: The War for the Internet.** We have watched more laws passed impacting data and management of the internet. The European Union is moving aggressively to do a series of things that is causing real heartburn for media globally. Those laws went into place this year, and we see more potential laws coming.

We had a net neutrality battle, and the FCC pulled the rules they had used to implement net neutrality. We have the new nominee to the Supreme Court saying that net neutrality is a violation of the Constitution. I was thinking, “Are you out of your mind?”



So, whether it's the complexity of digital technology or more and more laws that are making it harder and harder to use the internet and more expensive to manage doing things on the internet, it appears that there is a real battle royal between the corporations that want to use the internet to, fundamentally, control and make money, the government who wants to use the internet to control, and the consumer is really getting run over.

**Farrell:** The internet has presented the oligarchs with a real problem in that they have lost control of the narrative. I don't know where people generally will fall in terms of net neutrality and things like this. My personal take is that it is too late to reverse the narrative. It is too late for them to regain control of the narrative. The reason is because they let it go on too long, and there are too many people who are awake and aware.

I don't think at this point that they are going to be able to 'stuff the genie' back into the bottle. They are going to try. You've had experience with it, and I've had attacks on my website. They are going to try, but, ultimately, I don't think that they are going to be successful. The reason is that people are learning to go to different news sources. Even with officially-controlled narratives, you are going to have people sidestep the major media in this country and listen to RT or Aljazeera or whatever it is that they listen to for alternative sources of news, and that is going to continue. And people are going to continue connecting dots even with officially-approved narratives.

I think that it is too late for them to gain control of the narrative, which is what I think part of this is about and it's too late.



**Fitts:** I also think they have created a mechanism that can collect major intelligence, and it can deliver major mind control. So, you have a certain portion of the population that is growing smarter and out of control, but you have another part of the population who have, basically, turned into zombies.

**Farrell:** Going back to the Q-Anon phenomenon, you are looking at a major mind manipulation operation with this whole thing. I think that in a certain sense it is a beta test. It's a test for something much larger. In the meantime, they are creating a segment of the population that is programmed to respond to certain things in a certain way.

Returning to Senator McCain's death, this is what really bothers me about the response I've seen by people.

**Fitts:** I am going to do a recording soon about the 'piratization' topic. One of the things that I've seen is, when I'm in the United States, the Solari Team deals with 3<sup>rd</sup> world phone systems and internet systems because it's just hassle, hassle, hassle. It's shadow work and all that.

It is possible that the US systems are that bad. I also think it's possible that we are dealing with real spiritual warfare here. What amazes me is the granularity with which they can attack.

You are using AI and relational databases. It can be individual emails of this kind, or phone calls, and it can all be done with AI, and it is one email and one phone call at a time. That is how they create the shadow work.



I will talk about that more later, but I think that after the election – both this midterm election and then the 2020 elections – we are going to see a real upscaling in the granularity of harassment and manipulation of the body politic through the internet and technology.

**Farrell:** I absolutely agree.

**Fitts: Story #10: Anglo-American Alliance Power Shifts. In some respects, the longest story of Part I is this story.**

We have seen enormous shifts in power within the Anglo-American Alliance, and I doubt it's over. You know that I believe that we had a financial coup d'état. Now that period is over. You need to move out the people who helped do the financial coup and move in the people who will help go to the next level. So, you are going to have a turnover, and part of that turnover is factions, because you have factions wobbling.

Harvey Weinstein goes whereas, the Harvey Weinstein of the conservative group stays. So, you have factionalism overlaid because you don't need as many people anymore.

Within this power shift, we know that the Trump Administration is a big part of the squabble. Trump represents one side of the house, and the other side of the house – and some of the members of Trump's side of the house – are going crazy because their liabilities are off the charts.



We believe purges are coming, and we believe that purges are happening. When Rahm Emanuel said he wasn't running for mayor again, I said, "Hmmm. I wonder what they told him."

So, we know we have massive numbers of indictments under seal throughout the Federal system, we know that Trump has passed an executive order for military tribunals, and there are rumors that they are underway. So, is a purge coming?

**Farrell:** I think something like a purge is coming. One part of me looks at it and says, "Good. A lot of these people need their comeuppance." The other part of me looks at it and says, "Bad."

The idea of military tribunals only makes sense if there is honest to goodness treason. The problem even there is this is all being done in the post-9/11 surveillance state model and that is fascism.

If they are going to do this in any sort of legitimate way, it needs to be through the normal justice system where you have transcripts available and indictments that are unsealed and available so that people can see them.

The idea of military tribunals smacks as being a step toward martial law – ruled by decree.

**Fitts:** I believe that we can't get from here to there without transparency.

**Farrell:** I agree.



**Fitts:** On the one hand, you have a group of people who want to keep things secret – some of which are for legitimate reasons. So, if you are running the global dollar system, the last thing that you want to do is tank it with transparency. I understand that they have legitimate reasons for not wanting transparency.

At the same time, you cannot have performance, accountability, and optimization without facing that almost everybody in America is totally responsible for what is happening. If you look at the Constitution, the citizens are responsible. I appreciate that many people have been killed, poisoned, threatened, or whatever, so it is not so simple. But there are many people who have gone along on this game, there are many people who have financed it, there are a lot of people who have made money from it, and there are a lot of people who still support it.

I think that there needs to be some absolute transparency, and there is nothing that I would appreciate more than for all the pedophilia to be completely outed. Let everybody look in the mirror at what we have done.

**Farrell:** The pedophilia, the organ harvesting, the sex slaves – all of it. I have no issue with that.

**Fitts:** So how do we get the best of transparency without making it possible to transition the system?

**Farrell:** The only thing that I can think of that you would have to do is have transparency, but if you are in their position, you cannot be transparent at a national level.



So, what you are going to have to do is ‘leak’ the transparency at regional or state or local levels. If you consider carefully the way that this whole thing looks to be unfolding – the sealed indictments and Huber in Utah and so on. It appears that this is precisely the strategy that they are pursuing.

In other words, don’t expect any of this to break on the ‘lamestream’ corporate-controlled media; it is going to come out in local newspapers, local television stations, and so on. Then the next phase of that is going to be the internet discussions that ensue because of it. That will finally pressure the major national media to start covering it. That is the way that it has proceeded so far and that looks like it has been a deliberate strategy.

If I were in their shoes and confronted with this issue of secrecy versus transparency, that is the way that I would do it. It’s not an optimal solution.

**Fitts:** It’s the local professional networks which we are noticing.

**Farrell:** Right, you are reliant upon those. You are reliant upon local bar, you’re reliant on local journalists, and you’re reliant upon local academics; Dr. Skidmore being a case in point. That is the way that you are playing it.

We saw a glimmer of that strategy during the election, and we still see it – the President with his tweets.

**Fitts:** It’s the local professionals that you need to switch from financial coup mode to productive mode.



**Farrell:** Precisely. This is the only strategy that makes sense in my opinion. It looks as though that it is being deliberately pursued, but that is high-octane speculation.

**Fitts:** Let me bring up some of my concerns here. One concern is you see a real effort to say that the deep state is the senior bureaucrats in Washington. This is so absurd. This is like saying that your mother runs the world.

It is easy to laugh at it because it is so ridiculous, but you wouldn't believe who believes this. It is frightening.

**Farrell:** I know what you are talking about.

**Fitts:** The senior bureaucrats are the deep state, and they are the ones who we need to purge. If you want to 'piratize' and you want to 'piratize' it at \$0.10 on the dollar, that is who you get rid of. That is what you do.

So, this is not a political purge; this is setting life up for greatness for the oligarchs. This is more inequality at the citizens' expense. So, we pay, and they get the money – all positioned as 'purge'. "We are cleaning the swamp of the people who will stop us from stealing your money."

**Farrell:** This has been so cleverly set up. I return to the Q-Anon topic because this is one of the memes in recent months that has emerged. "It's the SES people and it's the bureaucrats, etc."



I am like you and am watching this entire thing, aghast that people are falling for this.

**Fitts:** It is scary.

**Farrell:** It is very scary. Let me give you a classic example from history as to why it is so scary. Look at the Stalin-era purges in the 1930's. What did he do? He was purging people in the Soviet bureaucracy and the military who would stand in the way of the communist looting of the population and Stalin's power. As a result, he got rid of some of the leading military minds in the Red Army so that when Hitler invaded, it was a cakewalk. This is what disturbs me because you are talking about getting rid of a class of people who know how things work.

**Fitts:** Actually, this has been going on for 30 years. As I was leaving DC, they were promoting the 'suck-butts' who would help steal.

I'm not saying that there aren't people in there who aren't corrupt and need to be dealt with. I'm not saying that at all.

**Farrell:** The idea that there is a class of people in government that you want to target is just sheer insanity.

**Fitts:** It sells.

Let's stick with the US, and then I want to move to the UK. The neoconservatives keep coming back, which tells me that it wasn't Russian interference in the election; it was Israeli.



I thought, at one point, Tillerson recommended Bolton, and the White House overruled him and said, “No,” but he is back. It’s like the *Caddyshack* gopher; you can’t get rid of him.

**Farrell:** We are going to have to address in this country the power of the Israeli lobby.

**Fitts:** Yes, such as outlawing double passports.

**Farrell:** Yes. Dual citizenship is an abomination. We can talk about Russian interference in elections all we want to, but when you have a class of people in this country holding office with dual citizenship when money is disappearing; there is a wise man who said, “You can’t serve two masters.”

**Fitts:** I think that the neoconservatives have done tremendous damage.

**Farrell:** Absolutely they have.

**Fitts:** What is interesting is, if you look at Trump’s choices for both Supreme Court and the Fed, it seems that all the old WASPs are picking all those spots and I think that is very interesting.

Sticking with the US, I would say that one of the most frightening experiences of the 3<sup>rd</sup> Quarter has been watching the process to nominate the new Supreme Court Justice.



We are in a situation where the Republicans spent a year blocking Obama's appointment because they wanted to control. So, Trump gets in, he nominates his first Justice, and now if Kavanaugh goes in, the Republicans have a 5-4 majority. Of course, one of the covert gossips is that the purge will proceed on an accelerated basis with them having a 5-4 control.

We watch the Democrats go to heroic lengths to stop Kavanaugh's nomination. We now come to a point where we have a series of allegations of his sexual behavior in college and in high school. So, we are debating the qualifications of a Supreme Court Justice based on our interpretation of his high school yearbook entry.

What happened is one person, Dr. Ford, a California professor, alleged that, when she was in high school, he jumped on top of her, put his hand on her mouth, and was going to rape her. Now, apparently nothing happened other than that, -which was uncorroborated-but she said that it frightened her.

This has been turned into, not only a day of testimony where all of America watched a sort-of 'he said/she said', but has turned into a giant debate in the media, and on the internet, and in American homes. I find the debate much more frightening than what has happened, and that is what we have now is governance by smear.

The first woman to allege a sexual impropriety in high school, Dr. Ford, accuses Kavanaugh, who is the nominee, of something. There are four potential witnesses who all say that they have no recollection of this event; they weren't there.



Then there was one in the room who said it didn't happen. So, we have four witnesses.

Under due process in our system, an accuser bears the burden of proof. So, if I accuse you of stealing, I have to prove it. You are innocent until proven guilty.

Dr. Ford has not met any standard of proof, let alone reasonable doubt. So, she has produced no evidence other than her memories, which took a week of working with her lawyer to get clear. She can't remember where the party was, the date, etc.

So, she has made an accusation, and under due process she has not met the standards to start the process, let alone to succeed in the process. Nevertheless, her accusations have been allowed to do irreparable harm to the party accused. The process was one that wasn't put into the normal FBI process, and on and on. So, there were multiple violations of due process.

Forget what you think of the two parties involved. What I am hearing from people is that they are perfectly fine with violations of due process, and that is frightening.

**Farrell:** It is very frightening to me, also. If you were to attempt to prosecute this case in court, you couldn't do it. It would be impossible. This is why I am looking at the same cultural phenomenon and I am just appalled. You cannot have a governance structure like this. You cannot have a governance structure where you have one side saying, "Oh, McCain was executed. Hoorah!" without any due process, and on the other side they are saying, "Oh, he's guilty because we have to believe her."



**Fitts:** I want to break this down so that we know how to take rules from this and apply it as we go forward.

The first rule that is being violated is due process. The second rule is: For some reason if you violate due process on the first allegation, then you can create an allegation pattern. So, three people accusing this man of things that don't meet any standard of evidence and for which there is no evidence, somehow affirms his guilt on the first one.

In other words, the more smear that I allege, the more I raise the chances that someone can be found guilty with no evidence. So now we have complete violation of due process, then we have lynch mobbing, and then, on top of that, what I am hearing is, "I am going to assume that Kavanaugh is guilty because I am sick of white male privilege."

What that means is that Kavanaugh is not an individual; he is a metaphor. Well, people are not metaphors. People are not expendable because you are angry about a system flaw.

In other words, during my entire life, when the bad guys did something, i.e. steal money, and then we passed numerous financial rules that punish the innocent. So, because you are angry at the bad guys and it's safe to kill someone who is innocent to take out your anger, it doesn't mean that it is a good idea. People are not metaphors; they are individuals, and they are individually accountable for the facts – not spectral evidence.



I am watching highly educated, highly intelligent people completely reject due process, completely feel content to join a mob, and treat individuals as though they are metaphors instead of real people. You are talking about the ultimate debasement of our culture.

**Farrell:** You are not only talking about ultimate debasement of culture, but you are talking, quite literally, about mob rule. This is the thing that frightens me. We are in the Weimar Republic if this continues. The only way to restore order in those situations is the strong man-the demigod. This is what bothers me about this entire thing. You either stand for due process – even if it’s somebody who is on the opposite side of the political spectrum – or you don’t. If you go down that path, this country is either headed for dictatorship or it is headed for open violence and civil war.

**Fitts:** Here is what a couple of people have said to me, “Survivors need to be believed.”

I said, “Survivors need to be believed for purposes of helping them and giving them empathy. They don’t need to be believed for purposes of destroying other human beings’ life when there are violations in due process.”

So, there is a difference between me caring about you, and sympathizing, and giving you empathy, and making sure you can get help for whatever you need versus satisfying your desire to destroy someone without proof or evidence.



**Farrell:** There is an old Latin saying, “Falsus in uno, falsus in omnibus.” If you are false in one thing, you are false in all. What bothers me about this whole thing – since we are talking about due process – is here we have a lady making an accusation. She can’t remember when, where, or any of this, and then she claims that she doesn’t like to fly, but she is flying all over the place and that is a lie.

If you are willing to lie about that in order to avoid a testimony, you are willing to lie about anything.

**Fitts:** Or she thinks she is afraid because she is mind-controlled. Even if she is telling the truth, she doesn’t meet the standard of evidence. It doesn’t matter.

**Farrell:** That is precisely the problem. Legally when she does that, she is impugning her own character in testimony and that is the problem legally.

Since we are talking about due process, this precise point is part of the due process. If you are willing to lie in one detail, then that impeaches your testimony in all details. That is the principle of the law.

**Fitts:** I didn’t watch Kavanaugh’s full testimony, but my guess is that his lawyers had him briefed to lie on little points. So, there is the same problem.

**Farrell:** That may be true.



**Fitts:** Let me tell you another thing that I observed. I was wondering when I was watching and trying to discern what was going on with the Kavanaugh hearings that both people – Kavanaugh and Ford – struck me as having lived highly privileged and protected lives and not prepared to deal with the world in which we exist today.

**Farrell:** I quite agree.

**Fitts:** It's a reminder of how that entire US middle-layer management has been entirely protected to the point where I don't know how the top people think they're going to run this.

You look at someone like Kelly or Mattis, and they haven't been protected. Anybody who is a Marine has not been protected from reality – certainly at that level. It's one of the reasons they look so gray compared to everybody else. You look at them, and think, "Thank God they are there," because whomever they are, they are not naïve.

When you look at Ford and Kavanaugh, they are naïve.

**Farrell:** That is the same impression that I had. They both struck me as terribly naïve.

**Fitts:** What does the world think? I'll tell you that when you travel the world, the world is not as naïve.

**Farrell:** They are not, and they are looking at this circus of modern America. Let's lay aside due process for a moment and look at this from a geopolitical context.



If you are in France, or Norway, or Britain and are looking at this spectacle, and you are thinking, “This is the so-called leader of the free world?” and do you want to follow this kind of leadership? Do you want to follow a culture that is this rotten, that would allow something like this to proceed in violation of its own principles?

**Fitts:** What is interesting is Lindsey Graham-whom I’ve never said a nice thing about-said, “You had better hope that you don’t get in power because you clearly can’t handle it.” I could say that about the Republicans on plenty of occasions, but this one did go too far.

**Farrell:** This was a lynching mob in the form of a Senate hearing.

**Fitts:** So why am I hanging on this point? I’m hanging on this point because I had a team of attorneys, both at HUD and Department of Justice, who tried to falsify evidence, who lied in court, who played serious games including running two simultaneous court cases.

I was told that they met in Jamie Gorelick’s office at the deputy level because they had to coordinate taking opposite positions in different courts because one was under seal and one was public. As such they could say, “The sky is blue,” in one, and they could say, “the sky is green,” in the other. But they had to coordinate because they were basically lying and the entire thing was a fraud.

On multiple occasions they stole things, they broke the law, they tried to falsify evidence, and on and on. But one of the reasons I am alive today is because there were so many people in the process who didn’t believe in that.



They didn't believe in the Sheriff of Nottingham using the law to racketeer and make money. It was those people who saved me; it was their faith in the law.

The law was real because they believed that it was real, and I learned a lot about the law and due process. I went from being skeptical about the law to really believing in the law.

It was not the formal written law that I fell in love with; it was their belief and how that belief translated into something real that I could count on. It was real. There is power in the law and we can't let go of that. We have to be willing to stand up, and be willing to protect our worst enemy from violations of due process.

**Farrell:** Absolutely. Both of those individuals – Kavanaugh and Dr. Ford – as far as I am concerned, were used.

**Fitts:** Yes, they were both victims.

**Farrell:** They were horribly used and abused by this whole thing.

**Fitts:** Yes, but if Kavanaugh is going to be on the Supreme Court, he needs to know that happens in America to a lot of people. It has never happened to him before, but it has happened to millions and millions of people, and he needs to know what that feels like. He needs to be prepared to deal with that impulse in America.

I would think that he would be a better Supreme Court Justice if he makes it. (He was confirmed by the Senate on October 6, 2018 by a vote of 50-48.)



**Farrell:** That's a big 'if' right now.

**Fitts:** If I had to guess, I would say that he would make it, but it's not a sure thing.

**Farrell:** It's not a sure thing at all. If the Republicans would ever grow a spine, which has been my chief complaint about them for decades now, he would make it.

**Fitts:** Here is the question: If you are coming into the elections and you are the Republicans, what do you do?

**Farrell:** I am not a political creature, as you know. I don't really have any good answer. My suspicion is that these hearings were such a farce that there is going to be big blowback because of it. I think that the Democrats hurt themselves more than they helped themselves but that's just a guess.

**Fitts:** I would say that the Democrats at the national level have significantly hurt themselves over the last two years, but you also have the Bernie Sanders groups working very hard to build nuts and bolts leadership at the local level, and I think they have probably done a very good job.

**Farrell:** That disturbs me. We are looking at a party that has become radicalized. It's not the Democratic Party that my parents were members of. They wouldn't recognize it because it has become so radicalized.



**Fitts:** They are essentially a creature of one part of the intelligence community.

**Farrell:** That is basically it, but we will see.

I think that in the long run this hearing not only hurt them, but it hurt the country.

**Fitts:** I will tell you that one of the most astonishing moments in the 3<sup>rd</sup> Quarter was when a ‘darlings’ of that group, Bob Woodward, published a new book called *Fear* that is basically a panning of the Trump Administration. He was being interviewed by a broadcaster on the Real Clear Politics network. One of the things that he pointed out was that after two years of investigations, he could not find one shred of evidence that the Russians had interfered in the election – and this is Bob Woodward. This is not a person friendly to the Trump Administration. There was not one shred of evidence.

You never saw that as a headline, but on what basis do you create a special prosecutor if there is not one shred of evidence that Bob Woodward can hang his hat on?

**Farrell:** That is the question. The corruption that has been around that whole investigation just boggles the mind.

**Fitts:** So, Brennan’s security clearance was pulled by the President. We saw a real storm by the former intel agency and people whose livelihood is threatened without their security clearance. They are trafficking in all sorts of influence, and that security clearance is very valuable to them.



It was shocking to see their objection to losing their privilege.

**Farrell:** It was, but it needed to happen.

**Fitts:** I agree, but if you are Brennan and want to keep your security clearance, why are you running around attacking the President every night on TV? What do you expect?

**Farrell:** I can't figure this out either other than these people are, in the final analysis, just so much prisoners of their privilege. They have become so ossified in it that they are no longer capable of real-world rational thought.

In other words, they are fundamentally stupid.

**Fitts:** Let's turn to Brexit. May has her hands full trying to get a Brexit deal that the UK and Europe will go along with. We are coming up to the 2019 deadline. It appears that even a hard Brexit could be possible.

Our movie for this week is *The Spider's Web: Britain's Second Empire*. John Christensen is one of the co-producers, and he points out in one of the lectures that he gives on the video that the offshore assets have grown to \$50 trillion at the same time.

Think about it: You have the missing money, which is \$21 trillion, and you have the bailouts, which is \$24 to \$27 trillion, and you just happen to have \$50 trillion pop out in the offshore assets. What a coincidence!



**Farrell:** I wonder where that came from. Maybe that is the reason they didn't want any oversight when they got those bailouts.

**Fitts:** I will ask you something: After the bailouts and the \$6.5 trillion-the \$6.5 trillion left as of the end of September 30, 2015-when did the Queen start saying, "Maybe we should leave the EU"?

**Farrell:** If I remember correctly, she held that Buckingham Palace dinner with the Vice Premier in early 2016, but my memory may be false there.

**Fitts:** So, they get the last \$6.5 trillion, and, basically, got the last \$6.5 trillion out of DOD. The next thing that happens is Lockheed spins its systems out right to Leidos, and then the Queen is saying, "Okay. It's time for us to spin out of the EU."

It looks like everyone is doing a cut and run.

**Farrell:** It looks exactly the same to me.

**Fitts:** I think that there is definitely a relationship.

**Farrell:** I do, too but I am not going to go where I want to go.

**Fitts:** They are just trying to figure out how they put the databases all in space. I'll go there and I went there two years ago. I say that it is a tax haven. It's an offshore haven, so it is outside of the jurisdiction. They have created a new jurisdiction, and there are no taxes.



**Farrell:** It is wonderful in a sense, because that jurisdiction doesn't even have any sovereignty.

**Fitts:** Here is the question: Can it and will it buy and own securities?

**Farrell:** I suspect, as you know, that all of that out in space has been collateralized for quite a long time, and it has been the basis behind a lot of those fake securities floating around – which I don't think are fake.

**Fitts:** They were issued off balance sheet; they are not fake. The Federal Accounting Standards Board has affirmed that the whole world can be off balance sheet without being fake.

Malcom Turnbull is in Australia. We saw a turnover in the leadership in New Zealand with the elections. She is on the left side, but she is much more radical and Le Pen-like, and Turnbull is in Australia.

**Farrell:** We are watching the rollover.

**Fitts:** This didn't happen in Italy, but because I am so concerned about privatization and 'piratization' coming up after this election and the Presidential election, I would note that we had a privatized bridge in Italy fall down. There was a big discussion in the privatization world about whether or not you can let private corporations run infrastructure.



The leadership keeps trying to figure out how to make the world safe for corporations running and owning everything, and they keep bumping into these problems.

When I was at Hamilton Securities, I dealt with BlackRock. There are some pretty famous stories of me going ‘mano a mano’ with Fink. He had a different sidekick there as his co-deputy then.

I had some real wars with those people. I was using them, in fact, on one of the loan sales on HUD. The man who ran it, who was quite good, spun out and ended up running Fortress.

I came to blows with BlackRock. BlackRock came out with a big letter that Fink, who was planning on being Secretary of the Treasury if Clinton won, published. The *Wall Street Journal* published it, saying, “The corporate establishment needs to step up and become socially responsible, and we – BlackRock – are taking the big lead in socially responsible investing.”

When you plough through all of this, I see this as being complete marketing to the millennial generation and not real. I won’t talk about it now because we are going to talk about it on the Annual Wrap Up, so I will talk about it then.

If you look at what they are doing, it is just more and more effort to package and affirm the big corporations. So, it’s a repackaging to make JP Morgan Chase look socially responsible. All the people who did the bailout and all these other people, you name it, it makes them look good.



**Farrell:** “We are your friends now.”

**Fitts:** I think it’s all a repackaging, but if you look at the emphasis that Larry Fink put on the spin, you can tell they are on the defensive there and are worried.

**Farrell:** They should be because there is a big backlash. It started with the Occupy Wall Street, but they engineered that out of existence. What they didn’t engineer out of existence was the sentiment behind it. I think the sentiment behind it was something we’ve talked about in these Quarterly Wrap Ups before. The sentiment was never really fully identified, except in a few very narrow circles. Basically, it was a reaction to finance capitalism rather than actual production capitalism. That is what it was about in my opinion.

They are trying to repackage themselves to that sentiment, and I don’t think it is going to work.

**Fitts:** One of the things that I believe is motivating them is that they watched the destruction of Monsanto. Monsanto was destroyed as an independent company because the body politic got so angry at them. They got so angry, and they identified very clearly that Monsanto equals GMOs, and Monsanto equals glyphosate, and Monsanto equals all these things. So, Monsanto became the poster child, and it was absolutely destroyed as a company. The only solution was to have Bayer pick it up, so Bayer picked it up.



Now you have this tremendous loss in a judgement against Monsanto. It hit Bayer's stock hard. If this translates around the world, I don't know if it's enough to take Bayer down, but it could.

**Farrell:** “Buyer beware”.

**Fitts:** So, Anglo-American power shifts – we have a very fluid middle management in the Anglo-American Alliance and a very invisible management at the top. We know that ‘Never Never Land’ accounting has made them more powerful than ever, although the squeeze of the shift to the multipolar world is putting them at risk.

So, they are more powerful than ever, they are more at risk than ever, they are more invisible than ever, and the middle management is more hysterical than ever. So, things are very, very fluid.

**Farrell:** They are very volatile, and this is another reason they are in a hurry. In that kind of volatile situation, their risk goes up and the perception of people about them is very bad. Their moral and political capital is very low. So, they have to repackage themselves and that is what they are doing. They have got to, but I don't think it's going to be successful.

**Fitts:** That is why you have to have some kind of public outing; some kind of serious outing. I don't know what they are going to do and how they are going to do it. I can see why they don't want to do it until after the election.



**Farrell:** If I were in their shoes – and thank goodness I’m not – I would go for the limited hangout option. Throw a bunch of people under the bus.

**Fitts:** And have them be truly guilty, but have their stories serve as metaphor – not the people serve as metaphor, but the story serve as metaphor.

So, if you make it up, who or what types of people would you use?

**Farrell:** I would certainly go after the pedophiles, the Clintons; the big names who people are mad at.

**Fitts:** So, you would pick out people who they know – somebody who is already branded.

**Farrell:** I would pick out persons who people are already mad at and who are well-known, and I would throw them under the bus – which I think, to a certain extent, is happening with all the big names that are suddenly very quiet. We are not hearing from Comey or McCabe or Hillary. We haven’t really heard from her in quite a while.

Pick the big names, and throw them under the bus, and all their little helpers. But make sure that it’s not going to touch your infrastructure. So, I think that they are going to go for a limited hangout and are going to cut a deal.



**Fitts:** One last thing before we close Part I: We have to do the **Trump Report Card**.

**‘Vision’:** In 2017, I was a B- and you were a B-. In the 1<sup>st</sup> Quarter I was a C, the 2<sup>nd</sup> Quarter a B-, and you were a C- in Q1. So, I’m going to stick with a B- for Q3.

**Farrell:** I’ll go with a B-. I don’t know if I’m bumping him up, but I think I am. I think that he has been more successful lately getting across the idea that he is very serious about certain things.

**Fitts:** **‘Recruiting a Team’:** He has done a better job of focusing. We were both at D+ and I’m unchanged.

**Farrell:** I probably am going to stick with that, too. I don’t get much of a sense that there is a ‘team’ there yet. I just don’t.

**Fitts:** **‘Building a Team’:** I was a D, and I’m going to stick with a D.

**Farrell:** I’m going to stick with a D, too. I don’t see much of a team here; it’s all personality. That’s not good leadership and that’s the cult of personality; we might as well parade him down Red Square with big pictures and banners.

**Fitts:** **‘Accomplishments to Date’:** I’ve been a B+. You were an A-. I am going to A-.



**Farrell:** I'm going to stick there. I think he is doing a decent job with his Federal appointments. Kavanaugh has really diverted attention away from that, so I am going to stick with that.

**Fitts:** I can be tough on Trump but let me compliment Trump here. I think that Trump has cancelled the Paris Agreement. He tried to do healthcare, which is impossible. I think he has pulled off the repatriation of capital, and he has that turn going, which I would have said was impossible. I think he had a lot of help on the Republican side.

I think he has tried to be diligent in moving forward with Fed government and Supreme Court positions giving the nod to the old WASPs to put people up.

I think he cancelled the Trans-Pacific Partnership, and I think that he has done something which is absolutely remarkable. I think he has tried to bring transparency to many areas during the campaign. He may drive some people crazy, but he is getting the conversation going.

So, the amount of multiple personality disorder in the body politic is lower even though the conversation is crazy. At least we are starting to deal with reality – as painful as it is.

The other thing is that in a world of change, you can't stay still. Our establishment was staying still and was drugged by the methadone of Federal credit. He has stirred the pot. It's what Michael Moore said, "It was the greatest 'F-you' in recorded history."



You had a system that had a negative return on investment. At least he is jumping in there and stirring the pot and getting us trying to turn towards something positive. You may agree or disagree, but what I have to tell you is that you can't stand still; movement is life.

So, he has the whole process moving, and you can hate him or love him or whatever.

**Farrell:** He has at least done that. I would totally agree.

**Fitts:** It's as if something was stuck, and now it is unstuck – as ugly as the conversation is.

If you had said that one person could get that much accomplished in this period of time, I would have said that it was impossible.

**Farrell:** I've never had the view that the Trump Administration is just Donald Trump. I've always maintained that there is a deep state faction behind it.

**Fitts:** 'Effort': I give him an A.

**Farrell:** I will go with an A- for effort. I think there are some areas for improvement there.

**Fitts:** Absolutely. The thing that scared me was one week where they rumored that Kelly and Mattis were going to leave after the election. I thought, "Whatever you have to give Kelly, just give it. Just say yes."



**‘Communication’:** I was a C+ and you were a B-.

**Farrell:** I’m going to stick with the B-. He still needs to learn some communication skills. He needs to quit tweeting.

**Fitts:** I’m going to move him to a B- just because he kept his mouth shut for most of the Kavanaugh hearings, which I thought was remarkable. I wonder if Mattis had a gun on him.

**Farrell:** I don’t know. I suspect that he is politically savvy enough on his own to realize to keep his mouth shut.

**Fitts:** **‘War Games (Mapping the Swamp)’:** We were both at B.

**Farrell:** I think I might bump him up to a B+ just on the basis of how he handled the Kavanaugh issue. I think he has a pretty good lay of the land now.

**Fitts:** **‘Building Bottom-Up Support’:** You were a C and I was a C+.

**Farrell:** That one is difficult. I am inclined to go B- because of the way he handled the Kavanaugh hearing and the ‘bump’ that has occurred in volunteers now flocking into the Republican Party campaigns.

**Fitts:** I don’t have a good feeling as to what the impact of the Kavanaugh hearings will be on the campaign and the midterm elections. The last polls that I looked at – that I trust –



– indicated that the Democrats were going to get the House, but the Republicans were going to hold the Senate. But I just think it is too early to tell.

**Farrell:** I think so, too.

**Fitts:** I think that one of the things that won it for Trump was that he won white women. So, the question is: Does the Kavanaugh matter change the white women formula at all?

**Farrell:** I can't speak for women because, obviously, I'm not one. But my impression is that I don't think any rational person – black, white, old, young, male, female – looking at that entire issue can come away from it with any other opinion than that this was an attempt at a smear, and there was no due process. I think there is going to be- I think that there already has been-some significant blowback because of it.

I watched somebody on YouTube on one of the major networks that had a Republican pollster who said in the interview that as a result of the hearings, they had no volunteers showing up. Then after this circus, they are now getting swamped with volunteers.

If that is true, and I have no reason to doubt this, then there is going to be some blowback from it. I don't think it has hit yet and let's put it that way.

**Fitts:** 'Introducing Important Change': I was at a B-, and you were at a C.



**Farrell:** I'm going to bump him up to a B because I think he is becoming more accustomed in how to manage the narrative of the change that he wants to see.

**Fitts:** I don't know if you saw this, but he drafted – and it didn't get implemented that I know of – a potential White House policy to call on the anti-trust and all sorts of investigations on the tech companies. One of the things that I am very grateful to Trump for is, basically, calling out the tech companies. He has done much in that area.

**Farrell:** Yes, and that is another major issue that I think he is managing to get into people's heads, that these companies have far too much power.

**Fitts:** **'Building Bridges Internationally':** And **'Building Bridges Domestically':** I had a C+ for 'Internationally' and a C- for 'Domestic'. You had a C- for 'Internationally' and a D for 'Domestic'. This one is tricky.

**Farrell:** It is. Domestically I am going to bump him up to a C. Internationally I am going to bump him up to a B-, and I will tell you why. I think that the Putin-Trump summit was highly, highly significant. I think that a lot more was accomplished there than meets the eye.

When the two of them gave their talk after the summit, when they went off somewhere and had their private discussion, the thing that really grabbed me was that Putin came out and mentioned at length Bill Browder and the Magnitsky Act. He went on and on about this.



Trump, more or less, reinforced Putin on the whole thing. What that signaled to me was that they were both in agreement on the extent of this international cabal and network and how to deal with it.

I think that a bridge was built there that we really haven't seen the end result of yet.

**Fitts:** What was interesting is that right after the meeting in Helsinki, you see Europe move to start to grow closer to Russia. So, they clearly thought they had permission by Trump's meeting to move closer.

If anything, it certainly helped Russia a lot, but it also accelerates the end of Bretton Woods.

**Farrell:** The other thing that we need to remember is whether we like it or not, Russia is still the only other thermonuclear power in the world. It's the only other military power in the world that even remotely can match us.

Not to build bridges with Russia is just plain stupid. These people who were hollering about Trump committing treason by talking to Putin are just 'nuts'. That was a major, major thing. If nothing else happened there, the fact that they were at least talking to each other was a major, major step forward.

**Fitts:** It takes enormous courage for somebody to do that who is being threatened with criminal indictments – for them and their family. Talk about standing up to the 'shriek-o-meter'!



If you look at what he did at the time of the Billy Bush tape, and then if you look at the Helsinki meeting, I have to give him credit and he has a lot of courage.

**Farrell:** That was significant – beyond all the references to Bill Browder and all that. Just meeting with Putin lowered tensions, which needed to be lowered because it was getting to the point of hysteria.

I don't care what people say; we don't want a war with Russia.

**Fitts:** '**Managing the Executive Branch Bureaucracy**': We have both been at C. I'm going to stay at C.

**Farrell:** I'm going to stay there, too.

**Fitts:** '**Grand Strategy for America and Our Role in the World**': You are at a B- and I was at 'too early to grade'. I'm going to move up to C.

**Farrell:** I'm going to stay at B-.

**Fitts:** '**Managing the Federal Budget and Contracting Budget**': I've been F all along.

**Farrell:** Put me there, too. I don't see how you can have a redacted audit.

**Fitts:** This is the cost of secrecy. The complete thing falls down when you hit the budget; the whole thing.



**Farrell:** This is why I say that I think they are going to have to come to some sort of limited hangout, and if not be transparent, at least be translucent.

**Fitts:** Remember that in December, the Pentagon came out and said, “Here are the tapes of these UFOs.” So, they have been trying to leak some things out. They have been trying to make it more credible to talk about it.

**Farrell:** They’ve been trying to make it more credible to talk about it, but I’m with Dark Journalist here. I’m with Daniel Liszt that they are trying to control the narrative, too, through clever marketing schemes.

**Fitts:** So, we went from Corey Goode and the blue chickens to Tom DeLonge and the To the Stars Academy.

**Farrell:** The thing with DeLonge is that he has much more credible people around him – Hal Puthoff and all this. But still, as far as I am concerned, this is an attempt to control the narrative and it’s a marketing strategy.

**Fitts:** I think you want to pull the narrative back to UFOs and away from the pension funds. Here is how it works: Pension funds buy \$5 to \$10 trillion of Treasuries, they get the Treasury security, the money disappears, and the technology disappears out the back door immediately, and what do they have? They have an IOU from their beneficiaries who are liable now. So, you’ve taken a \$10 trillion asset and turned it into a \$10 trillion liability. That is a neat trick and is a \$20 trillion swing, as far as I am concerned.



Wouldn't you much rather have people talking about aliens than talking about where the money in our pension funds is?

**Farrell:** I would much rather have them do that than go to Secret Space Program conferences, and hear about missing money, and hidden systems of finance, and all the wonderful things that they don't want you to talk about.

**Fitts:** Here is what is interesting. We are going to talk about it in Part II, but did you see the cover story on Sunspot, New Mexico-location

**Farrell:** He made an interesting observation on one of his spaceships over the sun?

**Farrell:** I wasn't going to go there, but since you did, I have to tell you that I knew about the program two days before it broke in the national media because I have a couple of contacts out there. I thought, "No."

My hypothesis initially – and it still remains – is that there was a piggyback communications network operating from the Solar Observatory, and it was part of some private, covert network that some faction had set up. I will also say that I have some further suspicions about the observatory itself.

This observatory is very unique.

**Fitts:** We will get into that in Part II, in Unanswered Questions. We will finish the Trump Report Card now.



**Staying Physically and Emotionally Healthy**: I gave him a B- and I'm going to continue with B-. You had a B.

**Farrell:** I'll stick with that.

**Fitts:** **'Growing in the Job'**: I'm going to give an A-.

**Farrell:** I will give him an A- because I think that there is still some growth in there and he is definitely growing into it.

**Fitts:** I have to say that in looking back on the last three quarters and the last quarter, the change is moving faster than I expected it, and I think that 'we ain't seen nothing yet'.

**Farrell:** No, we haven't and it is going to become a fever pitch.

**Fitts:** What has helped you the most in our work, whether it's what you are doing on [www.Gizadeathstar.com](http://www.Gizadeathstar.com) or what you do with me on The Solari Report? What has helped you the most to prepare you for this kind of accelerating change?

**Farrell:** History. We've been here before in human history. I think it was the old television minister, Fulton J. Sheen. Do you remember him?

**Fitts:** Yes.

**Farrell:** He made an interesting observation on one of his programs that humanity seems to go through these major paradigm shifts about once every 500 years –



– the last one being, of course, the reformation and the counterreformation. We are right about at the 500-year mark again, and we are certainly seeing another one of these huge, dramatic shifts.

I've also said – and I started saying this years ago on GeorgeAnn Hughes' show – that we are in the middle of yet another one of these major things, but there is something unique about this one in that it is of a scale, and complexity, and deep, and all-pervasive nature that has never appeared in any previous cycle of these changes.

In other words, we are going through something absolutely unique in human history, and no one really knows how to get through this because there is no precedent for it.

**Fitts:** It's what Michael Ventura said, "We are standing in the storm of our own being,"-the psychic storm, because you have every culture and human able to communicate in real time with every other one.

**Farrell:** This is unprecedented. What helps me deal with it is I don't think we are going to be able to get through it safely unless we reground ourselves in our own cultural traditions because those are the things that have carried us through all the previous ones. What makes this one so unique is that this is happening at a time when most people have either deliberately rejected those things or they have just sort-of absorbed that rejection by default. Hence, "What do we do? What do we do?"



**Fitts:** That's because it's back to: Do we want to do what the AI says is clever, or do we want to proceed to create the world that we want to live in?

Are we creators, or are we fodder to be harvested? Each one of us decides.

Well, Part I was fun and on to Part II. I look forward to talking with you soon.

**Farrell:** Thank you.

## MODIFICATION

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

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