

**Catherine Austin Fitts**  
**2nd Quarter Wrap-up Equities Markets Overview**  
**The Solari Report: 07/19/2012**

Good evening. Welcome to the *Solari Report*. Today is Thursday, July 19, 2012. I'm Catherine Austin Fitts, and I'm delighted you could join me this evening.

Tonight, the Second Quarter Wrap-Up. The wrap-ups are a time when I like to look back and look forward. It's very important to me on the Solari Report that we help you stay focused on the primary trends. Staying focused on the primary trends is essential for taking action and not being distracted by the noise. There's plenty of noise, a lot of it very misleading. With the quarterly and annual wrap-ups, I want to keep bringing you back to seeing what's really going on and what's really important.

Our discussion tonight will organize around the top trends that were listed in the annual wrap-up in January. We do a poster for each year published with the annual wrap-up. We make an effort in the annual wrap-ups to do a lot of special graphics and some useful appendices. So I encourage you, if you haven't looked at it, to go back and look at the transcript for this year's annual wrap up, if not all the annual wrap-ups. This year the poster said – it's got a young child with a sign that says, "The Beginning is Near" It's a play on words of all the people saying, "The End is Near."

I think 2012 is going to have a lot more beginnings than endings. It's clearly wrapping up to be a very busy year. I was going to go to do *Money & Markets* before beginning the Wrap Up, but this week's stories fit in so nicely with the long-term trends I thought we would just dive in.

As part of the wrap-up, I wanted to introduce my approach to the equity markets, because we're going to be doing increased coverage of the financial markets, particularly the equity markets on the *Solari Report*. I want to give you a frame of what I want us to focus on and why.

Our theme tonight is "the bailout turns to buyout." The bailout turns to buyout – I'm going to keep saying it because I want you to remember this expression: the bailout turns to buyout. We just gave a group of people \$26 trillion, and now they're going to use that money to come and buyout the people that gave it to them. It's going to be a fairly invisible process, but because of the extent of the movement, it's going to be very important to see it and be able to not get run over by it – if anything, to take advantage of it. This is what a financial coup d'état is; it's a leveraged buyout of the ownership and control of a country.

The outlines of the buyout are emerging. Let me go back to 1989 when I was Assistant Secretary of Housing. We saw the pump and dump of the housing market in the '80s with the S&L crisis and a huge run up of credit into real estate. Then the plug was pulled in the mid to late '80s. They pulled the tax credits in '86, and the federal credit – it really got pulled at the beginning of the new administration – the Bush administration. We had massive defaults. The Resolution Trust Corporation did about a \$500 billion buy and sell of defaulted mortgages, assets and institutions.

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I'll never forget sitting in the Treasury Room at the Department of the Treasury at this long table, and I think we were in the Cash Room, and the Secretary of Treasury and Fed Chairman Alan Greenspan were both there. There was a debate going on about whether the federal government was going to provide financing on the auctions. I realized – I'll never forget it; a chill went down my back. I realized that the people who had gotten out (sold) at the top of the housing and real estate pump were coming back and buying things at \$0.10 on the dollar. I realized the magnitude of how bad the fraud was and how much money they were going to make on it.

When the plug was pulled on the mortgage market in 2006, I thought, “Well, is the money going to start rolling in and buying up the mortgages cheap?” It was slowly that it dawned on me as the bailouts proceeded that this time we're looking at something that's much more strategic, much more ambitious. If you've read Naomi Klein's *Shock Doctrine*, I think it's very good background to help understand what's going to happen.

This time we saw the Fed and Treasury keep the paper in much tighter hands. They did not create a bad bank, did not let defaulted and bailed out paper and assets be auctioned off. That's going to permit a much more controlled turn not only to clean up the fraud, but the money doesn't have to compete for ownership, control and to cover up the fraudulent liabilities in the way that it did in 1989. It makes reengineering places and aggressively buying up raw land, including razing housing stock and getting control of farmland, much easier to do on a quiet basis. And to be blunt, if you haven't listened to our series on chemtrails, I would encourage you to do it because thanks to HARP and chemtrails, financial reengineering can now be combined with weather warfare to consolidate ownership and control of places in a way that no one even dreamed of in the early '90s.

So this time we're not just talking about making ten times on your money flipping real estate or the ability of large corporations to move in on the local guys (because they pulled the bank credit on small business while the big corporations had access to financial markets globally, including the access to equity capital at attractive valuations.) This time we're talking about strategic control of industries combined with the integration of both dazzling and terrifying new technology. I don't need to remind you that they're looking to rollout drones all across America in the coming years, and the fundamental reengineering of places, not just who's in the leadership positions, but we're talking about changes of laws, changes in governance structure, abrogation of contracts and even elimination of populations.

Now, don't let that phrase shock you; that's what essentially the drug business and the war on drug business has been for 50 years. It's been going on for a long time. However, we're entering the next phases of the financial coup d'état. It's rolling out right in front of us in a very quiet and invisible way, but again because of the size and extent of the money, it is very, very powerful. So the bailout is mostly over – not completely over. There are workout's still going on. The buyout has barely begun, and the buyout's going to be a very big shift of money.

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As the capital flows back onshore, it means that America's going to have a Renaissance for the insiders and the people helping them. A lot of outsiders are going to get rolled by the money stolen from them, ultimately paying for the bailouts many more times over.

Now, when I talked in the Annual Wrap-Up, I identified six key trends for 2012. They are:

- the demographic imperative
- transformations and awakenings
- planet Earth
- science and technology
- the half-pregnant empire
- financial coup d'état and slow burn

I'm going to go through each one of these in the context of what's happened in the first half of the year and looking forward into the next half.

Let's start with demographics.

The demographics imperative – one of the things I do once a year is I get the new almanac, and I sit down, and I skim it cover to cover. It's one way to really understand the power of demographics and what the growing population means. Globally, we're not growing more land; we're just growing more people.

We have an aging population in Europe and North America. North America's been offsetting that with immigration and probably will continue to. Europe's struggling and certainly Japan is struggling with aging population. Someone just sent me an article this week about how disadvantaged the new generation is – the millennials. It's true that our kids and grandkids are facing a much meaner road than my generation did. The article they sent was by a fairly large publication – I think it was *Newsweek*. It positioned the millennials to blame the baby-boomers for their ills.

Don't fall into that trap; it's another version of the divide-and-conquer of turning men against women, Whites against Black, Americans against immigrants, generations against each other. It's just another trap, and if you look – really dig deep and you understand what's causing the problems, what you'll understand is that getting sucked into the divide-and-conquer games is going to make things worse for everybody, and certainly for you. I know it's always upsetting to me when I watch the Occupy Movement, lots of good and well-intended people framing things

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into the 99 percent versus the 1 percent. What I know is that often the 1 percent are not very wealthy people.

The way the 1 percent's being positioned, it's their parents or grandparents who've worked hard and saved. In fact they're teeing up the political spin to make it possible to tax their parents or grandparents in a manner that will dilute their inheritance or family wealth. So it's very important not to get caught up in these simple divide-and-conquer frames because we end up shooting the wrong guy. I believe the greatest thing we need right now is power, individually and collectively, and the way you get that power is *you* take responsibility. You don't fall into the trap of blaming others.

I'm not saying that the bailouts and the buyout are your individual fault or my individual fault, but I take full responsibility because that's where I can get my power. And when I take responsibility for my well being and success in the environment, no matter what's going on, as well as being a service to others, that's when I start to move forward and get something accomplished. And there's going to be a lot of divide-and-conquer building.

The other action which is very important is taking the time to understand what population growth means to you. I've found it's very different place by place what the changes in demographics and the growth in population mean to those who live and work within a given place. Very different dynamics particularly given what resources you have around and whether you're positioned to be taking advantage of the way things are going or not.

So –I would really encourage you to assess the changes – what changes in population mean to the place where you are and look at what that means to you over the long run. One of my favorite quotes is from the hockey player, Wayne Gretzky. He said, "I skate to where the puck will be." It's very important when you think about skating to where the puck will be you think about what population means to your work, your location, every aspect of your life.

Let's turn to transformations and awakenings.

We certainly heard a great deal about shifting consciousness in 2012 and the power and importance of it. On the positive note, what I've seen is that the walls of the matrix are shifting out. Conversations that often were considered socially unacceptable five or six years ago are very easy to have now. One of the positives of the Internet is we're learning more and more about what's going on. We can start to deal with the complexity of many different worlds including worlds that we know nothing about. That's giving most people a lot more intelligence about what's really going on if they want it.

I'm not seeing signs of a higher consciousness. So on that less-than-positive note, everything I've seen so far both here and even in Europe is – if anything the rate of entropy is increasing. You see growing entrainment and mind control, a lot of anger and frustration at the acceleration of the

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changes and the slowness in many parts of the economy – the fall of income, the debasement coming from the – from the degradation of the currency. And I think one message that I got from the first half of the year is it's extremely important to be in it but not of it.

If the fields around you are deteriorating, you need to practice how not to be of it and stay in a higher consciousness. I continue to see and hear many people make the mistake of assuming that the collapse of my world or my industry or my income means the collapse of the system. The system survives by composting people and harvesting our assets. We need to understand and be able to differentiate between the collapse of a certain segment and the collapse of the whole system. I'm always amazed at how many people are sure the system is going to collapse tomorrow, and it's been that way for 20 years.

Franklin Sanders and I are having a conference in Tennessee in October called *Transformation & Renewals*. There are four discussion groups: one on faith, one on people, one on money and one on health. A lot of the discussion in the people section is focused on how do we stay in a higher consciousness when those around us are sliding into the pea soup. How do we stay joyful doing it? I find that this is more and more on the mind of my clients and subscribers these days.

Let's turn to Planet Earth.

The most important story in the United States in the first half of the year was the seriousness of the drought. The seriousness of the drought is very significant. To give you an example, Michigan is reporting that they anticipate losing 80 percent of their apple crop. Report out this morning, 40 percent of the Michigan corn crop may be lost based on more drought for the last two weeks. Earlier this week the U.S. Department of Agriculture declared natural disaster areas in 1,300 counties in 29 states (America has approximately 3,100 counties in total) because of drought conditions. Drought is what forces small farmers and ranchers to sell.

I got one email message from a subscriber down in Texas who said that one of the government employees in the Ag area had told him that Texas ranchers were going to have to sell or slaughter 600,000 head of cattle. That's a very significant sell. What that means is that bailout money can come back in and buy up farms and farmland cheap. The United States is positioning itself for the next 50 years to be a significant force in agricultural exports, and so consolidation of farmland is a very important strategic position.

I also expect that declaring natural disasters, as I've said this before and written on the blog, gives the Feds the ability to continue a covert QE. When you have different kinds of disasters all of the different mortgage operations in the federal government, VA, Farmers Home and FHA can open the spigot and buy up a lot of mortgage paper. So you can clean up a tremendous amount of mortgage fraud inside a disaster and skim monies both out of the federal budget, but also out of the premiums collected in the various mortgage funds. So I'll bet you dimes to donuts there's a lot going on there.

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This gives a variety of different parties the ability to aggregate and create big positions in land on the taxpayers' dime. What's your action? I can't begin to stress enough how important it is to make sure you line up sources of fresh food. Do you know where your food's going to come from? The price of food is going to continue to go up. You need to make decisions about this if you need to buy feed for livestock or animals - it may make sense to stock up now. As this consolidation of farmland and the food supply goes on, there are going to be real questions about what you can buy at the grocery store – not just what price, but what quality. Quality farmland with good water is going to continue to be a very good investment.

Next trend, science and technology.

Many things have happened this year that have given me the opportunity to look at new technology that is in the process of being applied. It's being applied in the laboratory, or it's working towards a variety of different approvals. It's working to get patents. It's working to create companies. It's being marketed.

One of those opportunities was the movie, *Thrive*, which came out at the end of last year and addresses the topic of free energy. I had the opportunity to see the producers of *Thrive* about six weeks ago and spend some time with them. It was very interesting, because what's happened as a result of *Thrive* is just an explosion of a flow of information about new technology – new energy technology to the people involved. Things seem to really be growing and developing. I had a chance to sit down with Foster and Kimberly Gamble and listen to what they're seeing and hearing that's going on around the world in this area.

If you go to the Events section on the Solari site, you'll see that I'm going to be speaking in Holland in November at a conference called Breakthrough Energy Movement. It's a group of young Dutch people who are putting together a conference. I hope it will be live through the Internet as well. It brings together leaders in energy – new energy technology from around the world. They're hoping to do it, as one of the sponsors said, in a way that makes it accessible to cab drivers, which is exactly the way this needs to happen. And I'm not going to be speaking on energy; I'm going to be speaking on the financial models that you need to finance this kind of energy and the implications for the financial system and economy. B

Finally I spend several hours a day working in the investment committee at Sea Lane Advisory, which is my money management company. What we've seen in the markets in the last six months is that new technology is performing well. It's new technology in many, many different areas – everything from dentistry to energy to information technology. It's quite amazing the extent of the venture capital and entrepreneurship that's going on. We're going to see that impact the equity markets.

I've been covering new developments in technology on the blog - everything from developments at the particle accelerator in CERN to new weapons – not something that makes you happy

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necessarily. Dr. Mercola, for example, had an article this week that we posted on how human babies are already being genetically engineered so that the child has the genes of three parents. New technology is a real double-edged sword. There's enormous increases in productivity, but there's also terrible invasiveness of privacy. Not all new technology is good for human health and living health. So there are things that are both dazzling and wonderful and things that are terrifying. But if I have one message on the issue of science or technology, it's "here it comes, ready or not."

Let's look at an example. It's something that I'm spending a surprising amount of time looking into - I'll just call this little section "What's Up in Detroit?"

There's a pattern of something happening. A lot of what I do in terms of understanding what's going on in the economy I would describe as pattern recognition. I look for patterns of different unusual things, strange things. I just collect the patterns of events, and sure enough a bigger movement of money starts to emerge. I've been watching this around the auto industry trying to figure out what's going on. I've reached a point where there's a pattern I'm testing that I can share with you.

This all started when I watched the takeover of General Motors during the bailouts. The fierceness of the battle and the people who took it over and the way they exercised early control said to me something was unusual. Something was up, but I couldn't quite figure out what it was. And then it was accompanied by real fierceness and dirty tricks on the part of the Department of Justice attacking Toyota, doing everything it could to ensure that General Motors was able to finally, as it did early this year, make it to number one globally. At the same time that that was happening, the General Motors' hometown, Detroit, was going through arguably the worst pump-and-dump and gentrification of any place in the U.S. mortgage portfolio with the possible exception of San Bernardino, which announced it was filing for bankruptcy recently.

Detroit was particularly ugly including aggressive razing of land because the defaults and municipality takeover of the properties became so extensive. And then about two weeks ago, retired Judge Stanley Sporkin and former general counsel of the CIA popped up on the radio. This is a man whose record is so amazing I even created an Internet hot seat on him. If you do a search for "Stanley Sporkin" you'll see the hot seat on his covertly distinguished career. So Stanley Sporkin is on the radio talking about enterprise zones, and I said, "Oh, dear, these guys are ready to reengineer places. What's up?"

Well, then the U.S. Commerce announces that it's going to open regional patent offices in Dallas – that makes sense – Denver – that makes sense – Silicon Valley – that makes sense – and Detroit. I said, "Detroit? What's Detroit? Something's up in Detroit." Well, this week the rating agencies threatened to lower Wayne County's ratings; that's the county that Detroit's in. Control of the bonds in a default could give a syndicate a lot of power, especially the state in 2011 – the state of

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Michigan created emergency powers, so if the right players had control of those different positions that gives you the ability to get an awful lot done.

Finally, this Friday, out comes *Kiplinger's* newsletter. Let me just read it to you. "As automotive technology races ahead, the impact will ripple through the economy. Advances will build on steps already taken. Onboard electronic sensors enabling cars on the road now to parallel park, jam on the brakes if traffic suddenly halts and warn of lane straying. Within a few years such features will be widespread and will perform increasingly sophisticated functions – monitoring driver alertness, routing trips and more. Then a critical communications leap: onboard wireless transmitters that allow vehicles to relay their speed and locations to one another.

"By 2020, all new cars will have the technology. Odds are that Uncle Sam will require at least some of it as a safety measure, much as seat belts are now. Self-driving autos won't be far behind, taking full advantage of car-to-car communications and electronic controls. Drivers will still be able to pilot themselves, but most folks will trust the car. That will travel trim times for road warrior of all sorts – commuter truckers, delivery drivers, etc. Employers will benefit, too. Heavy traffic wastes countless man hours in L.A., for example, 56 per worker a year.

"The combination of autonomous cars and wireless traffic – management systems will route traffic more efficiently through congested urban areas and bottlenecks. As a result, better fuel efficiency and less need to widen many roads. Dramatic safety increases, too, slashing the number of crashes and fatalities by up to 75 percent. So lower auto insurance premiums and fewer auto body crashes – fewer body repairs. Fewer crashes often mean less need for heavy steel bodies to withstand accidents. Plus, good news for older drivers; safety overrides may keep them on the road.

"For marketers a whole new arena for highly customized advertising. As cars plug into the Internet for traffic routing, they'll signal where they're headed triggering in-car ads. Headed past a donut shop? You may get a coupon for it. Such smart cars could also be the key to winning back younger buyers." It goes on and on and on. "Of course, there will be downsides and obstacles to negotiate like privacy concerns are inevitable." I can imagine!

There was a time during litigation with the federal government that a two people working in concert tried to run me off the road. I can just imagine if they had the power to hack into my car and just literally get my car to drive off the road – so yes, privacy concerns are a very big issue. Now, let's get back to Detroit.

We now see a city where we have a sort of culturally hip downtown surrounded by rings of just razed land. I believe Detroit is not falling apart. Detroit is being reassembled for a new era. One of the things I'm doing is keeping an eye on real estate in Detroit. I think Detroit and other areas are going to be targeted to be centers for the new smart manufacturing and tech. Strategically placed real estate and farmland are going to be great investments if purchased in the early phase of the buyout. It's part of, again, "from bailouts to buyouts."

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Now the next trend, the half-pregnant empire.

The term “half-pregnant empire” was made to describe the process that the American government and military has been in since 911, which is significantly moving our military – both military bases and Special Forces – around the world creating, with a global Navy and global satellites, a global empire. Earlier this year, we had one of the joint chiefs testify about the fact that we have Special Forces now in over 100 countries, and there are significant operations going on around the world that we don’t see in the paper. I think drones are going to be a very important part of this. They do things that are more expensive or harder for satellites to do.

Clearly, the beat-down in Syria is on. I’m still expecting us to go into Syria this year. I said at the beginning of the year that I thought there was an 85 percent chance that we would attack Iran this year. I am changing that. It’s going to be something that happens in 2013 or 2014. They’re going to try get sanctions to work, although we saw Russia resisting today in the U.N. Security Council. They’re going to keep trying to use nonviolent efforts on Iran. But that’s all part of continuing the empire build out.

Next year is a big year in terms of reengineering the federal budget. It’s being postured as a fiscal crisis to come right now. A lot of talk about defense cuts. I doubt that those defense cuts, if they come, will interfere with the plans for global empire. And some of those – or at least some of the conversation about defense cuts is really to protect the defense budget from the real cuts which are coming across the board in labor, in retirement benefits, in healthcare, in a variety of different income areas except special ones designed to help build the corporate future.

The leadership needs to make it look like the cuts are coming across the board. I’d be very surprised if the cuts in any way impair the plans for empire, because if you look at the winnings of empire, particularly in the natural resource area, if you look at the resources that are coming back from building the empire globally they’re very significant both in the form of running the reserve currency and accessing natural resources and controlling access to markets in a very economic way. The expenses are running through the federal budget, but many of the revenues are not (they are going through corporations), and so it doesn’t look economic. But if you look at it on a very integrated basis, it really is economic. So the empire will continue to build out, and as of now there seems to be nothing that’s going to slow it down.

One thing I would encourage you to watch, there’s a video up on the blog in geopolitics this week. It’s a very short clip of an interview Charlie Rose did with former Secretary of State Jim Baker, and current Secretary of State, Hillary Clinton. It’s just about a three-minute clip. In it, it shows Jim Baker talking about attacking Iran and Hillary Clinton responding in a way that literally 15 years ago would have been absolutely unthinkable. It’s a very interesting comment on the change in

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manner in which attacking and taking over countries are being discussed. It's really worth watching to show you the extent to which the empire is now operating and talking like an empire.

Let's turn to financial coup d'état and slow burn, the last of the six categories.

If you go back and look at the Sir James Goldsmith video, which I'm always trying to make sure that all of our subscribers go back and watch, what we've been watching for the last 15 years is a fundamental shift between the relationship between capital and labor. What we're doing is we're pitting labor against itself globally and in the process shifting value from labor to capital. And part of that is in anticipation of what technology can do.

What technology can do is literally replace human labor in many, many of the functions that we're now doing. So for example, if you take a look at what's happening with robotics and different kinds of automation, it's absolutely possible to posit that in 10 years' time we won't need 90 percent of the people working in fast-food restaurants; it can all be done by robots. But that really begs the question, "If the provision – if my housing, if my food, if all the things that I need to live – you know, once upon a time I did them all for myself, or communities did them all for themselves, and then we went to the employment model where we went out and earned money and then turned around and bought those things from the companies that provided the employment.

If we're not going to have employment income, then the question is, "Well, how is the model supposed to work?" If income isn't generated from employment, then how will people provide for their livelihood? You know, we can fantastically increase the productivity of doing all these things, but then if no one has a way of sharing in the value created and to use those things, well, how is that supposed to work? For about 15 years now we've steadily replaced that falling income, to the extent it's been replaced, by government checks of various kinds both that come through the government directly or indirectly. We've reached a tipping point where the number of households both in Europe and in the United States that are dependent on government checks is growing dramatically.

And it begs the question, "Okay, are we going to change the model?" One of the big questions when the United States hits the fiscal cliff next year, that to a certain extent Europe has hit, is, "What's going to happen?" What we're going to see is an enormous squeezing of pension and retirement benefits, tax changes that also squeeze the same people, a squeezing of municipal budgets and more bankruptcies and workouts and abrogation of contracts at the municipal level which is also going to hit the same households.

So imagine a family that is having their pension and retirement benefits cut at the same time somebody in the family's being laid off at the same time that their municipality is raising taxes or not providing services at the same time that their healthcare in terms of quality or benefits is being cut, and on and on and on, and their taxes are being raised at the federal level. We just saw an announcement that the New Jersey governor has come out in support, along with a lot of other

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governors(he's the most I think important one in terms of giving it credibility) for online sales tax – sales tax for online purchases. So this is going to be death by lots and lots of different cuts.

So we're seeing this squeeze, and if you look at the stories that are popping out and that I've been putting up on the blog, you'll see it again and again. So let me give you an example of what this looks like. American Airlines declares bankruptcy, and the goal of the bankruptcy is basically to wipe out the pension benefits and to reengineer the contracts with labor. So it's a way of squeezing labor and pension funds. We have the CEO saying he will resign; he won't be part of shafting his people. He thinks it's essentially an abrogation of contracts; it's unethical, and so he won't do it, and they have to appoint another guy and proceed with it.

But proceed with it they did, and certainly American Airlines is not the first company to use bankruptcy to basically re-cut their deal with labor in a stunning way. I'm a member of the Philadelphia Orchestra and they just did the very same thing. We now see a big brouhaha in California this week; CalPERS announced that it had a low yield. Actually, in terms of performance it wasn't bad given what's happened to yields in the marketplace and prior year performance. It raises the question if state and local government pension funds are going to have to cut back their yield targets, this means that the annual pension fund contribution required from municipalities to fund the pension funds is going to have to be raised, and that means taxes are going to have to be raised or benefits cut. Unless of course we ask the question, why was Calpers financing the mortgage bubble and where did that money go?

And of course, this raises the question of how much money has been pulled out the backend of those pension funds on the pump-and-dump of the telecoms and the mortgage bubble and all the different ways that pension funds have received a lower yield as a result of the many, many things that has created the bailout kitty that's now going to come back and buy up America.

And then of course, we saw the debate about Obamacare, which after the Supreme Court decision is becoming more and more fractious. We have states saying they're not going to go along. We have people in Congress insisting they're going to try and fight it. The polls indicate that a majority of Americans resent being ordered to buy a private good as a form of tax. The precedent itself is very, very scary.

All of these things are part of what I would call the financial coup d'état and slow burn. And they're going to continue. Because of the importance and size of the pension funds and the amount of promises that have been made, we're going into something that's a long squeeze. And for each one of you – whether you have pensions, whether you have 401Ks, whether your municipality is under pressure – it's very, very important to see the different aspects of how that squeeze is going to hit your balance sheet and income statement and be prepared for it.

It's an ugly picture to look at, but there are many things you can do if you look at it now and prepare for what might be.

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One of the things that has been on the blog over the last six months that I want to talk a little bit about, which is a very important part of the financial coup d'état and the slow burn, is what I call the "Sheriff of Nottingham phenomena." Most people remember the Sheriff of Nottingham; he was the bad guy in the Robin Hood story. He was the sheriff of the area and proceeded to run around and steal and kill and terrorize. The Sheriff of Nottingham was in the business of making money.

During the '90s, I dealt extensively with and studied the Department of Justice's growth in asset forfeiture and civil money penalties. We had gone through a process in the '80s and '90s where more and more federal agencies were given the power to make arrests, were given the power to carry guns, and were given extensive powers to do civil money penalties or to seize assets through the asset forfeiture fund which was created at the Department of Justice. And this – this whole infrastructure created a – literally a moneymaking operation where government made money by doing business with tipsters and whistleblowers (and cutting state and local government in for a % share) and literally enforcing – not in an action to make sure that the law was upheld, but in an action literally that made money.

And it was oftentimes you would see bizarre situations where literally the person who was targeted wasn't doing anything wrong, but the attitude of the enforcers was, "Yes, but it'll take you \$100,000 to prove that there is nothing wrong, so if you just give me \$25,000 I'll go away." You literally had a form of government blackmail - of racketeering. What we're watching in the LIBOR scandal is a probable example. Barclays Bank made a settlement with the Department of Justice and another U.S. agency as well as the British agency and paid over \$400 million.

Now, the pressure during a period of budget cutbacks increases enforcement agencies desire to generate revenues. It means that they're very interested in having scandals where they can make money because that money has an influence on the appropriators' willingness to appropriate money for their operations.

Certainly, everybody is familiar with what happens in municipalities when they're in budget trouble; you get more and more tickets being given – more parking tickets, more speeding tickets.

I've talked on the *Solari Report* about a dear friend of mine who sent me an email from a farming state and said that he had asked a raw milk dairy – somebody had said a couple came in very well dressed driving a BMW and inquired about raw milk. And he said, "Oh, great, you made a sale," and the farmer said, "Oh, no, we would never sell to them. They're strangers. The state pays \$2,000.00 per tip to people like those to turn people like us in." He wrote me an email and said, "This is frightening." He and his family had moved to the United States attracted by the commitment to freedom. Now tyranny is here.

If you look at the amount of entrepreneurial Sheriff of Nottingham type enforcement at the state, at the local, at the federal level, it's growing steadily. And as we go through this change and different

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budgets – governmental budgets are under pressure, these kinds of actions are going to keep on growing. Now, why am I saying this to you?

First of all, when you look at stories like the LIBOR scandal anytime you see a big settlement for the Department of Justice, one of the things you need to understand is one of the reasons this may have turned into a scandal is because it's a good moneymaking operation for them. Not necessarily always; it's just something to keep in mind. The second thing, I want you to understand you cannot assume that enforcement is always legitimate. You cannot assume that an enforcement operation is interested in applying the law; you have to realize that they have perverse financial incentives, and it pays to understand what their incentives are.

If a town has budget problems, please do not speed through that town. And you can understand it in the context of a parking ticket or a speeding ticket, but you need to think about it in the context of all sorts of different things. I can't tell you how many people are aware that they can make tips to local law enforcement by telling somebody about something you did wrong. So just be conscious of that trend and really, really, really – really keep it in mind as you go through your day. Because one of the things you do not want to do is you do not want to get embroiled with any kind of enforcement actions.

Another point on the LIBOR scandal. As I've said before, there is an effort underway to move the banks to a utility model now that the financial coup d'état has moved through the bailout phase – not to say it's completely over. They really don't need private banks to have the kind of capacity that they have had, and they certainly don't need to pay bankers the kind of money they've been paying them. If banks depend on the federal credit for bailouts and on the central banks for bailouts, then the banks need to be on much more of what's called a "utility business model" where profits are "cost plus." They get a built in profit, and their speculation is reined in a lot more.

What you're watching in the LIBOR scandal, I suspect, and you see this from reading my "20 Questions on the LIBOR Scandal" – it's up on the blog – is we're really looking for the central banks to exercise much tighter control over the banks and particularly over interest rates. They're trying very hard to keep interest rates down, and I suspect that this scandal is part of engineering it. Don't think that this is real reform. It's interesting to note that the scandals that tend to happen are ones that make money for the Sheriff of Nottingham; they're not scandals that remind you that the money stolen is money that we can get back.

I'm always laughing – I was just laughing with somebody today because the cover story on Madoff was that it was a Ponzi scheme. Well, it's the perfect explanation because in a Ponzi scheme the money's gone. You don't want anybody to think it was a scheme where the money is still there and somebody could get it back, which of course I believe it is. So you need to have a great local bank, but the action on the LIBOR scandal is, "Don't lose sleep over it." The central banks are going to do everything they can to increase their power over the private banks and keep the interest rates down for some period of time.

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I said at the beginning of the year I thought it was going to slow burn for the rest of the year. I continue to think so. The chances that we'll have another QE3 – another quantitative easing – I think are reasonably good. The one thing that would kill it, if a real decision is made to promote Romney into the presidency, because a QE3 will probably more than likely help Obama, even a lot.

There's been a lot of coverage to suggest that a QE3 will not be effective. It's not going to be as effective as QE1 or QE2, but the string has not run out on printing money or on the fed's power to create inflation – monetary inflation to offset deflation. So I think there will be a QE3, and that means whatever you do, don't sell your tangibles yet because they're probably going to be supported by the Fed for the rest of the year. Expect a slow burn.

Interestingly enough, I turned on Yahoo Finance about three days ago, and suddenly it looked like Le Metropole Café in 2003. We had John Mauldin, Peter Schiff, an article about the Great Depression – it was unbelievable! Somebody's trying to persuade everybody that things are really, really bad. I just put that down as another indication that the bailout money is looking to come back in because at that point the spin was too negative, despite the fact that the market wasn't down 30 percent.

Okay – highlights for the Solari Report in the first half of 2012.

There were two incredible, incredible interviews in the first half that really stood out for me. One was Jon Rappaport talking about the republication of his interviews called “The Matrix Revealed.” I got a message from one subscriber who said essentially after listening to it, “You know, I thought I was going to be depressed by listening to Jon talk about what's really going on, but in fact I wasn't depressed at all. Now that I understand that these guys are inventing my world because I understand how they're inventing my world – you know, how they create the matrix, how they get me to believe in a fake reality – once I understand that, what I realize is I have the power to create my own world. If they can invent a world for me, I can invent my own world. I don't need them. I can invent my own world!” That is exactly right. It was one of those interviews that gets you to realize the power you have to invent your own world.

The second was Jim Norman, back for the fourth time. Our discussion was “The U.S. Plays the Oil Card.” I had one wonderful subscriber write in and say, “Please, won't you have somebody on to present the peak oil case?” and I might do that at some point. However, it is important to understand that new fracking technology, like it or not, has dramatically expanded the domestic reserves of oil and gas. We now have enough gas, if we had a conversion in infrastructure, for the U.S. to run for 100 years or more. The impact that this is going to have on U.S. manufacturing is dramatic because 40 percent of the cost to U.S. manufacturers is energy; that was a statistic I didn't know until Jim was on.

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This is a very deep, very powerful trend. It's going to have a lot of impact on the North American strategic position. It could have a lot of impact on the value of the U.S. dollar. It's another sign in the pattern recognition that says to me that the bailout money is coming in and buying out. And so if that money is coming in and building manufacturing capacity, buying farmland, buying oil and gas leases, picking up big, strategic real estate positions in places like Detroit, once that is all aggregated and ready to go, bringing down the oil and gas price on a long life basis, very much relative to Asia and Europe, is tremendous.

At the time of the interview, Jim pointed out that if oil had been trading on a BTU equivalent to the price of gas, it would be \$11.65 a barrel. He pointed out that the price of natural gas is a multiple of 7 times in Europe and a multiple of 15 times in Asia. That's incredible competitive advantage, just the kind of thing that could help keep the slow burn going for a long time.

Unanswered questions of 2012 – I started the year, and I said, “Who’s really in charge?” I did an interview with the *Daily Bell*. That’s still the big question. It’s an even bigger question now after watching what Hollywood has done in the first half of the year. I mentioned this in the blog post; I’ve seen more alien invasions cinematically this year than ever before. I’ve watched *Aliens and Cowboys*, *The Avengers*, *Men in Black III*, which is a kind of amusing movie – I love Will Smith as everybody who knows me knows.

I also love Tony and Ridley Scott’s work; I love everything they do. Ridley Scott came out with *Prometheus*, another alien invasion, which was absolutely dreadful. It was kind of a prequel to *Alien*. You look at all of these bizarre invasions by aliens, and you think, “What in the world is Hollywood trying to tell us?” I’ve always been concerned that the leadership once the War on Terror turned out to be sort of not believable that they would come up with alien invasion as their next justification for central control.

George Noory on Coast to Coast once asked me, “Don’t you think they’re stealing all this money to deal with the aliens?” And I said, “No, George, I just think they’re stealing it, and they’re saying, ‘Mommy! Mommy! The aliens made me do it.’” The amount of money that Hollywood has spent trying to get us to think about alien invasions is something worth thinking about. We’ve created a section called “Wildcards” on the blog. I’ve started to post what I think are the best videos, serious videos about the alien question and what is going on in space that impacts the politics here on Earth. Also, when mainstream media brings something up on that question, I’m tending to put it in there now just because I’m so deeply suspicious of how this might be used.

My predictions for 2012 – I said that – at the beginning of the year, I said that war with Iran was 85 percent chance. I’m dropping that to 40 percent chance. I don’t think it’s going to happen this year; I think it’ll be 2013 or ’14. As I said before, I think the chances of a nuclear event are still high. I give that 75 percent. Doesn’t mean it’ll be World War III; it could be a suitcase nuke or a meltdown or incident at a power plant. Again, the danger is not that we have collapse. The danger is that we have war.

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At the beginning of the year, I gave Obama a 65 percent chance against Romney. I'm shifting that now to 50/50. The one big change – the Bohemian Grove is going on now as we speak. It will be interesting to see what we see coming out of the Grove. Romney has some absolutely dreadful handicaps publicly in this environment because of his record at Bain. The Obama campaign seems to be using those very well and cleverly.

We have a couple of billionaires saying they're going to spend nearly an infinite amount of money getting Romney elected. This will be part of QE3, just the amount of money spent on the Romney campaign. So let's see if we get any signal coming out of the Grove. We ought to know by early September. The one thing is if there is real support coming out of the Grove for Romney, I think it's bad news for the stock market because there's no way you get Romney elected without having very bad financial markets in the fall.

My heroes for the first half of the year are Joe Cross and Annette Larkin. Joe Cross – and I would add Phil Staples – Joe Cross is the Australian who made *Fat, Sick and Nearly Dead*. Annette Larkin is a fabulous woman down in Miami who – and the video's up on the blog – has promoted juicing and eating fresh, raw food, grows a lot of her own food in her backyard. And Joe Cross, Annette Larkin and Phil Staples have done more to get Americans juicing than anybody I know.

I got Franklin Sanders – I got him to promise me last week that he would watch *Fat, Sick and Nearly Dead*. I called him this morning, and his wife said, “Oh, his hands are full. He's juicing, and he's been juicing for the last four days,” which are the four days subsequent to watching *Fat, Sick and Nearly Dead*. Given where the national health policies are going, the health plan we need in this country is one on a “just do it” method. Joe Cross and Phil Staples and Annette Larkin have mapped out a health plan that could really do the trick. So check it out – if you haven't seen *Fat, Sick and Nearly Dead*, it's up on the Internet for free. You can do a search for Annette Larkin and just find her site as well.

Okay – that wraps it up for our wrap-up except for the equity overview. Let me go very quickly through that.

I want to talk about the equity markets a lot more on the Solari Report. The greatest wealth creation over the next 10 to 20 years will be in the equity area. Now, some of that will be in people starting their own companies or in venture capital – what's called private equity – or in private real estate. Some of it's going to be in the publicly traded markets.

Now, it's going to be a tricky time because we're going to have so much volatility, particularly as we work through the debt issues and the reengineering of the economy with a new economic model if the employment model is not going to stay dominant. If you look at the changes we have to go through, they mean a lot of volatility; a lot of money can be made, but a lot of money can be lost. So I don't mean to underestimate the challenges ahead in the financial markets.

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What I do think is important to understand is if you look at the equity markets there is no such thing as “the stock market.” The stock market is all publicly traded enterprises in all industries, in all places. That’s a very, very big combination of things. If you look inside the stock market, what you see is that there are industries that are being born, and there are industries that are dying. There are industries in a primary trend down, and there are industries in a primary trend up. Within those going up, there are three areas that are in the primary trend up that are of great interest to me. They’re very, very simple conceptually, and they’re very, very long-lived.

The first is emerging markets. We have a world that is rebalancing economically, and we have places with young populations that are growing and growing very dynamically. That growth is going to go on for a long, long time. If you look at the growth rates of a country like China or a country like Brazil versus Europe and the United States and you map that out for 50 years, it’s very clear that rebalancing is going to happen. So one is the emerging markets.

The second is natural resources. There’s no way you can have more and more people on a planet with a fixed amount of natural resources and not have to take better care of our natural resources than we do, whether it’s water, whether it’s land, whether it’s precious metals. There’s a real change underway in how we manage, value and take care of natural resources. I’m particularly interested not so much in the companies that own them, but the companies that have tremendous intellectual capital in managing and doing things with natural resources that are smarter and wiser, particularly doing things like turning waste into something useful.

The third thing is technology. Technology is the thing we use to make natural resources go further for the people and to make things better overall, although again I understand that technology is a double-edged sword.

Emerging markets, natural resources and technology - these are three primary trends where I see long-term opportunity. And yes, it’s going to be tricky to figure out how and where to enter and exit given the volatility and give the politics and given the dangers of the transition that we’re in.

Yet at the same time, if we are going to adjust, and if we’re going to change, then it’s going to be enterprises that help us figure out how to implement those changes and do it in a way that’s very innovative in terms of preserving and caring for our natural resources. So to me that’s where the big opportunity is, and it’s one that not only do I not want to walk away from. I want to go and dive right into it. It’s one I spend a lot of time every day trying to figure out and intend to do so for the next two decades.

I have asked my partner at Sea Lane, Chuck Gibson, to join me in doing a quarterly equity overview on the Solari Report. I hope to have more guests that will inform those three primary trends. If there is anything in those areas that you would be interested in hearing about – please let me know. I will make every effort to do so. So that’s my framework for the equity markets. Expect to hear and see more from us coming out over the next six months.

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