

BUILDING WEALTH IN CHANGING TIMES



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# The Solari Report

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MARCH 13, 2014

**The Breakaway  
Economy: Part 2**  
with Catherine Austin Fitts



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Good evening. Welcome to The Solari Report. Today is March 13th, 2014. I'm Catherine Austin Fitts, and tonight we're going to have a conversation about The Breakaway Economy: Part Two. If you haven't read the annual wrap-ups that we did in January, I really hope you'll take a look at it, particularly the Web presentation, or the transcript because we have wonderful charts. I describe in the beginning of the annual wrap-up, a process, whereby all of the money that has been pulled out of the developed economies, part of what I described as the financial coup d'état, is being reinvested.

Essentially, we have, from a very high-level, a process where we're taking enormous amounts of capital out of the industrial model, I refer to as global 2.0, and shifting it into global 3.0. Global 3.0 is a model defined by integration of new information in digital technology, and a wide spectrum of technology. It is a model that is also globalized, so it is much more global and it is much more digital. Think of it as going from an industrial economy to a networked economy. That's why I describe it as global 2.0 and 3.0.

To give you a sense of the magnitude of the capital flows, we put together a chart that shows some of the money, which I believe has been pulled from one to the other. Another very important chart in that wrap-up is the chart that shows the extraordinary acceleration in the last two years of people all around the world getting smartphones and getting online. Between smartphones and tablets, we have almost two billion people online. Last year, one billion smartphones shipped, if we can imagine that.

What that means is in the 1990s, we began a process of globalizing the labor supply so that we, in America, are competing with labor in China. That process began with a real bang in the mid-nineties after we implemented the World Trade Organization, the Uruguay Round of Gatt. Now, that process continues,



but what this means is, with two billion people now online, we're about to start to reorganize the consumer in the same way that we organized labor.

In breakaway part one, two weeks ago, I talked about who; who was the breakaway civilization, and how it is organized from who is doing this point of view. Tonight in part two, I want to look at what it is. What does it mean in the different parts of the economy, what's being invested, and what are the risks? I'm going to divide my comments into three main sections.

The first is what I would call opportunities and risk for investors. When I say "investors," I mean both the investment of our time and money. It's not just investing in stocks and bonds; it's the full spectrum of our time and money, whether it's our own business or how we manage our household, as well as our assets and how we manage assets, including liquid assets. So the first section is opportunities and risks for investors.

Then I want to talk a little bit about what I call mysteries and wildcards: the big questions. Finally, I want to talk about the key strategic choices. What you are going to see, and what I'm going to come back to in the last section is that there are two very important crosscutting themes. If you have ever done scenario planning or certain kinds of strategic designing, what you try and pull out are the key variables, and the relationship between that will drive future scenarios. Two very important variables are, number one, a change in consciousness, and, number two, a change in technology.

For example, when you bring two billion people online and you create one consumer market, no longer is North America the biggest consumer market, or the European Union the biggest consumer market. It's people with access to the Internet on smartphones. What you get is two million people who can know communicate with each other, who can share the same field, share the same psychic storm.

So you have the potential for an enormous change in consciousness, along with this change in technology. What is going to happen is very much depending on how we, eight to nine billion people, choose in terms of those two spectrums. Do we go to a lower mind or a higher mind? Do we stay low tech; do we go high tech? How do we adapt that technology, and that's particularly where the



higher mind versus lower mind is very important.

## OPPORTUNITY AND RISK FOR INVESTORS

I want to look at the opportunities for us whether it's investing our time or our money, in three critical areas. First, I want to look at sectors of the economy. I'm going to focus more on the developed world because it looks different in the developed world than the emerging markets. Then I'm going to places, and there is a huge place-based component to what's going to happen in the breakaway economy. Finally, I want to look at a few rules of thumb, which are very important for you to understand about how to approach investment in this kind of environment.

Let's turn to sectors. I want to start with some of the most important ones. If I had to pick one sector that was a driver, it would be energy, and of course there are great question marks on this energy. Energy is a critical component of all productivity, whether it's the cost of household or the cost of business.

For example, we've talked with Jim Norman in the oil card interviews that he's done about the importance of oil, its role. The dollar is the global reserve currency, and it is tied to the equivalent of a petro dollar standard. Control of the oil and gas and fossil fuel energy industry has been critical to the financial model and control the financial model. There is a very intimate connection between money and energy.

As we've talked with Jim Norman, the oil and gas price, and the management of it, has been critical to economic warfare and economic control. If you haven't listened to those interviews, I strongly recommend them. We've talked about the importance domestically in North America of bringing the oil and gas price down, and using that to attract back a lot of industry and begin to re-industrialize and reinvent the manufacturing base.

One of the things that Jim has talked about is the fact that the biggest

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component of the manufacturing cost is energy. It's not labor. It's energy. Energy crosscuts everything, and you can't change the energy model without changing the financial models. It's so hard to change the financial model without changing the energy model. So it's very important to look at these two things when people talk to me about renewable energy or free energy.

I always say, "Look, if we're going to talk about this, we have to talk about the financial model, which means we have to talk about the government's model because the three of them are all very much part of one thing." So, the only way to say it is 'if you're going to change the energy model, you run the risk of the reinvention of everything.'

We currently have a very mixed model of the policy. The people leading the breakaway economy want a thousand flowers to bloom, so we have oil and gas, renewables, and nuclear. Much is being done to encourage a robust source of energy for now. One of the things that's happening, is a lot of money and subsidies are being put into renewables, and as that happens, renewables are becoming more economic.

Part of getting them to really sustainable economics is the storage and battery question. We are seeing a lot of new articles now that have battery storage and it is becoming economic in that vein. I think a tipping point is reasonable sometime in the next few years. The storage makes solar and a couple of other renewables very, very economic. Then we're going to start to see real tipping points vis-à-vis coal, nuclear, and all sorts of creative destruction going on in the world of utilities.

Does it threaten oil and gas? Probably not in the near term or the intermediate term in the sense that you have such growth of demand for energy in the emerging markets. The rebalancing of the global economy is creating tremendous pressure on all resources and energy is certainly one of them. The question I always get, "What about free energy?" I believe it exists and not everybody agrees. That's a belief. That's not evidence. I could no more prove it in a court of law.

If you've ever studied UFOs, it's clear somebody's got it and it's hard for me to believe we don't have it. Whether we're building the UFOs or reengineering



them, somebody has clearly got it and they are flying around the planet with it. The question is when will that be allowed to spread? There is no way to know, and that gets us into some of the big questions that we'll talk about later. If there's a rabbit that can be pulled out of the hat to keep the economy strong for a long time, it's certainly the technology that appears to exist in that area.

There is no way that the technology —~~however it~~ is going to be implemented, unless the people who believe they control the existing governments and financial model believe they can implement in a manner that increases their power and control. If you look at a lot of the things that are being done to insert control not just in North America, but globally, I suspect part of it in anticipation of wanting to have the ownership of the equity locked up before that rabbit comes out of the hat.

So what does this mean for you? Be prepared for a world where renewables grow in all sorts of dynamic ways. We could get breakthrough technologies as well, so there is going to be a lot of creative-destruction and a lot of surprises. The potential is much lower cost of energy, which could benefit all sorts of businesses, and of course all households, if their positioned for it. Keep an eye on these technologies, and be prepared to deflate your business and personal energy expenses and to take advantage of it.

There are a couple of great articles up on the blog. We had one on an island in Sweden, and then a town in Germany, where communities got together and built unbelievable renewable energy sources, and now the places are very economically sound. It's a good business to be a small business in a community that comes up with that kind of strategy.

A lot of these strategies require that kind of community effort, and that's what makes them difficult: trying to get a community together. But there are examples where it's going wonderfully. The more wonderful the picture that the guys that do it present, the more talents that will get interested. That's it for energy.

Industrial and manufacturing. North America in the Anglo-American world (Canada, Australia, and New Zealand) is going to be an area that is tremendously dynamic and offers a lot of opportunity because there are so



many new tools. It's fabrication technology; it's composite materials; it's robotics, particularly combined with artificial intelligence.

Remarkable things are happening in the world of artificial intelligence and quantum computing. It's terrifying but remarkable. What is being presented is a vision of dramatic decentralization, as that automation comes into production. We're going through a period when the leadership wants that decentralized development to happen, and wants it to develop on a much more entrepreneurial basis.

It's much more economic for a lot of little guys to try stuff and build companies, and the big companies buy them up. So it's a period of real opportunity, and a period where we can integrate that technology for many good things. There are thousands of examples. One my favorites is the Corning Glass video that we had up, when Chuck Gibson and I did the "View from Silicon Valley." Corning is making glass that darkens and lightens with the sun, so you don't need shades, the glass just knows what to do.

Corning is an example of a company that is doing a lot to integrate these different kinds of technology, and the applications are quite fascinating. I suspect one of the reasons this is happening is there are many pressures to dramatically increase the efficiency of production, but do it in a way where you don't run the risks that happen when you outsource to Asia. They are both national security risks, and they are corporate competition risks. Keeping it closer to home in some respects makes sense. With the energy price coming down, and this new kind of technology, suddenly highly automated manufacturing is back in the game in North America.

But I also see that these are tools that households and small business continues to get much more power to do things. I just bought a new desk from a craftsman in Oregon through the website Etsy. If you haven't checked out Etsy, take a look. It's the proof that craftsmanship can revive, and I think these tools give a lot of power to do that. One of the things that really strikes me when I look at the rebuilding of the manufacturing base here in North America, I mentioned in an earlier Solari Report. I did a review of two documentaries about engineering.



One was called *Engineering an Empire, The Complete Series* from The History Channel. It's a six-part DVD and one of the sections was on Carthage's effort to completely rebuild its infrastructure and reengineer its military and navy to hold off Rome. They basically said, look, if we're going to survive and keep Rome at bay, we have to completely move up tremendously in terms of productivity. You watch the story and you feel like you're literally watching the civilization that you're a part of.

Let me give you two possible explanations, some of which I've talked with Dr. Farrell about. If you look at the military industrial complex, they have a real need as we move towards a one-world government to come with a justification to maintain a big military industrial complex other than war. Once we move to one world government, yes, you need global enforcement, but you don't begin to need the kind of war machine we have.

A lot of the destructive things you're watching go on around the planet is military contractors and weapon makers competing for business when, in fact, there are no wars so they have to create them, or they certainly have to create the fear of them. For the transition, you see tremendous development trying to interest people in space. Part of it is moving from a justification for big projects using war, and a justification of using space.

Another thing is that the military industrial complex has very much been driven by the fact that we have a huge government contracting complex that funds a lot of their business and costs, which has always been run on a cost-plus basis. There are many reasons politically for it to work that way, but in fact, if you just said, look, I want to manufacture the best stuff at the lowest price, how could I do it? You have to leave cost-plus.

We're looking at a manufacturing base that needs to really move out of that cost-plus market on a much bigger component of its business, but still needs a way to centralize financial capital to keep those large pools of capital the way it

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has done over the last century. So much of government policy over the last century has been driven by, 'okay, what is going to amass huge pools of capital?' One of the interests in space is that desire to keep those large pools of capital amassed and working.

That's it for manufacturing and industrial. But again, I think it's going to be in terms of our opportunities in the Anglo world, it's going to be a very, very dynamic area, and a lot of good stuff is going to go on. Agriculture/food is one of the darkest areas to contemplate. We talk a lot on The Solari Report about the fact that there is a real effort to use patents and intellectual property law to assert control of seed supply in all life. There are various justifications for this, including the need to grow enough food for growing population.

Clearly, there is an effort underway to industrialize the entire agriculture globally. If you haven't watched Sir James Goldsmith's video that he did in 1994 (search the blog, you'll find it), you really want to watch that. It is a critical video to understand what is happening the breakaway economy, and it's something that's been going on for quite a while. It is very important to remember that one of the great strategic advantages of the United States is that it's an agricultural breadbasket.

A lot of the agriculture subsidy programs have been organized to focus agriculture in this country on producing a few agricultural crops in huge supply at low cost. So, the most calories with the least costs. Part of what gives us our power is our water supply. If you look around the world and who else has the kind of water we have on a competitive basis to keep producing this kind of amount of food; we're quite competitive.

That's one of the reasons you see a great effort over the last ten years to aggregate ownership of farmland, including some pretty ugly things to get the small farmer to sell. That's why you had such a mess with Katrina in New Orleans. If you take a look at the map and how the farming moves down through the Mississippi and into the New Orleans area port, if you're going to control agriculture in this country, you've really got to assert control of that point.

It's where the Heartland dumps out into the Mississippi Delta, so it's also a



crosscut for major transportation down into Latin America, both through Louisiana and East Texas. Part of the New Orleans story is getting control of that agriculture in Heartland. One of the challenges that the breakaway civilization has, and that we have with it, is this effort is coming with a sales pitch. I think of psychopathy as hip.

There was a great defense of GMO written in the MIT Technology review, recently. It was written by the editor, beautifully written. It was compassion using technology to make sure ten billion can live on earth. It was hard to believe that what you were reading wasn't totally insane. It's hard to believe that people can believe a lie that is that big, but there it is. You take that article and you compare it to Jeffery Smith's book and documentary, *Genetic Roulette*, and you need a mental bungee rope to contemplate them together. It's quite amazing.

The nature of living in the multiple personality disorder created by the breakaway economy is that one of our biggest challenges is going to be making sure we have a fresh food supply. Even if GMO can deliver more calories, and I'm not convinced that that's the case, it can't deliver nutrition to a living intelligence. One of the challenges for us is going to be establishing and maintaining good sources of fresh food, clean water, and nutrition. You see more and more examples.

I just posted up on the blog, a story of a new development that is designed with an organic farm at the center. That's going to be the great new luxury good is safe food. If you're a developer and you want to sell a house, well, you create a development with an organic food farm at the center. We see all sorts of great examples of communities canceling fluoride. That is a great example of improving your health and saving money at the same time.

I also believe that, gruesome as they sometimes can be, with agricultural robotics, there is a lot of exciting things going on, and they offer a lot of potential to bring down the cost of organic food, particularly if we can learn how to use them in gardening. Again, that's a matter of the small guys getting a hold of the technology and applying it for their own purposes. That's it for food.



Entertainment media. Entertainment media, to me, is just a fascinating area, and an area also with a lot of opportunity. Centralized entertainment media is going to continue to have as its overarching goal, serving the investment interest, which is promoting both mind control through entrainment and surveillance. The new technology, of course, means it's much more invasive.

At the same time, we all have the power to turn off a lot of it. A lot of the entrainment in mind control doesn't necessarily always work. So the decentralization of technology and tools means much more cost of producing music videos, movies, software, and games. Democratization keeps going on. I think for many of us, it's a matter of building more people in the population, who understand the entrepreneurial process of making that financially sustainable, or supporting people who want to do that and who we want to support.

There is a development of both the entrepreneur and the consumer who supports the entrepreneur/artist. That's what was so exciting about Kickstarter passing a billion dollars this year in terms of crowdfunding to support most artists and video developers. There is a real effort now, as I said, certainly in the manufacturing area, in entertaining and video to let a thousand flowers bloom, and then for the best ones to be bought up by the larger ones. So we see companies bought up by Facebook or Google. In the meantime, they get a lot of good things done.

Hollywood is really struggling. Cable is dying, although TV, to my surprise, is holding on. Talk about going to a lower mind. They keep finding a lower and lower mind every day. Movie theaters are in for a real struggle, and part of that is just over capacity. It's not clear what will emerge with two billion people online, but you're going to have a much bigger online market. That means you're going to have much more support for what is called a long tail.

A long tail is when you have a wide spectrum of market demand. There is a whole long group out there on the tail, who are willing to support a small volume market. So think of The Solari Report as that on the long tail. The more we can build lots of long tails in this market, the richer it can be and the more decentralized talent will have the opportunity to rock and roll. So what does it mean to you? It means that this is an area where the market has



As long as we develop a very strong immunity to the entrainment and manipulation and invisible tricks; tricks that can come with some of the technology. Just be aware and make sure you look for and find the best stuff out on the end of the tail. Healthcare is extraordinarily divergent. We see, with biotechnology, an effort now, and it gets us into topics like transhumanism, where the extension of life and the improvement of health is extraordinary. Unfortunately, those technologies are reserved for the very rich.

There are technologies like gene testing and DNA mapping, which have frightening implications for control, but also some pretty amazing implications in terms of helping people with their health. I would just suggest to you, as I always have, you need to be very, very careful. There is one movie I keep wanting to do on The Solari Report, which is about a series of murders.

The detective finally figures out that what's been happening is a translucent operation has been going around and murdering people because they fit the profile of exactly the kind of organ that they need, and the victims are signed up as organ donors. That's the kind of thing you get when you get digital health records that make me very nervous. The healthcare system, as I've said many times before, in America, has been reengineered with Obamacare and the current federal policies to protect the insurance company and to protect corporate profits from the boomers aging.

We have baby boomers who have been paying money into the system for many years, now that they're aging, that are going to start to draw money in the form of healthcare services and retirement. If they kept going on the current trajectory with the system, both insurance and corporate profits engineered the way they are, it would basically bankrupt the country. So something has to change, but rather than reinventing it in a much more holistic way that is really good for people, they've centralized control or centralized profits.

Instead, they've put into place a framework, which I would say not only diminishes the services, but we've reached the point where hospitals and those

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medical systems really represent dangerous places to go. Now, they have unbelievable resources that are very important in certain kinds of situations. I won't spend time on it tonight, but we certainly talked about it in other Solari Reports. Before each one of us goes into the healthcare system, we need to be very discerning consumers of what we want, and what we want to get.

We need to have people around us who are watching and have clear instructions, including healthcare proxies. We need to negotiate that system with real care and understand that it is, and can be, a very dangerous place to be. We have been doing research on medical tourism to possibly do a Solari Report on because I think, increasingly, more and more people are going to go offshore, but are going to make concerted efforts.

Some do something called concierge medicine in this country. We are going to have to get very, very creative about doing a huge amount more for ourselves, or finding places we can trust, and that may take us very far afield. The most important practical implications for all of us is we're really going to have to be a much more intelligent discerning consumer of healthcare, and we're going to have to shift our expenditure much more to the front end of taking responsibility for remaining healthy. That gets back to fresh food and nutrition, and learning a lot about alternative methods.

The next sector: commodities. The commodity super cycle. I always tell this story. I was down at the New Orleans Gold Conference, and someone asked Jim Rogers if he was concerned about peak oil. He said, "Forget peak oil. It's peak everything." Of course what that means is we have eight to nine billion people and growing, and that's putting more stress on the natural resources, more stress on water, and more stress for food.

The theory in the commodity super cycle, which was popular as the price of commodities kept going up into 2008, is that this is going to drive the prices of commodities even higher. Now, what happened in the financial crash of 2008, commodities came roaring down. As we started to come out of that period, they started to rise, but then turned down. It's only been since the beginning of this year that they are starting to peak up, and the question is will that continue? Big question mark.



The reality is technology can have an unbelievable dramatic impact on reducing our individual footprint. So you put two million people on smartphones, and start building healthcare apps and all these other things, and you've got a dramatic change in how you can organize and lever intelligence, vis-à-vis real natural resources. Now, that's the case, but as we turn around and watch the world, what are all the tensions around the world? There are people competing for natural resources.

What are we watching in the Ukraine? We're watching over a war for natural resources, whether it's the gas deposits or the cast pipeline. Whose gas is going to get carried into Europe? Is Russia going to control or is Chevron and the Americans going to get in there? How is that going to work? Ukraine is a huge breadbasket. What you're watching is a war for natural resources. A lot of the warfare over the last decade has been a war for resources, but not many people realized it. Many of us thought they were natural events, as opposed to warfare. I think the earthquake in Haiti was induced. I think the tsunami in Indonesia was induced.

In both cases, you're talking about corporate and private interests asserting enormous control over enormous new natural resources. Disaster capital is at the heart of maintaining the slow burn, and getting access to those commodities. That access has managed to keep the price lower, to keep the slow burn going. Right now, China is dealing with reforming its shadow banking system. That means growth has dropped from the double digits to single digits, and it looks like it may continue to slow down this year. If that's the case, it's going to help keep commodities down.

Each one of us runs a household budget and has personal investments of some kind. It's very important to remember that commodities is an enormous crosscut to both revenues and expenses throughout the economy, both our household and business. It's important to keep an eye on what is happening to commodities because it can have a very dramatic impact. Yes, opportunity for each one of us will be to constantly use technology and other kinds of processes to bring expenses down. So keep an eye out for that opportunity in your business.

Education. I'm going to be more North America-centric. We have seen the



price of education, in this country, skyrocket way beyond inflation, way beyond anything that makes any sense. A lot of it has been fueled by student loans, which are turning out to be bad investments because, in fact, the curriculum and the investment of time and money that the student made in that educational process, did not translate into a job that is sufficient or an income that is sufficient to pay off that student loan.

We're watching at the time that many people are very frustrated about both the cost of education, and the student loan situation. We're watching a revolution in online education that I think could seriously threaten a large part of the traditional university system. It's going to be very interesting to see to what extent universities reengineer their curriculum and get a lot more relevant, given the way the world is going, and reengineer their economics and how they manage to hold on to market share.

So think of it this way. Where Conn University is one of the very interesting online operations, it's going to be interesting to see. Then we have a lot of the big ivy leagues putting a lot of their content up on the Internet for free. We're going to see a real competition between people who want real education, as opposed to people who want certain kinds of credentials, which are helpful, certainly as a matter of social prestige, traditionally in terms of getting employment or winning as an entrepreneur in the economy. It will be very interesting to see if those schools can hold onto to their prestige edge.

The competition between the online world and traditional education is going to be a fascinating process, and I have absolutely no idea how it's going to come out. One thing it's going to do is make it feasible to maintain much higher learning speeds at a much younger age than we have, including in the emerging and frontier markets. Having two billion people have access to all that extraordinary education and content for low-cost or free? We've never done that before in the history of civilization. So let's see how this turns out.

Housing and real estate. Most of the growth of home value in the United States, historically, certainly over the last 70-80 years, has been a combination of inflation coming from monetary policy and federal credit, plus larger homes. The federal credit and housing made it possible to do the larger homes because it provided the credit you needed to do the long mortgage and do much more



in low-cost mortgage finance. The federal credit is now being withdrawn. That credit is needed whether it's for space programs or financing the deficit.

We just saw a note earlier this week: that announcement that Fannie and Freddie are going to be wound down. We don't know if that legislation is going to pass or go final, but we saw enormous drops in their stock. Now they've run up recently on speculation, so you almost wonder if it wasn't a pump and dump. Federal credit is going to have to be pulled, and so one response is going to be smaller houses, and houses that incorporate much more smart technology.

Now, some of that technology, they call "smart;" I call it "stupid." It's just invasive. There is also going to be new energy technology, and there is going to be a lot of technology that can integrate digital technology. I mentioned the example of the smart glass. As you look forward and think about houses, you really want to make sure that you only use as much space as you need because space, as that capital is withdrawn, is probably going to get a lot more expensive, and a lot less pleasant, but enjoyable to be responsible for.

**"Some of that technology, they call "smart;" I call it "stupid." It's just invasive."**

Science and technology. Whenever you have a revolution in information technology, you get a revolution across the board in all different sciences and the interaction and integration on an interdisciplinary basis. It's really a crosscutting innovation that triggers innovation in-between everything else. I used to compare the period that we're going through to the renaissance, because that was a time when the printing press, and then the creation of double entry bookkeeping, allowed tremendous innovation and communication between all different disciplines and all different places.

We're seeing the same kind of thing happening again. The challenge, of course, is you get much higher learning speeds among a small percentage of the population, and suddenly they gap out and leave the rest in the dust, and that is part of what we're watching in the breakaway civilization. The breakaway civilization, in part, happened because you had a group of people get a hold of very powerful technology and keep it secret.



We are able to then finance it with a black budget, so you have something that is a little bit more remarkable than what I know to have happened in the renaissance. Maybe I don't know the renaissance as well. But what that means is you have a rise in learning metabolism, but then you have huge gaps in the system and the rate of entropy increases. So, on one hand, you have biotech extending the age for a few people in extraordinary ways, and then you have this whole segment of society who can't even get healthcare. What it does mean is an explosion of innovation in science and technology, and that's clearly what we're seeing.

Finance. Finance is an enormous crosscutting area, one we talk a lot about at The Solari Report because, obviously, that's my greatest interest. For 500 years, the planet has been on the central banking warfare model that is not sustainable. That depends on the first world running around and exploiting the second and third world. Instead, we are rebalancing the global economy; we are going to an integrated model.

There are a couple of key issues in there: what's private and what's transparent? In a healthy market economy, you want the individual to have privacy, and government and shared functions to have transparency. We have the opposite. We are with a surveillance and NSA-type systems. We are completely naked to a lot of the large players, both government and private. The government money and the black budget is completely private from the taxpayers. So we have a little bit of an upside-down situation.

We have to leave to net equity. We've had a long-term bull market and bonds. That's over, as I've discussed in the wrap-up. That doesn't mean that it's over this year, but we're coming to a point where we're going to have to move to a much more equity-oriented model. There is a big question about how that's going to happen. Markets versus force. We're doing more and more these days with force. At some point, I don't see how you can do everything with force. How do we get back to markets is a very big question.

Finally, currency and payment systems. Right now, the big gold rush on the planet is who's going to be dominant in the mobile payment systems. If we're going to have two billion people on smartphones, then mobile payment systems are really going to handle a much larger share of the transactions. That gets us



to the conversation, how do you create digital currencies. Clearly, there is tremendous push under way to do that.

All of these have to sort out intimately as part of the government system because any financial system is just a subsection of how you govern. On this planet, the financial system is much more of an incentive system and government system than it is a system to facilitate market transactions. The question is how we move to a global currency, if we are going to move to a global reserve currency, without permitting local currencies. If we don't permit local currencies, and if we don't have a much more market-based approach to how we manage the currencies, you're really talking about a highly-centralized form of high tech feudalism.

What does this all mean to you? What it means is, increasingly, we're going to leave on a planet, not within the U.S. market. A lot of this gets back, again, to the fact that the organizing consumer market is now two billion people on smartphones. Government has got to be reengineered. We've been in a sovereign government model that has supported the central banking warfare model. That's being reengineered. Now, what's going to happen is anybody's guess. A lot of it depends on whether or not we're going to go to a world run by organizations that are financed on an equity basis.

If that happens, it's a very different culture. Over time, financial literacy is going to grow. If you look around the world, there is tremendous financial literacy in many areas. The United States tends to be the least literate about understanding the money and financial incentive systems around us. I think that with the bailout happening, that's going to tend to change. I'll give you just some little examples from my past.

Once I persuaded a movie producer that the only way he could understand his industry was to buy stocks of the companies he produced for, and his competitors, so he could watch them. As he started to watch them, it would start to make a lot more sense of the behavior of the people around him.

I once had a woman who was running a franchise for a large corporation. I sat her down and made her read all the SEC disclosure on the company she was working for so she could understand how the executives management system



worked, who they were, who the investors were, how they thought they were going to make money, how that translated into their compensation, and so why they behaved the way they did. I couldn't fathom that she would ever understand them without that logic. What was interesting is, according to her, she said, "Oh, now things make much more sense."

I once had a mother, and her son was very interested in his sports. I had her buy him a publicly-traded football team so he could start to learn the fundamental economics behind sports. Finally, I don't know if you saw the cartoon up on the blog this week, but I had an ongoing squabble with our wonderful cartoonist Bob Parsons on the Ukraine.

I taught him how to watch the U.S. dollar index and the Russian stock market versus the U.S. stock market, as well as the stocks of the companies involved, and the commodities involved, particularly wheat and oil. I was trying to show him that there is a very different story if you watch the money and then Fox News. So those are all tiny little examples of times where you try and teach people about how to understand and watch the money.

There is a portion of the U.S. population that is headed towards much higher degrees of financial literacy. Transportation; one of the things you're going to see in transportation is a focus on getting both corporate goods and services, and leads essentially around the planet for faster and cheaper. So what gets the leadership around faster and cheaper, or more comfortably, and what gets corporate goods around the planet faster and cheaper? We are watching talk of integrating digital technology into trains, driverless cars, ships that are drones and don't need merchant marines. A lot of this is integrating the technology, including robotics and artificial intelligence.

We see a lot of talk of sharing, so the zip cars, or Uber, which is an app-based ride service out in San Francisco. They are starting out a service in San Francisco. In addition to getting corporate goods early, it's around, faster, cheaper, better. It's a revolution in how you organize this stuff because the pressure coming from managing larger populations, particularly in the cities, and making density more livable.

If you read the literature on driverless cars, one of the concerns is, in the big



urban areas, if you have a 50 percent increase in the population, how is that supposed to happen without many car accidents, and an unbelievable amount of traffic jams? A lot of this is in response to making density go.

Military; one of the most challenging areas. Now you're talking about a world where you have many, many powerful weapons in many, many places; not just sovereign nations, but corporations/mafias. I think it's one of the reasons for the war on terror, and they couldn't tell us what the real reason was, so they came up with a phony one. It's a very asymmetrical world and, of course, there is the UFO question. What's that about, and what is the military's response to it?

If you take all of these challenges of too many weapons in too many places, plus the UFO question, and you add in the existence of more and more invisible tactics (whether it's mind control, mentoring candidates, and other covert techniques or electromagnetic weapons/lasers), you start to see why anybody being responsible for security is in a very risky business, and increasingly insecure business.

The challenges of running a centralized military capacity in this environment is sufficiently challenging that you can understand why they might want the deeply invasive digital systems and mind controls. I don't like it, but I can see, in one sense, why their fears could encourage them to embrace that. Part of it is when you have this many people dependent on government subsidy, and we now have more than a hundred million people on means-tested subsidy. When you have this many people on government subsidy, they can't afford to brook any disagreement from the people they are subsidizing.

They need to use all their energy to just go out and get more money, whether it's the huge capital they want for space programs, or to finance the subsidy. The more dependency there is on the system, the more fragile the system is, the more insecure the leadership. Space, I consider has its own big area. Satellites are really what made globalization possible.

**“When you have this many people on government subsidy, they can't afford to brook any disagreement from the people they are subsidizing.”**



The reason we went to globalizing production and labor in the nineties was capital could flow into places because the satellite systems were there to enforce. Nobody puts investment where they can't enforce their terms and conditions and interests. Globalization has been made feasible by the satellite systems. Now, as we get online and the train tracks for payment mechanisms increasingly work through the Internet, the satellite systems become even more important. But there is more to space than that. Obviously, there is exploration, and there is mining.

You have various scientists who say we have a real risk of being hit by an asteroid. Whether any of those risk issues are driving it, I don't know. You have other people who say the earth may not go on forever. If we're going to survive as a civilization, we need to establish colonies in other places. What the risks of those issues are, again, I don't know. What is significant is that clearly the breakaway economy model in space is a private model.

Government has financed extraordinary amounts of the beginnings and the infrastructure of a real space effort and space exploration, and now that we're ready to proceed to the next phase, it's being shifted to a private model. One of the reasons I think that's the case is there is no way you can do this economically on a cost-plus model. SpaceX, Elon Musk's company, has been supplying the International Space Station, and has been able to bring those trips in for a much lower price than what was capable under a cost-plus contract. So you have to go to a privatized model, and that's all part of the breakaway economy.

The other thing is that space is the only thing that can garner the popular support for big capital budget projects, and particularly those that require big centralized capacity. If the leadership thinks they're going to get to a one world government within some period of time, what do you need a huge war machine for? There are no wars. You've got a one world government. You need enforcement, but you don't need all these weapons sales and major defense contractors. You need a new mission and clearly that is space.

Now, interestingly enough, it's one I wholeheartedly embrace. I would love to become a space-fearing civilization. The problem getting there is what the military industrial complex has found is that fear and force are generally better



at marketing than peaceful tactics. I had on Let's Go to the Movies the other week, the wonderful documentary, *Sputnik Mania*, where it had shown the military industrial complex trying to whip Eisenhower and whip the American people using fear.

I also mentioned that wonderful documentary of the Dixie Chicks, *Shut Up and Sing*, which shows the similar tactics; it's the same folks. They are very dirty. So it's hard for me to imagine the military industrials complex appealing to our more noble side, but there is a potential for alignment here. Now, either we get it or instead the marketing pitches, 'the aliens are going to come kill us, so give us lots of money so we'll go protect you from the aliens.' Who knows?

I just want to close on this. I kept encouraging subscribers last week and this week, to read Charles Smith's wonderful article on soft weapons. I think the last challenge in the military area is that invisible warfare and related economic warfare has become a bigger and bigger piece of the pie, and that includes cyber warfare. We now have a military that has to be able to function successfully in the invisible warfare, with the traditional warfare, and do it in a population that doesn't generally understand what's going on. It makes it a very, very tricky position to be in. If sometimes the Joint Chiefs of Staff look like they're under a lot of stress, they are.

Arts and culture; enormous opportunities in this area. Whenever you get a situation where you have this much change, particularly in investment credit, the leaders are always the artists and the musicians. They are the ones who move out on the tail and on the fringe and invent the pathway forward, and the lower cost of the tools and technology means that there is an explosion in this area.

What's interesting is if we do move to an equity model, it's going to be essential to real estate and business. It values to have the best arts and culture. You're going to see a lot more connections and understanding between the local investment world and arts and cultures. It's one of the reasons the other week I wanted to have you watch that wonderful PBS documentary, *Music Makes the City*, because it does a great job of explaining that.

Religion. Religion is a very complex tent because the traditional religious



institutions, the churches and temples, have been both religious organizations and cultural organizations, but they've also very much been in the business of business and investment and control. The traditional religious institutions are in real trouble globally because as a result of the breakdown as a central banking warfare model, and the higher speeds of learning and transparency through the Internet, they're having to be held accountable for a lot of the multiple personality disorder in what they say or the difference between what they say and what they do.

They have enormous staying power. They've got big endowments and investment interest, including real estate. They don't seem to have a vision of how they're going to adapt in this environment. I don't think they know. What's interesting is if you drive into a town in many places around world, what you'll find is the local government office or courthouse, the bank, and a church or a temple.

Those are basically the three power centers of the place, the church really is economically dependent on building up human capital. It's their business to help the humans understand how to adapt good habits and build up their human and emotional capital. As long as they do that, I think there's going to be a roll. It's one of the reasons I've followed so carefully what the Catholic Church is up to because they have this problem in spades being the biggest church and having the biggest organizational structure. It's going to be very interesting to see how they navigate this breakaway process.

Of course with the investment interest wanting to go to a much more one-world government, there is a lot of interest of going to a one-world religion, which I think is a perfectly insane notion. I have no idea how you'd get there, and I pay very little attention to the efforts that do because they seem to be ridiculous. But maybe that will be a form of entertainment, watching how they try to engineer that.

The next sector is not-for-profits and endowments. These are critical players for the breakaway economy. These institutions are both used to create change, so they are part of the soft weapon system. We see Soros-funded groups all over the world with their smartphones, and this is where the NSA system is critical, so they spread money around and encourage them to sabotage existing institutions.



A second is managing decent. Naomi Klein's book, *Shock Doctrine*, was a great example. They have a role in disaster capitalism, kind of soaking up and keeping all of the descenters busy. It's a way of doing the reengineering without letting the people get harmed. You want to channel them in a way that certainly doesn't mess up your plans or can even help your plans.

Finally, they are a way to pull enormous capital. We see the big not-for-profit players, you see Buffet and Gates putting a lot of their money into an endowment that is a pool of intergenerational capital that can be used very, very strategically and protected from taxation. It's a very efficient way for the syndicate to manage and control money. Think of them as strategic players that are very much a pincer movement with an effort to reengineer whether it's a sector or a place. Some of these institutions have been very major players in pushing and promoting GMOs throughout the third word.

That's it for sectors. Let's turn to geography, and what the breakaway economy means for place. Place is going to be a very big component of this process. For a long time, we've lived in a world where the financial system and the environmental ecosystem are not organized to be in alignment, and that's slowly going to change. The first thing that happened is we went to a rebalancing of the global economy. As a result, we developed equity markets/stock markets around the world.

**“For a long time, we've lived in a world where the financial system and the environmental ecosystem are not organized to be in alignment, and that's slowly going to change.”**

Then we went through a process where we created the exchange-traded fund industry. The exchange-traded fund made it possible to buy much more liquid vehicles to invest in stock markets around the world. Through that process, you're seeing capital flow into ETFs, and from the ETFs into the local stock markets. We're literally watching the equity globally be securitized in a way that we can now trade places.

For example, as the squabble goes on in the Ukraine, you can watch how the Russian ETF trades, and you can watch all sorts of dynamics of the different commodities and companies impacted. We literally are building a global



economy and financial system where we can trade places. Right now, it's organized around sovereign nations. What's interesting is as you look at a world where we now see places trading and competing, you see the enormous challenge for the Anglo-American world, which has been the leaders in the central banking warfare model for 500 years.

The challenge for them is if they're going to rebalance the global economy, how do they stay dominant when China has one billion people and growing? The history of China is they've always had both a remarkable science and technology, and economic prowess. If you're the Anglo-American world, how do you rebalance the global economy and not get out powered by the demographics.

Much of what has happened over the last 20 years in the financial coup is really the Anglo-American alliance repositioning their capital on themselves so that they wouldn't get overpowered and out powered by Asia in that process. Their argument would be, okay, well, we did the coup because we needed to reposition capital to win in space. Winning in space is essential to winning on the planet because now you have to control the satellite lanes in the ceilings, and they would argue you have to put up and reign the earth with space weapons if they're going to continue to be dominant.

So they would say, okay, we have to reposition the retirement capital to win in space and win in the global rebalancing instead of paying for nursing homes. Then, in fact, the people who are now having their retirement savings debased are going to be better off for them having done it or not. I have a lot of disagreement with exactly that, but that's a topic for another day. What I would say is the big opportunity before us, because it is what it is, is the reinventing of the financing of places.

If you read the Dillon Read story (this is something I worked on tremendously during the 1990s), I was able to build databases where I took all the government data investment in the country. I was able to use relational databases to look at by place, to look at it within a congressional district, to look at it within a zip code.

What I discovered was if you reengineer government investment to optimize



government investment by place, at the same time that you integrate this new technology (what people are now calling the internet of things, or what I call the digital heartland and the wrap-up), that includes reinventing the production and manufacturing on a decentralized basis and it includes allowing capital to flow and be traded. Imagine you have a mutual fund or a community venture fund for your place, and you can invest in it through your IRA or 401(k), or you can just buy in the stock market.

If you do all those things at the same time, there is tremendous equity that can be created. What's interesting is the logical players to help lead and capitalize this are the local and regional banks, in combination with the public pension funds. The public pension funds have a deep understanding of their places and enormous pulls of capital, and they are very knowledgeable about the investment process. I suspect one of several reasons that you have various billionaires running around screaming and attacking and financing think tanks to attack the public pension funds, is the billionaires are lining up to take advantage of this place-based reengineering.

They clearly see the financial opportunity, and they want the pension funds to finance them. They want to stop from getting the state and local governments' civil service teamed up with the pension funds, and dominating the situation. This could be a tremendous way to rejuvenate the value of the public pension funds. The interesting thing about it is when these kinds of reengineering happen, where they are successful, it's also going to create more employment.

It's sort of a win-win for everyone. But I suspect the billionaires want the control and they want the public pension funds financing them, and not teaming up with the local guys and doing it themselves. Suffice it to say, the opportunity is pretty big, but I think that's why you see people like Warren Buffet attacking the public pension funds as being a tapeworm. He's being a tapeworm. The model of place-based development is aligning the living ecosystem with a financial ecosystem.

There was tremendous political opposition to doing that in the nineties, and that's because the large companies wanted those income flows and assets running through their income statement balance sheets. The question is, "Well, why would they let it happen now?" Well, because you sucked a lot of capital



out. You've gotten control of a lot of the real estate, which is the big play. The other thing is you have the NSA surveillance systems and smart meters and all that in. The leadership feels that they have much more invisible control and soft weapon control.

The opportunity is technology is going to be very deflating of things like energy costs. As that cost cheapens, the cost of maintaining real estate is lower, and real estate arises in relative value. I've always believed that the anticipation of integrating new technology and reengineering government was exactly why they pumped and dumped the housing market because they saw the opportunity to reengineer the whole infrastructure within places, and realized that the big money was going to be made on the real estate.

Pumping and dumping the real estate is a way that you get ownership and control of a lot of real estate for essentially no money. In fact, you make money getting control of it, but it was just too juicy to pass up on. If you want to get a better sense of how this might look, when I went up to Detroit a year or two ago, I did a Solari Report on some of the place-based reengineering opportunities. Right after that, Popular Mechanics did a layout on the greening of Detroit that was very interesting and showed some of the different applications.

It looks to me like the early prototypes are being set up now. If you want to keep an eye on it, keep an eye out for where the feds are pumping in different kinds of grants based on zone. I think they used to call them enterprise zones; now they call them prosperity zones. Some of these will be done through HUD, but there will be other agencies involved. Also watch for the Gates Foundation to be active, particularly in places that have been devastated by the housing pump and dump.

So you have the feds throwing in big money, players like the Gates Foundation being active and throwing in money as well, and then you have institutional investors who picked big, big, housing positions, particularly rental housing, which they can turn around once they package and slip out to other investors. It looks to me like two of the places on the list are New Orleans and Philadelphia. Those are ones that sort of fit the description, but there are others. I think this is going to be a five to ten year process, so there is going to



be a lot of opportunity. You might want to keep an eye out to see if it's going to be going on in your area.

Investors general rules of thumbs. These are some much generalized comments because everybody is different. In an environment like this, what we've got is a situation where, as I've said before, studies show that figure 40-50 percent of the existing jobs in the economy are going to be automated, I would say, probably over the next five to ten years.

What that means is what you need to do is assume that 50 percent of your income gets automated out of existence, and you need to constantly reinvent your sources of income in a way that not only replaces that, but use what's going on to invent more. What that means is you have to use your intellectual and emotional capital to continuously create more value, then the slow burn can harvest or compete away. It's very interesting.

If you ever spent any time in China, you can see the population acts that way. You want to think about constantly staying abreast of what's going on, and jumping the curve. It's not just intellectual knowledge. It's not just learning technology. It's also emotional intelligence about how to collaborate and work with other people. This is an environment where winning really requires enormous amounts of listening to other people and learning how to work effectively with other people. It requires an enormously high emotional IQ.

This is an environment where it is essential to be diversified in liquid. Please do not bet the ranch on anything unless you have clear spiritual guidance to do so. Since I sometimes do so, I can't say never do it. Change means uncertainty. There is an enormous amount of wildcards. What's been interesting is if you look at the equity markets here in the United States, they have been very, very strong. As I said in the wrap-up and in the recent equity overview, there has been tremendous divergence inside of the markets.

**“What you need to do is assume that 50 percent of your income gets automated out of existence, and you need to constantly reinvent your sources of income in a way that not only replaces that, but use what's going on to invent more.”**



You have some companies jumping the curve and very much part of the new technology, and others falling vastly behind. The creative destruction is extraordinary, and often unexpected. Part of it is you have economic warfare and things that are unexpected. So it's very hard to predict. Anything can happen and anything can happen to one company or one endeavor. One of the distinct possibilities if you look at the chart that we showed recently in the wrap-up of the price earnings ratio in the history of the S&P 500 in the United States for the U.S. equity markets, two times we've had enormous equity market bubbles.

One was in the 20s, and the other was coming into 2000: the tech bubble. Both of them I would describe as technology bubbles. If you look at the kind of technology that will be coming out over the next five to ten years, and what it could do for corporate profits, partially with continued globalization, we literally have the potential for a crash up in the stock market now. One of the problems corporations are going to be dealing with is the deflation you can get. Yes, they can get deflation in their expenses, but they can get enormous deflation in their revenues as well.

One thing that would be great for everybody in this situation is decentralization of capital. That's why I've talked so much about crowdfunding on The Solari Report. So far, that hasn't happened. It has happened with crowdfunding that does not involve equity securities. So, again, we see Kickstarter announce that they just passed a billion dollars. It's almost as if we decided, 'fine, you won't let us buy stock in each other? fine, we'll just invest.' You put a dollar in my company, and I put a dollar in your company. You keep your stock; I keep my stock. We just do it all with gifting. It's pretty cool.

Decentralization of capital could help tremendously, of course, and there is the question that makes this harder to control. Pay attention to politics. This is not a market economy. If you're going to be financially literate, you have to understand that there's an enormous and intimate connection between government and politics and business. Don't waste time on the collapse issues.

One of the reasons I spent much time this year on the wrap-up is to create a framework that could show you the financial coup d'état was engineered to make sure that the breakaway players had enough capital so no matter what



happened, there would be no collapse and they would be dominant. Now, they're systemically going around the world and collapsing different places or different groups of people. Collapse is happening, but it's not in a great big bang collapse, it's literally tapeworm composting on a systematic basis.

Don't waste time on collapse because while we're anticipating collapse, the breakaway players are running around and it makes it much easier for them to buy everything up for cheap. That's number one. Don't waste time on anger. One of the things that we all need to deeply appreciate is that what has happened over the last five to ten years is the first ten percent of the change that we're in the process of going through, you need all your time and energy for the next 50 percent because you haven't seen anything yet.

This is just the beginning. We can sit around and be angry that the official reality is not true, and yell at the puppets because they didn't tell us. I'm not saying that we shouldn't do some of that. The most important thing is you need to understand this is just the beginning, we have the next 90 percent coming. How are you going to be successful in that environment? That's what I want you to think about.

## MYSTERIES AND WILDCARDS: THE BIG QUESTIONS

Let's turn to the second part, household income employment and standard of living in the developed world, the \$64,000.00 question. The rebalancing of the global economy has created enormous opportunities in the emerging markets and the frontier markets. Now, those opportunities have not been even, and there has been a great deal of pain. I don't mean to imply that the emerging markets have had a wonderful time of it. There have been great and horrible difficulties.

At the same time, there is no doubt that the labor and the average person in the developed world has experienced a stalling of standard of living and a diminution of standard of living. It certainly looks like it's going to get worse because their labor markets are now competing against the emerging and frontier markets globally. As I said, I believe that 40-50 percent of the currently existing jobs will probably go away within the next five to ten years.



Now, a lot of new jobs are going to be created, but if you look at the current labor force in North America, those jobs are not necessarily going to match up with the existing skill set. Much of the new technology will not create new jobs, but will give households the ability to decrease costs and expenses. That means we have to be savvy about taking advantage and sort of riding the expense curve down. The technology can be very deflationary, and incomes will, or could, fall as costs fall. If income falls faster than your cost fall, then that's part of the phenomena I call the "slow burn".

Globalization continues, and now it's cutting into the white collar and traditional voter population much more than ever before. One of the things I've often tried to understand is what is Mr. Global's plan? If you are going to let loose globalization and technology like this, then you're literally going to take an enormous population of people and turn them from healthy middle-class people to impoverish people in a high-tech feudalism.

Clearly, one plan is to simply pay people a government stipend. The feeling is it's easier to pay them a small amount of money to cover their living expenses than to involve them in the economic process. Let us create, let us use automation to manufacture and do everything, and we'll take a portion of the profits and just give you a check, and you go over here and don't bother us.

I also think there is a darker picture here. We see studies of diminishment of fertility and life expectancy. There is going to be enormous pressure to increase the retirement age. That's how you rebalance the Social Security funds. If life expectancy drops, and the retirement age rises, then, at some point, you get a rebalancing. You will see a lot of scare stories on the Internet about FEMA camps and overt control. I think that's all a bunch of hooey.

I'm not saying that if you're the government, you don't have to be prepared for the worst case, but the reality is that covert control is far more economic and has been far more successful. I once did an interview with John Rappoport, where we referred to the reinvention of the Nazi system as Hotel Auschwitz. I think the Hotel Auschwitz model is much more economic and popular. I do think Obamacare was set up to liquidate the boomer problem and give them a framework as the boomers became non-economic to the system.



One of the great blessings of Snowden educating us all to the surveillance systems is, I've tried for many years to explain how the surveillance systems work in terms of economic warfare and keeping the slow burn going, which you need to understand is that the management of the unemployment problem has been very deeply granular one-on-one. Between the surveillance systems and the local secret societies, this is very much dealt with on a one-by-one basis. Households are harvested on a one-by-one basis.

As the unemployment happens in a town, you'll see this person can be supported by their spouse because it turns out their spouse can keep their job or they have family money. These five don't have any way to support themselves, and their family can't support them. So they deal drugs and meth kills three of them, and one ends up in prison in the mental hospital, which is a good business because you can fund that with government. One, it turns out is very deeply committed to their church and the congregation will support sending them to Brazil to do ministry, where they can work for very little money.

Maybe five go on Social Security disability. In the meantime, the food supply gets poorer and poorer, and toxicity levels get higher and higher. As the weather gets weirder, a couple of people die off, and their capital or houses drop to their kids, which is good because the kids are struggling to pay student loans. Sometimes the kids go off into the military. They are very much targeted for recruiting by the military. They have big student loans, and the military promises they'll pay off their student loans and/or their parents' debt, and then the kids get killed in Iraq.

What you watch is all of this being dealt with on a one-by-one level. It's almost as if the system is really harvesting people one person at a time. One wonderful ally said to me, "Well, there is no way they can listen to more than 25,000 people at a time." Ridiculous. They can listen to everybody. That's where the artificial intelligence comes in.

If you look at what we were doing with relational databases in the early

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nineties, and what can be done with those artificial intelligence, when you can fund it with a government, and the government has the ability to suck in all the data, it's quite remarkable. It is absolutely correlated and managed, that kind of intelligence, with the ability to implement in places. Every place, every county is networked in that kind of extraordinary way. Make no mistake about it. We have one of the most overworked countries probably in the galaxy.

Facebook and social media take it to a whole new level. If you're the government, you found a way to make money having people update their dossier and explain their connections to you, and all their preferences on their time, and you don't have to pay for it. It's quite remarkable. In a sense, we really have created the equivalent of what you see in the movie, *The Truman Show*. It's a little bit frightening, the big rabbit they can pull out of the hat in all of this.

If the unemployment thing becomes unbearable, they can pull free energy out of the hat is what I believe. If it gets bad enough, the pressure to lower the cost of energy will become extraordinary even though what they would argue is that's going to encourage much bigger families and a much bigger resource problem for the whole planet.

One of the reasons that they want the carbon tax in those kinds of systems, is that it would give them a believable control at the resource use and at the household level. It's pretty frightening what that might look like. I don't know if they have a plan. I think on this one, they're making it up as they go along.

Now, what does this mean to us? The 2014 elections are coming up, and as I've said before, this is going to be a very creative space because the traditional voter who is a very well educated and responsible person, works very hard, has always been supportive of the system, has been apparent and has been a good soldier. That person is very, very angry about the corruption, and very, very angry about what's happening to household income around the country.

The big issue this election is going to be jobs, jobs, jobs. It'll be interesting to see the discussion of what the exit plan is. It's a real opportunity to begin to have that conversation. I would look around you and say, okay, where is the opportunity for me to engage with the people around me on an entrepreneurial



basis, create new income, create new jobs, take this technology and create opportunity for all of us. One of the places is absolutely going to be in place-based development.

Let's turn to the next section. What are Mr. Global's goals? This is the big mystery. That's why we started off with who is really running this. I just went back and was reading a book about the creating of area 51 and the squabbles between Eisenhower and Kennedy in the group that ran the black budget, which was really the group that financed and built up the breakaway civilization.

The question is, what is driving this group? Why are they behaving the way they behave? I keep getting back to the big questions about who is in charge, what are they afraid of, why are they behaving the way they're behaving, and what are their goals? I don't think we know. I do think we can know and I think it's one of the reasons I've had Richard Dolan and Joseph Farrell on The Solari Report, and we've been talking about that.

It's clear they want more control. It's clear they want to consolidate capital. It's clear they're running a harvesting system through the financial system. This whole planet is producing an enormous tide that I, for one, would like to know where it's going. If you look at the documentary from The History Channel, *Engineering and Empire*, it certainly looks like we're amassing mighty amounts of capital with the financial coup d'état to build a much more advanced infrastructure and manufacturing base.

It's almost like we're trying to take society and say, okay, on an accelerated basis, we're going to go from primitive to advance. We don't think everybody can come with us, so we're just going to take ten percent and maybe we'll put some hope on the kids. If you look at what's driving these folks, there is a logical explanation for what they are doing and how they're doing it. The question is, "What's the logical explanation?"

I continue to do my best to get to the bottom of it, but I think it's very important to understand that until we can sit in Mr. Global's shoes and look at the risks he's dealing with and what's driving his plan, we don't know, and we need to hold that uncertainty.



## THE STRATEGIC CHOICE

There are two crosscutting themes to everything that's happening in the breakaway economy. One is consciousness, and the other is technology.

To a certain extent, I should put technology first because it's part of what's triggering the changes. At the same time, I think by far, in a way, the most important choice is consciousness. You get two billion people on smartphones talking to each other, and you have a whole different field. You have a whole new psychic storm. I made a little chart with four quadrants, and in the top two rows, I had put higher mind and lower mind. Think of the continuation of consciousness from the lowest mind to the highest mind, and then in the two columns, I put high tech and low tech.

So it creates four boxes. You can be higher mind or lower mind. You can be higher tech or low tech, and that creates four states of the combination of the two. Of course, it's not just two states. There is a continuum of technology and a continuum of consciousness. The fundamental question here is one Mr. Global does not control. He is powerful and he influences, but he does not control. The question is, there are nine billion of all of us, or there will be within some reasonable period of time; which box are we going to go to?

That's a choice that each one of us can make. What's interesting is that if each one of us goes to as high as mind as possible, it has the power to shift everything. Everything. Now why do I bring that up? One of the things that I struggle with every day is I see so many people who are fighting backwards. They are angry about the fact that the official reality that we all believed in turned out to be false. They are angry that the financial coup d'état happened.

They are angry about the first ten percent of what has happened. What we all need to understand is, I'm not saying don't be angry about that, what I am saying is it's just begun. There is the next 90 percent. What I want on The Solari Report is for every one of us, as best as we can, to see what's coming and jump the curve on it. I want you to thrive in a breakaway economy. I don't think we have to thrive in the breakaway economy that Mr. Global is creating.

I think we can take the tools. We can take the dynamic. We can take the ability



to communicate and market to two billion people all over the world. We can also build the breakaway economy we want to. There is going to be lots of stuff breaking away. When the Titanic sinks, we can grab some deck chairs and some planks and start to build arks.

I don't think we have to go with the flow here, but I do think it is absolutely critical to stay in the highest mind possible, and then pick the continuums on the technology continuum, and where you want to be. There are a lot of reasons you may want low tech; you may want high tech. It's just as you use the technology, it's very, very important to use it with discernment and understand that the people who created it, or may be able to access it in secret, do not necessarily have your best interest at heart.

On that continuum of higher and lower mind, it is absolutely essential to be successful in this economy that we do not lose our coherence. Coherence and maintaining your coherence is about as important as it gets. When I did The Solari Report with William Tiller, it was a magical moment when I asked him what he thought of community prayer. He said, "Well, if the people doing it are coherent, it helps. If they are not, it makes things worse." That's when I realized, "oh, the number one thing I can do for the people around me is to try and stay coherent."

You need to think about where on that spectrum of consciousness and technology you want to be. Let's say you want to be towards the higher mind, here is what you need to know. Certainly Mr. Global is encouraging a lot of the population to go to the lower mind. If you're in a higher mind quadrant, working with, dealing with, interacting with people in the lower mind is going to be very draining. You need to think very carefully about the tricky part of this change.

If you're not going to fall into a lower mind, how do you manage your interaction with family, friends, and colleagues that do. Understand that there

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is a lot of money and power pushing them to go there. That's one of the reasons I wanted to have, again, this week, two movies I brought in 2011. We've done them on The Solari Report before: *The Never-ending Story*. The first one, and then second one.

In *The Never-ending Story*, you have a wonderful young protagonist, who visits a fantasy world called Fantasia. Fantasia is being destroyed by a force called the "Nothing". As the "Nothing" goes through Fantasia, it destroys meaning, and Fantasia slowly falls apart. It's the job of the young hero to stop the "Nothing", which he does, but I can't tell you how. I don't want to give it away so you're going to have to watch *The Never-ending Story*, the first part and part two.

That is our challenge. The challenge that the young hero in *The Never-ending Story* faces is the one you and I face, and that is how do we remain coherent? When you have an economy that is changing this radically, and the human fields changing this radically, then it is very difficult to maintain your intellectual integrity and your emotional coherence. You're going to be dealing with enormous lies and propaganda that seem overwhelming, and literally can, at times, become the "Nothing", destroying people, destroying communities, destroying a connection, and cultures that we love.

To deal with that and to remain coherent with that, essentially you have to see the world as it is, and that, I'm afraid means avoiding the people who go to the lower minds, and really finding ways of engaging with people in the higher mind to seek and nourish the kind of life and meaning that you want to have. Now, I struggle with what that means specifically for you because each one of us is different. What it means to you tomorrow, in your time and money tomorrow, varies tremendously with what it might mean to me or somebody next to me.

In this case, and in an environment like this, it matters tremendously what you do and how you use the opportunities that are before you because just as many doors are closing, many doors are opening too. It's fluid. Mr. Global has a lot of power and influence, but nowhere near as much as you and me and all the living things, and intelligence on the planet.

If I could close with one watchword for functioning in the breakaway



economy, it would be a wonderful line from Leonard Cohen's newest album *There is a Crack in Everything*. "That's How the Light Gets In." Ladies and gentlemen, that's it for The Breakaway Economy: Part Two. Goodnight and good luck.

#### **DISCLAIMER**

Nothing on The Solari Report should be taken as individual investment advice. Anyone seeking investment advice for his or her personal financial situation is advised to seek out a qualified advisor or advisors and provide as much information as possible to the advisor in order that such advisor can take into account all relevant circumstances, objectives, and risks before rendering an opinion as to the appropriate investment strategy.