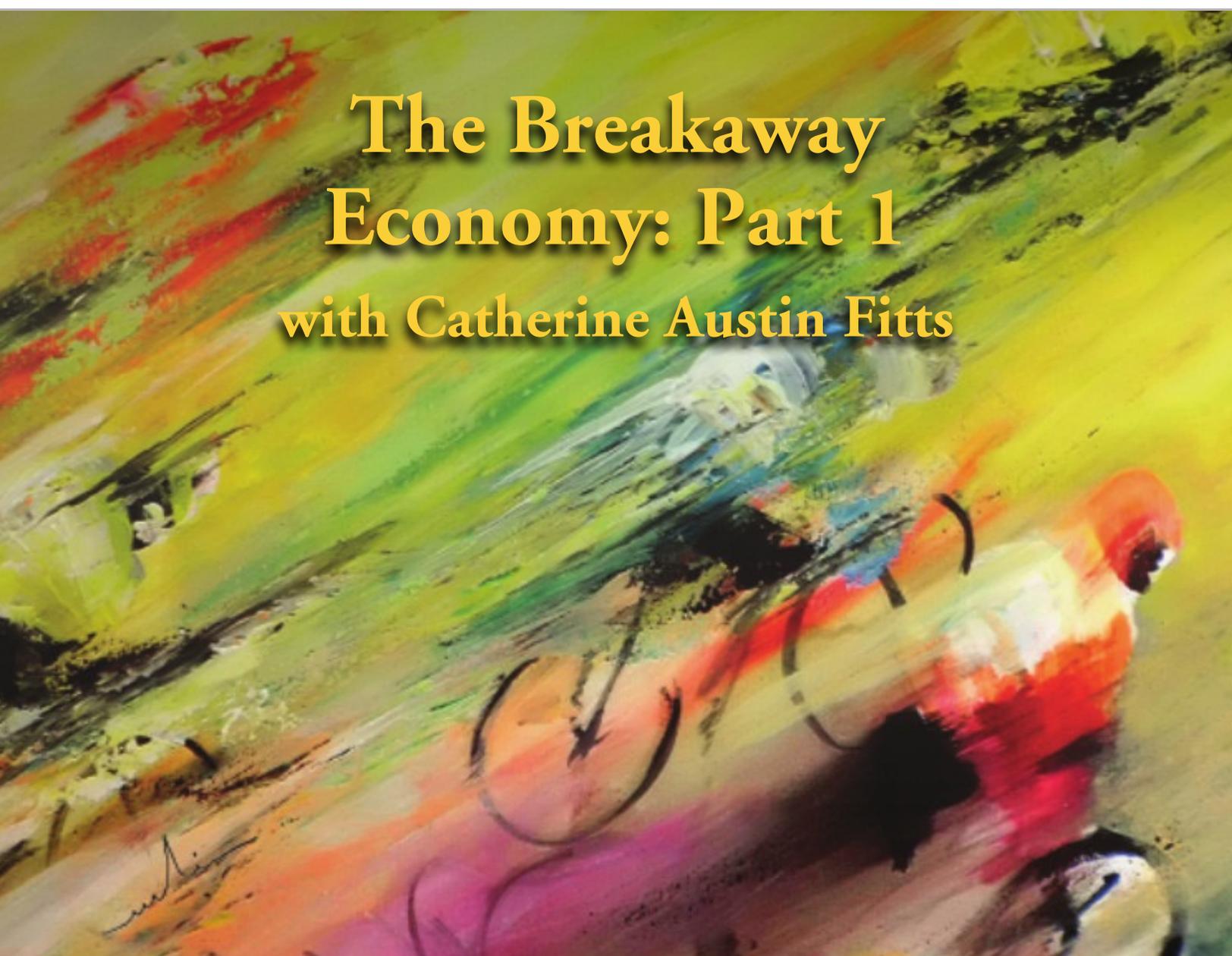


BUILDING WEALTH IN CHANGING TIMES



The Solari Report

FEBRUARY 27, 2014



**The Breakaway
Economy: Part 1**
with Catherine Austin Fitts



The Breakaway Economy: Part 1

February 27, 2014

Good evening. Welcome to The Solari Report. Today is February 27, 2014. I'm Catherine Austin Fitts, and I'm delighted you could join me this evening.

Tonight I want to talk with you about the breakaway economy. We talked about the breakaway civilization in the annual report, and we've been talking with Dr. Farrell and Richard Dolan too. I received more questions about the breakaway economy, and I thought I would respond to some of them by doing a two-part series. Tonight is part one and we'll be talking about who. Who's really running things? How does the system work? We'll look at the top down, and then a little bit bottom up.

I'm also going to talk about a movie, *Sputnik Mania*, a really marvelous documentary that gives you a little taste of the beginnings of the breakaway civilization. My purpose tonight is not to promote a particular point of view.

I'm going to look at this fairly dispassionately, because I want to look at things as they are. I'm not looking at them because I think it's right or because I think it's wrong. There's a great deal of psychic garbage that goes with talking about these different things. I absolutely have a point of view, but I want to describe things in a 'matter of fact' way. I don't want you to assume that in any way I'm trying to say that this is good, or to promote it.

I'm simply trying to describe how I have found governance, finance, and operations to work on planet Earth, and I think that all solutions begin with understanding and having a good map of the way things are. Transparency could bring enormous and very positive change to the situation. So I'm constantly trying to provide what transparency I can and seek more. As I've said many times, I have as many questions as I have answers. The goal of the system by which the breakaway economy is run is to provide as centralized control as



possible, on as anonymous a basis as possible, to the people who are setting the strategic goals and trying to optimize the economic efficiency within those goals.

The reality is, in my opinion, the whole system generates attacks. In the spirit of “follow the money,” the big question I have is if the whole planet is being harvested to produce a tithe, where is that tithe going to? If we could answer that question it would tell us a great deal, as I’ve said many times. I don’t know if that tithe stays on planet or goes off planet.

Anyway, I want to look at how the system operates, how the breakaway economy is really working and operating, and do it in a fairly dispassionate way. Let’s start with the people who are governing the economy, if you will. If I could underscore anything about them, it is the extent to which their position appears to be insecure. You have no group that has complete lockdown control of the planet. You have different factions, and they compete.

It’s as if they’re being squeezed in the middle. On one hand, they have risks. We talked with Richard Dolan about UFOs, and some of those risk issues. On the other hand, they have a population who really doesn’t have a very good, complete picture of what’s going on. So you’ve got people in the dark within your group, you have lots of competition (the competition also often turns mean and violent), and you have responsibility for a significant management issue where you have a growing population and less and less natural resources to supply that population with what they want. So you have a population management issue on one hand, and a population that is very much in the dark about what your situation is and what’s really going on.

On the other hand you’re managing some group of people, whether they’re from Earth or not, who have technology which is very advanced. So we’re talking about a group that’s in a very insecure position. One of the things Dr. Farrell and I talked about is whether or not they’re trying to bring a civilization up, on sort of a crash basis, to the point where it can compete effectively with the high technology civilizations that seem to be interacting with us, or are at least represented by the UFOs. The breakaway civilization has done what they’ve done to try and make their position more secure in this



situation. First and foremost, by creating independent funding pools. They've literally created the equivalent of a privately endowed government, if you will. Sort of a one world government by the "just do it" endowment method.

They've also built out independent living and travel facilities and infrastructure, whether it's the underground facilities, underground high-speed railroads, or going places, doing things in private planes. They've literally created separate physical spaces for themselves.

They've also created sufficient controls economically in terms of government population, so that whatever new technology they want to bring out, they can still stay in control. This is a big issue, because new technology can be phenomenally disruptive, both financially and in terms of control issues. The question for them is how do you bring it out and still stay in control? Another thing they're trying to do is to pull sufficient capital for a much greater space program, whatever the real space programs are. They're far beyond what we know of them in the overt media and world. So they've done what they've done for several reasons. If you look at things from their point of view, these reasons are not illogical. One of the tensions they're dealing with that we've talked about on The Solari Report is population growth.

If you are the Anglo-American Alliance or their European allies who were dominant 20 years ago looking at the world, and looking at the rebalancing of the global economy, how are you going to stay in control when you have over a billion Chinese (and growing quickly) with tremendous capability economically? There is an issue of how a minority can continue to be dominant and safe in a world where they're not the growing economy.

If anything, they're going to be in the minority. How does the minority stay in control, and how do you deal with population growth? If you see a lot of the weirdness in the war on terror, that's part of what you're looking at. A group

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who says, “Okay, how can we control if we let fly a billion people in a globalized, high-tech economy?” You have more and more technology, and you have less and less natural resources.

There are real issues of how many people can live on this planet, particularly if they want to live in the way that people do in the developed world. If you look at the environmental footprint of the developed world, if the emerging markets join us in that kind of environmental degradation, there are real issues. Another issue is that new technology can be wildly deflating and wildly disruptive.

A lot of your control you’ve exercised by controlling the energy model. How do you change that model and still maintain political and economic control? That’s one of the reasons for the effort to create intellectual property law on a global basis and use it to control the food supply and other critical parts of the economy.

Another issue is as new technology rolls out, you’re getting different populations with vastly different learning speeds and learning metabolisms. We’ve literally become aliens unto each other. In the breakaway group you have people who have access to far more technology in many different realms, and it gives them far more power to manipulate and manage the economy or the population.

As those techniques work, they become more and more separate, emotionally and intellectually, as a culture. Finally the leadership is managing what I’ve referred to many times as the red button story, which is the general population will always vote for themselves more benefits than they can produce economically. Unless, of course, they have access to these kinds of technologies. That has all other kinds of governance and environmental issues.

Let’s step back from Mr. Global and the leadership at the very top, and their issues and different risks. Let’s look at what we’re going to interface with in the breakaway economy. Where’s the interface? How do we interact with the economy? Increasingly our interface is going to be a machine. It’s not going to be a person. It’s not going to be a government. It’s going to be a machine.



If you spend hours going through the machine voice mail system of many corporations or governments, you know exactly what I mean. More and more, we're going to see that the face of the breakaway economy is a machine, and it's a machine operating on software that is going to incorporate more and more artificial intelligence. Whether we have driverless cars, driverless ships, drones flying overhead voice mail systems that recognize English and speak back, or robots that walk around and do various things, there is an effort to automate, and to automate into (whether it's the software or the machine) a logic which is deemed by the developer to be the most economically logical thing to do.

The reality is what is logical from the engineer's standpoint, when you're sitting and looking at how to engineer a particular economic process, has nothing to do with how a human being in a variety of different situations would optimize. Where their goal is not necessarily to make things the most efficient for the ATM machine, but to make things most efficient for a mother who's trying to withdraw cash from an ATM but it also trying to take care of a baby and has two screaming kids in the car.

So there's a real interface issue that is going to take centuries to be worked out, if it even can. Increasingly the interface with the breakaway economy is going to be with a machine. So let's step up from the machine. The machine's going to be owned by a corporation. If anything, the breakaway is trying to move more and more assets out of governments or small business and into corporations for a variety of reasons. They see corporations as being a way to preserve and manage assets and liabilities that can fit a variety of different demands that they need to put on it.

Sometimes you'll hear activists talk about corporations as though they're highly powerful organizations. In one sense, they have a lot of power that they manage assets. The better they are at running operations and the more sensitive and important those operations are, certainly gives them a certain amount of power. At the same time, if you look at their risks and liabilities, what you'll find is most corporations are under tremendous pressure. It's very hard work, and there are a lot of liabilities and risks, certainly to the individuals up and down the chain. The pressures on corporations to become more economically efficient at every turn are extremely stressful. Those come not just from the top,



but from all of us as investors as we put more and more pressure, demanding we want our dividends, we want our performance on investments.

So there's a two-way street there. If you want to understand the corporate world, Jon Rappoport, in our discussion *The Matrix Revealed*, and in his products *Matrix Revealed*, has an old audio somewhere called *Mind Control*, *Mind Freedom*. It goes through the different cartels and does a very good job of breaking down the different sectors.

I don't need to repeat all of that here, but I would strongly recommend that you do that if you really want to drill down and understand a lot of how those cartels and networks work. He also has about 1,000 pages of his old interviews where he would interview insiders. They're very, very excellent pieces at understanding sort of how these different systems work. Corporations are designed to function like a machine. They're not just profit-generating operations.

They have complex goals and operating systems. It's important to understand when you're dealing with any given corporation, certainly if you work for one, how the power and financial echo system within the corporation works. Their number one goal is traditionally facilitating the centralized control and risk management. Depending on what they're doing and how they're doing it, they can have considerations which very much override their profit concerns, and do so for years. They're also optimizing strategic interests. Many times you'll see corporations clustered into different company clusters or investment syndicates. There's an excellent book if you want to get a sense of it, *Financial Elites and Transnational Business: Who Rules the World?* It's edited by Georgina Murray and John Scott. It describes some of the different clusters you see in Japan and Asia, and different parts of Europe and the Anglo-American Alliance. It does a very good job. What you will see is different clusters of companies acting in the self-interest of the syndicate, not just of themselves. This can also relate to a subsidiary and a holding company.

One of the assistants to the chairman of Walt Disney described to me the workings of their news subsidiary. You have a news network, and the top headlines of the evening would be sent up to the chairman's office so he could



edit them so that they didn't do or say anything that was offensive to the wider corporate interests. So you're clearly sub-optimizing the performance of the news subsidiary for the benefit of the holding company.

We see that not just between a subsidiary and a holding company, but between different companies within the syndicate doing what's in the best interests of the syndicate. Clearly corporations are designed to optimize economics and profits, and they do a surprisingly good job of it. It's always been amazing to me to go from corporations that are extremely well-run to small business and see the opportunity we have to take the best of the learning and intelligence that corporations have applied and apply it on a much more networked basis. They can be phenomenally good at that, and a very well-managed corporation has very remarkable high performance in terms of products and services. Not all are well-run, but generally the corporations that survive the longest either have massive syndicate or government subsidy, as some of the defense contractors who are very, very good at doing certain things. Corporations are the vehicles for integrating and managing technology.

You've heard me say many times before, the key to the breakaway civilization was through the black budget. The corporations took control of the most advanced technology away from the government. Part of it is the ones that are operating and managing it. Finally, corporations are now very much in charge of collecting optimizing data and intelligence.

The danger in this country with the Snowden revelations is not that the NSA has a lot of power, but we literally privatized the police state. A lot of the operating of the telecom networks and the databases and search engines and the social media and everything else is all private. Essentially when we deal with these entities it is very important to understand their logic, both on the overt side and the covert side. So when I deal with a corporation, particularly a large corporation, I try to understand what their goals are, how their finances work.

When I deal with a particular division or executive or employee I try and understand, again, how the motivation and the echo system breaks down at

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that level. What I've found is that there are many people wandering around in our society who, for example, go to work for a publicly traded corporation and never sit down and access the SEC documents. These organizations publish a great deal about themselves: how they operate, what their philosophy is. If you study those publicly available documents, you can understand a lot about how they operate as an echo system. What you'll generally find, because they are machine-like in this respect, you either give them energy in a way that gives you energy, or you do everything you can to avoid them.

What you don't want to do is go to work for a corporation, take its money, and then proceed to act in a way which is straining or puts the corporation at risk. That's when you get these dangerous situations. So it's very important. You need to understand how to align with their incentives and where they're going and what they're trying to do. If you can't align, you get out and avoid them. My watch word is align or avoid. One of the things to understand about corporations which has caused a lot of pain for the general population and is really one of the problems that the breakaway civilization has, is corporations have the rights of individuals under the law, in the United States, and more and more under Anglo-American law. But they don't have death penalties, and they don't have prison terms. So crime is not a legal issue, it's a pricing issue. To a certain respect the leadership has wanted it that way, because organized crime has been a big business, and is very important to the corporate cash flows and valuations.

It's also important to remember that corporations implement strategic goals. They're not just about making money. For example, on The Solari Report we've talked a lot with Jim Norman about the oil card, and the extent to which the oil companies have kept oil prices much higher than market, or much lower, depending on what the geopolitical goals were at a much higher governance level.

Another thing to understand about many corporations in this environment is that they have very hybrid relationships with government. There are many different forms and models. To an extent, a software company does well because they offer the NSA a trap door, or a real estate company does well because of government financing or subsidy. Those companies are what some



of the intelligence community will call a “proprietary.”

In other words, they’re not really a private company, they’re a joint venture. They’re a public-private joint venture. The public guys think it’s their company, and you get these funny situations I used to deal with at Tide, where the CEO thinks he’s running the company, the private investors think they’re running the company, and the spooks or the government, or whoever, thinks they’re running the company. You have a dollar of equity but three people think it’s their dollar. So you need to understand those kind of cross-currents sometimes when you get these hybrid situations. The thing to understand about the corporate leadership is by and large, they’re extremely intelligent, very hardworking, and very disciplined. It takes a lot of work. It’s a very competitive environment. Given what is going on globally, it’s only going to get more competitive. It’s a very unforgiving environment, so you get people who are very risk-averse.

They answer to a machine, and from a human point of view machines can often seem or feel psychopathic. Obviously corporations are not governments, but increasingly corporations can control government data and accounts and do the government operations. I’ve talked several times on The Solari Report about the extent to which the US government operationally is controlled and operated by the big defense contractors and banks. If you read my article, *Data Beast*, it goes into the fact that literally the government data, financial data, and other data, as far as I’m concerned, are controlled by the private guys and sucked up by the private guys. It’s very important to see that nexus behind the scenes. The CIA one day finally said, “You know, we can’t possibly keep updating everybody’s sort of dossier. It’s getting very expensive to keep a dossier on everybody in America.” They came up with a plan of, oh, we’ll just create a company where everybody loves to update their dossier every day.

Of course they named it Facebook. So the intelligence agencies are laughing all the way to the bank, because we’re doing all their work for them and they’re making money on the stock. What you have seen behind the scenes, one of the things I’ve spent a lot of time trying to figure out is as more and more money flowed down the black budget, what was the process by which the budgeting was done? You’ll see these not-for-profits, think tank-y places for the military.



Probably the most important one is Bechtel, who for many years I figured was probably managing the black budget. But I also think given the financial coup d'état having been successful, increasingly that's all run on the private side as well. The reality is at this point because of that shift of capital and shift of technology we have a government civil service who is entirely and completely outgunned.

When you deal with them, it's very, very important that you remember the kind of position that they're in. They are running and responsible for an operation that they don't control. Now, as I said, sometimes you'll hear activists talk about corporations as though they rule the world. They don't. Behind the corporations you have institutional investors. I wanted to read one quote from the *Financial Elites and Transnational Business*. They list the largest 30 shareholders of the top 299 largest corporations on the globe. They call them Very Large Companies, VLCs. They said that the 30 largest institutional investors own or control 51.4 percent of the shares of the Very Large Companies. Of the 30, nine of those are sovereign governments. Sovereign government wealth funds. They don't even include a lot of the pension funds. If you included pension funds that really are controlled by government, it would be much more. So what you see is enormous concentration in institutional capital. We've watched over the last three generations, ownership of business assets moving out of the hands of families or people into very large institutional ownership that is transnational in nature. This creates a situation, a governance control which is institutional, and in once sense visible, but allows an enormous amount of invisible governance to operate behind the scenes. It also permits a broad base of the population to have a vested interest in companies being successful without being able to exercise a lot of direct participation. If I have money with mutual fund companies and a pension fund, and they own stock in these companies, then I want the companies to do well because then my pension fund or my mutual fund goes up.

But I really can't exercise any direct participation as an owner in the governance of the entity or entities itself. Oftentimes they're pulled into pension funds or mutual funds, I don't even really know the particular companies I own. There's a wonderful book written by Saul Alinsky, *Rules for Rebels*, published in 1971. Alinsky laid out a plan whereby everybody would buy stock and start to vote



the proxy and exercise real power within the corporate system. Very cleverly done, very intelligent book. Alinsky died unexpectedly the next year of a heart attack at the age of 63. I never believed it was an accident. So much of the centralized and sort of invisible control works behind the long leash of institutional ownership.

I often tell the story of the head of the largest pension fund in the country, who in 1997 told me that a decision had been made to move all the capital out of the country. His pension fund proceeded, then, to finance the mortgage bubble, which makes no sense if he believes the capital's being moved out of the country and that the leadership, as he said, has given up on the country. Why in the world would he finance a mortgage bubble which was destined to collapse with the money of his beneficiaries? That is a complete violation of fiduciary obligation. This is a very intelligent, capable man. When he made the statement, he made the statement as somebody who believed he had absolutely no power to do anything other than what he was told.

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It was a little bit like the congressman who was on the Budget Committee and Defense Appropriations, and I asked him what he was doing about \$3.3 trillion missing from the Department of Defense. He looked at me kind of quizzically, and he said, “Nothing. There’s nothing I can do.” So you consistently get this message from people that there is an invisible governance system, and they have no power, despite the laws that apply to their situation. I’ve seen it again and again and again. I always told the story of the Secretary of HUD when he said to me, “I don’t have to obey the law. I report to a higher moral authority.” So there’s clearly a private invisible leash that’s working through these invisible financial capital pools.

I want to look a little bit more at some of the other investment pools you have in addition to the institutional investors. You have insurance. Insurance is an incredibly quiet but very important part of the control system worldwide. Nothing happens, no new technology gets adopted unless the insurance companies are willing to finance and insure it.



If they say no, then it doesn't happen. It's a quite powerful, invisible part of the control system. Think of the planet as a house. You have a house that's worth money. You have a mortgage, that's your debt. You have equity, that's what your house is worth after the value of the debt. But if you don't have insurance, your equity may be worthless. So a lot of what happens and what goes on in this world is all designed to protect the position of the insurance companies. As globalization continues you'll see a lot going on that puts the insurance companies at risk and a lot going on to try and protect the insurance companies. It is absolutely essential to any financial system that the insurance companies remain solvent and continue to play their role in protecting the equity. So, insurance risk pools: very important.

University endowments are part of the investor pools, but they play a special role in terms of providing knowledge management and providing talent to the different investment syndicates. Many people look at the Ivy League universities as colleges, I don't. I look at them as private endowments that protect inter-generational capital from taxation and provide extraordinary human capital to their investment syndicates. If you want to get a sense of some of the ways that tax-exempt foundations work, one of the documentaries that Jon Rappoport and I picked out as the sort of Top 10 documentaries to explain the real deal was Norm Dodd's interview on tax-exempt foundations. Very, very helpful. Obviously central banks are a critical part of the investment and capital and credit, and the allocation of credit.

I'm going to talk a little bit more in a second about the federal credit, because it's really the federal credit in the United States that has created such a powerful financial machinery. We have more and more sovereign wealth funds globally, and those sovereign wealth funds are beginning to play a larger role in the allocation of equity capital. Another important part is the shadow banking system.

Just as the breakaway civilization has literally created separate living facilities, and separate travel facilities, they're creating a shadow financial system that is both a shadow banking system and tax haven. Part of what has made that system really go is the ability to use derivatives to move money around and to transact in ways that really keep all of the information and a lot of the



transactions in the invisible realm, invisible from government.

We have a series of questions about the Federal Reserve and I'm going to address some of those next week. There's been a lot of very good material on how the Federal Reserve and the debasement process of the currency harvests the population with credit cycles. There's a good piece on that in *Thrive*. There was also a good piece that I put up last week by a hedge fund manager on the credit cycle. The big part about the Federal Reserve is when you combine that debasement system with fraud.

If the breakaways can issue trillions of dollars to phony mortgage securities, and then the Fed can buy it up at \$1.00 (it should be ten cents on the dollar, but they're buying it up for \$1.00), and then we have to pay for that through the debasement mechanism, then you have a financial system which is basically a harvest system and a control system. It has nothing to do with the financial system. Now, we've been through the machines. We've been through the corporations. We've been through the investment and financial pools. Let's go to the next step of the interface, and that is the intelligence agencies who are really the face of covert force, along with the enforcement agencies, increasingly, and then of course the military.

The intelligence agencies and covert operations are very invisible to many people. They don't see how they work day-to-day, and how they integrate with day-to-day life. Part of that is because it has been hard for people who don't understand the digital systems, and how the surveillance systems have compromised privacy. With the Snowden revelations that is now much easier to understand, but also without understanding a history of the secret societies and how control files traditionally have worked, how mind control has worked. Please go back and listen to my piece on mind control, and please go back and listen to the interview I did with Adam Trombly on entrainment. Please go back and listen to Katherine Albrecht on these different compromises of spy chips and privacy systems. All of these things begin to help you understand how extraordinarily invasive the intelligence and covert operations are.

When I say intelligence agencies, I don't just mean the US government or foreign governments. A lot of intelligence agencies and private military are



literally attached to corporations, or attached to investment syndicates, or attached to organized crime. I have no idea what the personnel allocation is between private and public intelligence agencies. It's enormous especially considering how much of intelligence agencies and military operations are outsourced to private corporations who are paid to build up those infrastructures, manage those infrastructures, and then can always use those infrastructures in a private capacity.

These operations are very real, and very richly financed and populated. What's amazing is how over-networked America is by these various groups. But again, God bless the Snowden revelations, because you really get to see a lot. The *New Revelations Week* is up on the blog, about how the extent to which they get on the Internet. You have these operations paid to go around and hurt people's reputation and confuse conversations and do various things that hurt a variety of different people.

If you haven't gone back and understood how Cointelpro worked, Cointelpro was a group at the FBI who had up to 35,000 people at one point, whose job was just to interfere with Americans organizing various civic and political activities. They finally shut it down. My guess is it morphed into something much bigger and much more funded with private contractors. The breakaway civilization uses all of these techniques to manage.

I've found that they're remarkably aggressive, and remarkably good at it. Navigating this environment requires learning about the fact that these things exist, or the different tools and techniques. You want to understand, in fact, that not only does this stuff exist and how it works, but that you're interacting in a world, not only where it exists, but where a lot of people do not know exists. Many times what you'll find is the people who are most dangerous to you are not the professionals doing it, but the amateurs who don't realize that it exists. I had one person recently say to me, "You know, the NSA can't do that much harm. They can only listen to at most 25,000 people." Wrong. With artificial intelligence and digital systems they can listen to 1.8 billion people. Don't kid yourself.

They can use that information to harvest people financially, and to do all sorts



of insider trading and market research, and translate it into actionable items all using machines. Make no mistake about it, there is a matrix now. Let's go behind the intelligence agencies. The corporations behind them or the investment pools, and then all the different layers of the financial system including insurance, you keep going behind that, you get the intelligence agencies, enforcement, military. You go behind that, you get what Joseph Farrell and I have been talking about, which is this meta structure.

The breakaway comes out of something that is very old, and very deep, and not new at all. Now, there are several things that happened to make it very powerful and make it look very new. But it's not new, it's very old, and it's very deep. If you haven't seen the old TV show, it was a series I think in the 1970s called *Captains and Kings*. They showed this committee of guys getting together and deciding to have wars and run the world. It's remarkably like the system used to work that I personally experienced. This kind of getting together and managing the world is very old and very deep.

Yes, there are many secret societies. The two oldest, most important networks, if you want to understand, is the Vatican and the Jesuits. The Vatican is the formal structure. The Jesuits and the pools of money behind the Vatican in fact in one sense are much more powerful, and certainly much more invisible. What happened was the Holy Roman Empire went out when the overhead got too high. It receded, and what it left was a church that had diplomatic immunity and was free from taxes. We've had 2,000 years of the magic of compound interest and diplomatic immunity.

The Vatican network has been very powerful. I'm not going to talk a lot about it tonight, because we've talked about it with Joseph Farrell a fair amount over the last year. To a certain extent the Masons grew up to break free of the Vatican networks. Through the Scottish enlightenment and the American Revolution was very much the Masons way of trying to come down and create their own power base.

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There was a lot of give and take between Europe, because a lot of this was about how much European capital was going to control the build-out of North America, and how much was going to be controlled by the Masons. Traditionally in the United States at a county level the Masons have been the controlling force. It's important to understand how they've done it and remained so invisible. Part of it is how they've managed to manage organized crime.

What you'll see is a combination of networks cooperate and compete to run these kinds of illegal activities. One being the Vatican and one being the Masons, and the other is tribal networks, whether it's the Jewish networks, or the Italian networks, or the Chinese networks, often organized around different mafias. All of these organizations have a covert side.

Understanding how they've managed to implement that covert side is very useful leading up to the breakaway civilization, and how they've managed to literally create a separate civilization. One of the depressing things that I think is the hardest thing for many people to face is that these groups have traditionally believed and practiced slavery. Not just the African slave trade, but all sorts of slave trade going on around the planet.

Now of course we have all sorts of different people with different feelings about different kinds of practices, and whether they constitute slavery or not. But it's one of the scary things, and part of it, frankly, is they can get away with it. That's why I say it's so, so important to bring transparency.

Now, a lot of this group has been working with very old capital. As I said before, one of the most important decisions after the Revolutionary War was that charters were upheld. That's part of why the universities became a very important mechanism to pool capital. The key to North American power, and the etymology of breakaway, if anything, was the creation of a federal credit mechanism in the United States, which has been unbelievably powerful in combination with this long-term bull market in bonds that I've been talking about on The Solari Report.

What happened was, first, at the beginning of the 20th century the US created



the Federal Reserve and the IRS. You had a mechanism that could tax by debasement, and a mechanism that could tax through direct taxation. So you have both monetary taxation and fiscal taxation in a pincer movement. That federal credit mechanism has grown and has grown in power. In the 1930s we added the Exchange Stabilization Fund and the Federal Housing Administration, and mortgage insurance credit. Then came deposit insurance credit, and that created very powerful federal credit mechanisms along with the Treasury securities. As I talked about with Farrell and Dolan, in 1947 or 1949 we added the National Security Act and the CIA Act.

That gave us the ability to take a portion of that money that was being created and levered with the federal credit mechanism, and basically turn it over to private corporations to finance very powerful technology and separate facilities. None of which were subject to real transparency. Increasingly, none subject to oversight. Let's go back and take one more step.

In 1980 we created a series of executive orders that allowed that federal credit mechanism with that secrecy to be combined with outsourcing highly classified projects to private corporations. Now, you take that whole mechanism, and what you do is create a money laundering machine that can be levered with financial leverage globally, which is unbelievably powerful, particularly as it has the US military behind it.

So you've created what is, in essence, an infinite source of financing for that period, that can finance private corporations on a non-transparent basis, in secret. That federal credit mechanism has been powerful beyond imagination, and it's what's driven the incredible debasement and the incredible financial fraud that we've seen. Now, what it did was it created the lowest cost of capital on the planet.

That lowest cost of capital gave the group that took advantage of it the ability to do two things. One is to turn around and say, okay, we're going to serve global governance and ownership of the whole planet through the financial mechanisms. That's where the trade agreements have come in, and this disaster capitalism and effort to buy up the emerging markets.



So one has been a gold rush, if you will, of the whole planet and trying to extend and centralize ownership globally while this window was open. The second thing is to say, okay, before the boomers retire, because we can't keep this going forever, let's literally shift all the money we need if we want to have a global government, let's shift it into an endowment and then proceed to build a global government on the "just do it" method.

Think of it as a way of privatizing governments by just creating the endowment and doing it. That is, in essence, what they've done. Now, as I've talked about with Farrell on The Solari Report, many of the things they've tried to do globally have been stalled. If anything, it looks like there was a move back into North America.

One of the reasons I keep saying, 'no, it's not going to collapse, it's going to do a slow burn,' is there is no way the breakaways would want to have their base turn sloppy or messy. This is a very important part of their base. For now, they need their base to be strong. If anything, I see money coming in. They're looking for very centralized control, and very corporate execution in agriculture, oil and gas, and many of these different activities.

They're looking to build up a stronger base in North America, if anything I don't think collapse serves their interests. We also see the black budget technology being shifted out into all these different high tech clusters: Boston, Austin, Silicon Valley. Now, let's turn and look at the cross-cutting governments. There's the meta structure, yes. A lot of what we can see publicly is different members of the meta structure getting together to try and coordinate and build consensus. I can't tell you how important consensus and committees are. I noticed the other day, I said something in one interview about, 'I'm sure they couldn't get committee approval. What you will find is there really is a governance system.'

There are many meetings. There are many committees. It's not the law as you and I know it. It's not the court system as you and I know it. There is a lot of building of consensus, and there is a lot of cooperation. We see these things going on at the Bilderberg meetings. To me, the most important one in North America is Bohemian Grove. Every summer obviously there's coordination



through the Council on Foreign Relations. It's not in most of the membership, it's really the executive committee and some small groups within the Council.

There are many, many members, and many meetings that really have nothing to do with anything other than getting people you want to keep in your network together and having them talk and feel important. Very important to building consensus is linking directorships. So what you will see if you look at the directorships of the top companies, is you have an extraordinary number of people who are cross-representing within the clusters of the different corporations in that syndicate. It's all part of just getting those operations to work effectively together. Linking directorships are very important.

Now, one thing I wanted to do was recommend to you this documentary *Sputnik Mania*, because you get a taste early on for an important part of the breakaway. Let me just dive in a little bit and get more focused on the breakaway. One of the struggles in America from the time of the Revolutionary War on was how could Americans break away from control of European capital. One of the ways that Americans asserted much more dominance within the G7 group was by creating a series of different proprietary companies, defense contractors, different operations (part of it was oil and gas, part of it was defense) who were very aggressive during the 1980s and 1990s in financial fraud. Clearly this was part of the group, in my opinion, who were instrumental in killing Kennedy. Killing Kennedy was their first huge success in getting away with it. My impression was that they were amazed at their ability to get away with it.

“Killing Kennedy was their first huge success in getting away with it. My impression was that they were amazed at their ability to get away with it.”

In the 1980s they were amazed at the fraud that they could get away with, and they got their bit in their teeth. You have a variety of different groups. You have the Texas cowboys, the Nazis, and the old WASPs come together, particularly the old WASPs, who are very much part of the meta structure management of the intelligence agencies. So Dulles, and a Wall Street group.

You have these groups converge and cooperate and work very, very hard to



establish control of technology and a pool of capital that puts them more on an equal footing with the European capital interests who had such a hand in sort of financing the United States. As Farrell and I talked about recently, the Nazi line and money I think was very important, and was a very important part of that. What you see when you watch *Sputnik Mania* is that group do a very early effort to sort of box Eisenhower, and to use media and fear tactics to engineer far more money into their team through government. You see Eisenhower outwit them. It's fascinating. I won't give it away. *Sputnik Mania*, watch it.

You do see the power of the media and the entering of the technology and scare tactics to engineer popular support for things which are absolutely insane. If you want a more modern taste of that exact story that you see in *Sputnik Mania*, what they were up to in the 1950s and early 1960s, I encourage you to see the wonderful documentary about the Dixie Chicks, sort of how the military industrial complex came down on their head, called *Long Way Around*.

It's a sort of late 1990s, early 2000 version of the same phenomenon of the yahoo section, the cowboy section of the breakaway coming down on everybody's head. The advantage of seeing it early on, under Eisenhower, is you then see that group very much part of the Kennedy assassination, and then go into the Iran-Contra fraud, and build up with the federal credit mechanism an unbelievably powerful infrastructure through the defense corporations and through the fraud financing. So a very interesting little tidbit in the history of the breakaway civilization.

I want to talk about several very big questions that we don't know the answer to, but really need to be asked when you talk about the breakaways and the breakaway economy. Let me just go through them. Number one is state and local government. If you're a mayor in a small town, if you're a small business, if you're a family, if you look at the firepower these groups can bring to bear, you're seriously outgunned. There is no privacy. We all have to organize accordingly. It's not just James Bond and the black helicopters. Between the Masons and the Vatican networks the counties are heavily networked.

Those groups, again, cooperate and compete. The key to doing anything is discretion. You have to be very careful, and you need to focus on things that



have exceptional local support. It happens. They can and they do work. Now, there's still lots of pension fund money at the state and local level. That's part of what all the screaming about state and local pension funds and the teacher pension funds is all about. One of the things the breakaways would love to do is figure out how to run places with corporations and other sort of corporate-like investment structures. They very much want to re-engineer federal, state, and local investment for new technology. The wealth potential here is absolutely enormous. Economics dictate that it's going to happen, because you can't keep running big government with deficits in the United States when the money is just being used to control and not used in very economic ways. So there's a big question about how this is supposed to work.

Big question number two: how much technology will they let out of the box? The technology that clearly has been accessible and is available is far beyond what most people can even fathom. How much are they going to let out of the box? What's that going to do to economics? As I said, technology can be very disruptive, but also create a great deal of productivity.

We don't know what the answer is. Another big question, what's the exit plan for labor? We now have a new article I posted on the blog today. We have over 100 million people in the United States who are receiving means tests of benefits from government. That doesn't include Social Security and Medicaid and Medicare and some others. Now, latest studies show that they're estimating 40 to 50 percent of current jobs will be replaced by automation. We're looking at incredible re-engineering of government, of healthcare, and robotics, all sorts of different kinds of automation. How is that supposed to work? Now, one of the things you've seen for many decades is sort of the breakaway policy groups talk about, 'well, let's just give everybody a stipend and nobody be required to work.'

Certainly we see small business being squeezed, because if you can remove those income flows and cash flows into the corporate balance sheets it's good for your stock. It's not clear to me what the exit plan is. It's upon us. This is something we're absolutely going to need to be talking about. The reality is if you look at the economics, if they do re-engineer government they can give everybody a stipend.



It would be cheaper to pay everybody a stipend than to try and involve them in the economic process. Of course the big question is who in the world is really flying around in the UFOs? Are they aliens? Are they humans? Are they interdimensional? What are the real risks? The question that we have to ask regarding the breakaways is what are the real risks that they are worried about, whether they're environmental or off-planet or whatever. They've got some real risks that they're managing.

Before we decide that they're all stupid or terrible people I think we need to understand those risks and look at it from their point of view. Finally, the big question. When you've engineered your more-secure position through a financial coup d'état that was dependent on enormous amounts of organized crime and fraud, it brings up a really good question about the mandate of heaven.

You now have a whole infrastructure of people in the governance system who've gotten where they've are through lying, cheating, stealing, deception, killing, assassination, and genocide. It doesn't make for a great governance system, and it doesn't make for having the mandate of heaven. Now that you've succeeded in achieving the financial coup d'état, how are you going to reinvent your governance? How are you going to reinvent your values? How are you going to create something that has the patina of legitimacy? You can't control an entire planet through force. You can try, but it's not going to work. How do you get rid of the arrogance?

We see a backing down of trade agreements by the congress. Quite extraordinary, and I suspect the reason that that is happening is not just because we still have the voting system in this country, but because literally the administration failed to get gun control. With a well-armed population trying to pull off the trade agreements, it could really bring a breakdown of cooperation that the leadership cannot afford. So we see a backing off on the trade agreements certainly this year, but it could go, according to the economists, as long as 2017, until after the presidential election.

There's a real question of how can the breakaways, now that they have the power they have, reappear through the meta structure looking like the old



WASPs. How can they appear credible? How does the mandate of heaven work? I don't know. I know the question everyone is thinking, as they always ask me, "Why do you talk about these things? What can we do?" Real change comes when the propaganda does not work. If you watch *Sputnik Mania*, if you watch the Dixie Chicks' documentary *Long Way Around*, you watch a propaganda campaign roll out. When those propaganda campaigns fail, that's when the power really shifts and we start to see real movement from the breakaways to come up with something a little bit more balanced. Now, that has happened. The home schooling succeeded. The breakaways didn't get what they wanted on home schooling, and they certainly failed on gun control.

So we see more and more hopeful signs that the system has a natural immunity, and I think that's the question we have to ask. Where can we say no? Where can we organize, and how can we have a more productive dialog? Transparency is critical to that, because whatever the breakaways are dealing with, they're dealing with risks that we also need to face and take responsibility for, whether it's the environmental risks, whether it's overpopulation, or any of the sort of weirder risks that I've been talking about with Dr. Farrell and Richard Dolan.

In part two we'll talk about what's going on, and where some of the opportunities are for all of us to shift things in a more positive way, and certainly to navigate this environment in a way that is economically wealth-building for all of us. Next week we're going to have a wonderful Solari Report. Don Coxe, my favorite person to listen to on commodities and markets in general, is going to be joining us. We'll be talking about the Fed taper and its impact on the commodities market, what's been happening in commodities as well as the general markets. Then I'll be back with part two the following week on the breakaway economy. What it's going to look like and again, what some of the opportunities are for us.

Then a big treat, John Williams of ShadowStats is going to be coming back to

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give us a real breakdown on the economic statistics. I want to focus on employment, because I think this is a very big question, which is if we're going to automate and re-engineer all these different parts of the economy, where is the employment going to come from? What is it going to do to household income? What is the exit game?

So until next week with Don Coxe, please remember, don't worry about whether or not there is a conspiracy. As you can tell from our discussion tonight, there's thousands and thousands of conspiracies. If you're not in one, then you need to start one. Ladies and gentlemen, good night, and good luck.

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