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# The Solari Report

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APRIL 16, 2015



**Ukraine: Europe's  
Expansion East  
with Anne Williamson**



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**C. AUSTIN FITTS:** Ladies and gentlemen, it's my pleasure to welcome back to The Solari Report Anne Williamson who is a world-class investigative reporter. She has written for many of the top papers, *The Wall Street Journal* and *World Net Daily*. She's the author of a wonderful book on Russia in the 1990's, *Contagion*, and events in Eastern Europe in that period.

We had her on last in the fourth quarter of 2014, and there has been tremendous popular demand to get her back.

I should also mention that Anne wrote a series for *World Net Daily* on global financial institutions, and has a marvelous ability to understand the interactions of politics and finance at the global – and certainly the local – level. She's in Budapest right now where she has agreed to come on and talk with us. She's in the process of starting her own media venture, which we are all very excited about the idea of having Anne cover global politics on a regular basis. This is very exciting for all of us looking for good intel from the ground.

So Anne Williamson, welcome back to The Solari Report.

**ANNE WILLIAMSON:** Thank you, Catherine. It's a pleasure to be with you.

**C. AUSTIN FITTS:** Last time you gave us a wonderful briefing on the run-up to the events going on in the Ukraine and Russia, and certainly if any of the listeners haven't listened to it, I strongly recommend it, but I want to talk about the present day.

You're in Eastern Europe now. How about telling us what you think is going on in the Ukraine now? Where do you think things sit?



**ANNE WILLIAMSON:** Well, it's only gotten more complicated, of course, because the United States did succeed in destabilizing the region and retaining the coup government. No. That's actually an inaccurate statement in that there were elections last May that brought Mr. Poroshenko to power, but they were not fully participatory elections because the East did not participate or vote.

At any rate, they did have elections. So this is no longer the coup government but Mr. Poroshenko's government which has many of the same members as the coup government did. But, there is that difference that there was an attempt at an election.

But, the problem is Mr. Poroshenko is one of the oligarchs who has been robbing the Ukraine for years, and now he's in conflict with other oligarchs. This is highly amusing to me, even though it's a tragedy, because the United States – once again – does not know what it is doing or with whom it is doing it and what it is going to get.

Now you have this struggle between two oligarchs, Mr. Poroshenko, who has the presidency, and another man, Mosovsky, who has control of the Urknaftagaz or Urknaftatransgaz, which is the principal Ukrainian gas supplier and the gas transit system. It's hard to say which is more valuable, but I would imagine the transit system at this point.

At any rate, we have that conflict going on, and the United States really is having to side with Mr. Poroshenko because he is the elected leader – or the quasi-elected leader – but at the same time he's already capitulated Mr. Mosovsky who is back in command at Ukrtransnaftagaz. So where this goes we don't really know because he's a very powerful oligarch who has his own private army, and that army is active in Ukraine. Now we're in down weather for war. It's winter, and my heart really does go out to people in Ukraine because it's still cold here. It's still hat and glove weather.

Budapest and Kiev lie in the great European plain. It is actually colder in Kiev than it is Budapest, but it's quite chilly here. I certainly wouldn't want to be living without heat or with reduced heat if I didn't have to. If



I could organize my life otherwise, I certainly would.

So the people in Kiev and Western Ukraine, if they're warm – and I believe they are or we'd be hearing more about it – it's because the Russians are continuing to subsidize Ukrainian energy as they have done for the past 23 years. So, there's that situation.

At the same time, we're not getting very good reports out of Ukraine as to what life is like for the average citizen. We're getting lots of reports on government structures, meetings, movement of this official and that official, lots of rumor, lots of scuttlebutt that is rather difficult to verify, but rumors are rampant.

Essentially, you're waiting for spring when combat weather returns. I'm very sorry to say that I anticipate there will be more violence in Ukraine, mostly because the United States is determined to provoke it, and they are supporting it with advisors. We know that. They're open about that. They're sending in advisors. They've sent in National Guard. They've sent in troops. They've sent in support technology, but they have not yet – to our knowledge – sent in lethal weaponry, although the senate has voted that Obama do so. Let us hope he doesn't because the Russians have already said that will be a game changer.

**C. AUSTIN FITTS:** When you say 'game changer', what do you think the Russians will do?

**ANNE WILLIAMSON:** What we have to understand here is that in one way we're very fortunate because we are dealing with a country that knows what war is. I think looking back over the last year, one of the shabbiest moments – the worst behavior – just cringing, embarrassing, horrible behavior occurred last year at the commemoration of the Normandy invasion last June. It was the first time the Russians had been invited, and I'm certain by the time of the ceremony of June the other leaders

**“We're getting lots of reports on government structures, meetings, movement of this official and that official, lots of rumor, lots of scuttlebutt that is rather difficult to verify, but rumors are rampant.”**



were hoping that Mr. Putin would stay home.

As a proud man, and the leader of a proud country, he wasn't about to do that so he went to the celebration where he was roundly snubbed. That was one of the ugliest things I've ever seen because quite frankly if it hadn't been for 28 million dead Russians, there never would have been a Normandy celebration or even a Normandy invasion. That was really the social low, to me, among the EU leaders that they could conduct themselves in that way.

Now they're attempting to surpass it because a group of them have actually suggested that this year's commemoration of the Warsaw Pact – the Russian victory over Nazi Germany – be celebrated in Kiev and not Moscow.

Again, it's not understanding history or really what large parts of the world have experienced. From the Russians' point of view, the worst possible thing that could happen is war. Mr. Putin understands very well that his historical role is to modernize Russia. He is furious about having to spend money on the military, and an overly large, excessive red army was part of what brought down the Soviet Union – the expense of it. He is very conscious of that, and he even brought up this issue in his famous speech in Munich of 2008. He spoke about the utter waste of spending huge sums on the military and that the United States' intention to build a missile shield and station it right on Russia's Western border would stimulate an arms race.

Well, here we are seven years later, and we have the same issue. So Russia is really being very disciplined. They are not responding to the endless provocations from the West. They have been reduced, and the EU is backing off from this. I think General Breedlove, who is the presiding General of NATO, his remarks have really scared people because they are very belligerent. They're war mongering, and all this business of moving troops to the Baltics and this absurd exercise of a march of NATO troops from Lithuania to Germany through Poland and Czechoslovakia and so forth in some kind of Busby Berkeley conga line of soldiers and tanks is really like a comic opera, only unfortunately it isn't Gilbert &



Sullivan. It isn't HMS Pinafore, and they are not going gaily tripping. They are driving tanks, and it's serious business.

The Europeans are finally, I think, beginning to see just how dangerous this is.

**C. AUSTIN FITTS:** Clearly the Europeans don't want war.

**ANNE WILLIAMSON:** Well, they never dreamed they were going to get into a war. Here was the bargain. I don't know if your listeners are like me, but it's really been a bit of a mystery. Why is the European Union going along with this? Why did the European Union get itself involved in this business with the agreements for the European Free Trade Association with the Board of Regents of Russia?

**C. AUSTIN FITTS:** I have a bigger question, Anne, which is: I don't see how both Europe and the United States got into this pickle in the first place. In other words, I understand that the US wants to be a hegemon on the Silk Road. I understand that the US wants to keep Europe close and doesn't want Germany in bed with Russia. I understand all of that, but if you look at how they bet the ranch on controlling Ukraine, it doesn't make any sense.

**ANNE WILLIAMSON:** Well, yeah. Go ahead.

**C. AUSTIN FITTS:** Let's just say I'm the United States, and I want to keep space between Germany and Russia, and Germany and China. The Silk Road flow is growing. I want to remain the hegemon. Those are my goals, and I want to keep Putin checkmated. He wants a sovereign nation; I want to run the world through corporations and banks. We all understand that, but I want to keep him checkmated.

If my strategy is just pure realpolitik, and to do that, the last thing I do is I waste all my bullets getting drug into the mud in a fire fight in Ukraine where there's not enough infrastructure on the ground to play that game.

It doesn't make sense. You almost get the feeling – and I keep



researching and don't have an answer – what are the tribal interests with financial interests in the Ukraine who've gotten us all hooked up here?

**ANNE WILLIAMSON:** First, to go back to your original question of why on earth to get involved in Ukraine, number one, the EU didn't understand they were going to end up focusing on Ukraine. They thought – with the Eastern Partnership Agreement – that this was a nice, benign effort that they would start working with Moldova and Ukraine and Transnistria and Armenia and over time reach these agreements.

They did not appreciate that Ukraine is a special situation because if they entered into an agreement with Ukraine then European goods could enter Russia because Ukraine has the customs agreement with Russia. Those goods could then flow on to Russia tariff-free, and since Russia was trying to build a trade union of its own, that was going to be destabilizing to their effort.

Now Russia alerted Europe to this problem and said, “Okay. If the Ukrainians want to flirt with you, that's fine, but we're going to have to work the three of us to pull this off – Europe, Russia, and Ukraine.”

Europe's answer was, “No, just Ukraine and Europe will decide this.”

Well, of course the Russians didn't like that. In the end, the only way Europe can expand is to the East. Now that isn't really very important – I don't believe – to the people of the European Union because the European Union, quite frankly, is big enough. It's too big right now for the institutions they have. They would be far better off letting some of the countries go and returning to a smaller union. Of course, they will never do that.

For the European Union leadership, expansion is the way to go because that solidifies their position and it further entrenches the artificial institutions they've created. They see it as the way to save the union.

Initially you had three countries pursuing these agreements. It was Lithuania, Poland, and Sweden. This is very interesting because all three



of those countries have invaded Russia historically. We look at little Lithuania today, but we don't understand there was once a greater kingdom of Lithuania and that they made it as far as Moscow and briefly from the Kremlin.

**C. AUSTIN FITTS:** Right.

**ANNE WILLIAMSON:** Of course, Poland has invaded Russia, and one of the pretenders to the throne was put into a cannon in the Kremlin and shot back to Poland to the East in the medieval era, and Sweden had very great wars with Russia. Charles II was a brilliant military man. Those were really great struggles.

So here, centuries later come the three nations to start these trade agreements on Russia's periphery. I mean, that meant nothing to America, but let me tell you that that embassy meant something to the Russians. And it's very interesting because Brzezinski's son Matthew is the US Ambassador to Sweden.

**“That meant nothing to America, but let me tell you that that embassy meant something to the Russians.”**

**C. AUSTIN FITTS:** Good heavens!

**ANNE WILLIAMSON:** Pardon?

**C. AUSTIN FITTS:** Good heavens! You would think they would know.

**ANNE WILLIAMSON:** Well, you would think the US would recognize this, but the Russians certainly did. Again, you have another one of these dynastic political families developing. The Brzezinski family are all Polish nationalists. I mean, Matthew used to work at the *Wall Street Journal* and he was very proud of showing off his imperial Polish tattoo on his chest before his tattoos were so socially acceptable. That was a startling thing when he was an editor there.

At any rate, I can't really imagine a worse group of people to be given this job than those who got it. So they came in and they were very strong in their demands on Ukraine. This was the key piece to the whole



arrangement because if they could keep Ukraine, then they were certain they could stop Putin and the Eurasian union from developing.

At the same time, why do they want to expand east? This is crazy because they're so big already – big and unmanageable.

Well, the idea is that they will then saturate those new countries with vendor financing. This will pull the EU out of the doldrums, create jobs, create a big credit expansion, and it will all be wonderful. By the time that whole epic is winding down, the United States theoretically would have Russia so challenged that the country could simply shatter into very consumable bits that then the EU could pick up bit by bit.

**C. AUSTIN FITTS:** So you think the end game was the EU to expand, ultimately picking up more pieces of what is now sovereign Russia?

**ANNE WILLIAMSON:** Right. But, of course, had that scenario played out – and I don't think it will now, but let's say it did – what the EU would have quickly learned was that the United States would be replacing Russia in the Russia-Sino Agreement. So those parcels would never have fallen to the Europeans; they were just being suckers. It would have been the US that grabbed them up, but I think that scenario was very far-fetched presently, although that is still a dream.

**C. AUSTIN FITTS:** It's interesting. There are those who say that if you apply the oil card – low oil price in the financial sanctions for long enough – that Russia will in fact crater.

**ANNE WILLIAMSON:** Yes, there are those who say that. But at the same time, who else is going to crater if you keep the price so low? It's the same thing as pumping money, Catherine.

They can pump money, but they cannot determine where the money will go. We see in the West it's all going to speculation and the market. It's not going to production. So by the same methodology, when you intend to punish countries, you may punish them but not necessarily in the way you think, and not without harm to yourself.



**C. AUSTIN FITTS:** It's very interesting. Larry Summers just published on *Bloomberg* one of the most hypocritical pieces I've ever seen. I don't know if you've read it.

**ANNE WILLIAMSON:** I read a paragraph. It's amazing!

**C. AUSTIN FITTS:** It is amazing.

**ANNE WILLIAMSON:** I wanted to read the whole thing before the show, but I went, "Wow! This is news."

**C. AUSTIN FITTS:** Right. If you and I were to make a list of the multiple personality disorders involved, we would probably have a list as long as the Encyclopedia Britannica. But anyway, what he says is the creation of the Asian infrastructure investment bank and the Europeans coming into it – the American allies coming into it – basically marks the end of the American era of dominance in the global financial and geopolitical system. He essentially declares the beginning of the fall of our power.

**ANNE WILLIAMSON:** Well, that's right. Let's go back to this idea of the EU expansion to the East and what the US was supposed to be doing in the interim while the EU consumed Transnistria, Moldova, and Ukraine. The idea was that we were going to see the first digital siege of a country. In other words, we would choke off Russia's income through oil manipulation, through currency manipulations, through sanctions. We would take away her trade partners. It really would be a 21<sup>st</sup> Century version of a city under siege, and eventually they would be so weakened – just as the medieval city eventually ran out of fresh water and food – that they had to capitulate. That was what the US was planning.

Part of all this cyber-security and cyber-warfare that they talk about is not other countries; it's them. They are actually organizing digital versions of these very old, brutal war methods.

Again, the US makes strange mistakes. A lot of their mistakes are on the level of perception. They think that everybody in the world wants to be an American and live like an American, and actually that is not correct.



Most people would like to enjoy the prosperity that they see Americans have on television and in movies and so forth, but they wouldn't necessarily spend the money in the same way or pursue the same endeavors.

Immigrants to the United States are often confused by the culture. There are so many different messages coming in our politically correct era that it drives them more and more into their national enclaves where they function very much as they did at home, but just with a greater prosperity. That's one thing – perception.

Of course everyone is going to be absolutely delighted to imitate or be able to imitate our way of life. So that's number one: a wrong perception.

In the case of Russia, quite frankly they see a degenerate culture and they don't want any part of it. They are orthodox Christians and they take that very seriously despite the communist epic – even probably because of it. I mean, it was very strongly embedded in the culture anyway, but the oppression of the church and the communist era – if anything – only made its renaissance all the more inevitable and all the more important going forward. So there's that.

At the same time, they think, “We'll do this to Russia, we'll do that.” They think this country is just going to stand there in place like some cardboard target, and that is what they have miscalculated because Russia has been very active as are the Chinese and India and Iran and other countries that have been locked out in the cold. They have been active. They are building these institutions.

Another interesting piece that I would recommend your listeners read can be read today in Lew Rockwell's page by David Stockman, or you could go to David Stockman's [www.ContraCorner.com](http://www.ContraCorner.com) and read it. He gives a very clear explanation of what's been going on since 1971 in the currency and financial market.

I thought it was very interesting because he dates vendor financing – and



he's absolutely right, although I never would have said this earlier – from 1971 because since that date the United States has gotten over \$10 trillion worth of goods and services from foreigners from which we have never paid. That's on top of our own deficits of \$222 trillion unfunded payments and promises to the public and so forth.

Really, it was going off gold. Once you stopped gold, you stopped actual payment for goods and services. So we've been getting a free ride for some 45 years now.

**C. AUSTIN FITTS:** Right.

**ANNE WILLIAMSON:** That is coming to a conclusion, but why I recommend Stockman's piece is because he shows how powerful that was. This is what the Americans sold the Europeans on. "Look, you're going to get a chance to do what we did – vendor financing. So come on East. We'll take on Ukraine. We'll bring in NATO. We'll get Moldova, we'll get Transnistria," and on and on.

**“Once you stopped gold, you stopped actual payment for goods and services. So we've been getting a free ride for some 45 years now.”**

Well, they're not kidding because already they have sent emissaries to Armenia, to Kyrgyzstan, and to Georgia to try to stir up more trouble. So they're not dissuaded at all by the events in Ukraine.

**C. AUSTIN FITTS:** It's very interesting. You have a model like the central banking warfare model, and what you see is anybody who can create debt denominated in the currency they can just print virtually is in a position to do this. The euro has been in a position to do this. The dollar has been in a position to do it. What's been happening is you've been harvesting places and you've been doing it in a way that doesn't necessarily create ... If you look at how the euro harvested southern Europe, it basically consolidates economic value but it shrinks it.

I mean, you're harvesting; you're not building up. The thing that is most frightening to me is when I look at the squabble between Putin and the



US and Europe, what I'm seeing is we've been rebalancing the global economy and all these different players who have been trying to create liquidity out of the dominant central bank warfare model have been targeted. Now what's happening with the Ukraine is a whole bunch of them are getting together and saying, "Let's create liquidity together outside of the model."

I have a prejudice, Anne, and that is if you look at what's going on, I think if you look at the most powerful money in the world it's saying, "The Americans are stalling all around the globe. We don't want to bet on them. Let's have a Plan B with the BRICS."

I see Putin is getting more support from big money in Europe and the United States than maybe other people do. I don't think Putin is just isolated and alone. I call them 'Mr. Global' – the committee who runs the world. I think Mr. Global has just decided to play the Hegelian dialectic, and they had Plan A. The Americans are clearly not able to pull off what they've been up to, and Mr. Global said, "Okay, let's have Plan B. We'll have the Asian Development Bank and see if we can get going with that."

What Mr. Global wants is global government and global currency, and if he can control through the digital systems and behind the systems, then Plan A and Plan B fighting works to his advantage. That's my guess.

**ANNE WILLIAMSON:** But let's take your model and add another piece to it. I'm just thinking about it because first of all, you have the Chinese who have created an enormous debt domestically.

**C. AUSTIN FITTS:** Yes.

**ANNE WILLIAMSON:** I question the future there. I think ultimately China's future is very bright, but I do think there are some real roller coaster rides ahead for them.

**C. AUSTIN FITTS:** It's interesting. If you look between 2007 and now, 35% of the global growth has come from China, and that essentially all came



from them leveraging themselves up. You look at the numbers and you'll see. Believe it or not, our big theme for the first quarter review Wrap Up that I'm publishing later this month is 'Planet Debt'. I've been doing very in-depth studies on the debt system, and if China has gotten to where they've gotten to since 2007 by leveraging themselves up tremendously, then you have to ask the question: What's next?

**ANNE WILLIAMSON:** Right, and that's where I wonder about the ultimate utility of these institutions in the intermediate term because if China turns down before they're solidly in place, then we're going to have a new game – not necessarily a better or a worse game, but we're going to have a new game. But I have absolutely no idea when that's going to happen to China, so it does seem that all these debt questions are building also within the United States.

I mean, look at car loans. We're back to sub-prime real estate loans. All of this stuff is going on again, and as I understand it, the levels have even exceeded those of 2007-2008. Oh, and we also have the lending for the oil industry in there – fracking – and those loans are going bad of course, too. They were somewhat similar to the sub-prime loans.

We've got a lot of debt in the US that could go at any time, and China – which I really am not in the position to estimate when that might be – certainly seems that it may be building.

But who is not going into debt?

**C. AUSTIN FITTS:** Russia!

**ANNE WILLIAMSON:** That is interesting to me.

**C. AUSTIN FITTS:** Yes.

**ANNE WILLIAMSON:** Ever since Putin came in and after the 1998 debacle of the second Russian default of the 1990's, they have eschewed debt. They paid it off early. They even paid penalties in order to pay off their debts early, and they have been accumulating savings ever since. That really



was very beneficial to Russia after the 2008 downturn. I think that double underscored Putin's commitment to staying out of debt. And now, of course, they're having to draw on their savings because of what the West is attempting to do, yet at the same time I see they are spending that money on highly productive projects.

**C. AUSTIN FITTS:** I think the thing that has got the United States in real trouble is if you look at the Chinese and the Russians' approach, here's the question: Are we going to use the financial system as a battlefield, or are we going to use it to transact business that creates income? Part of the problem is if you look at central banking warfare model, it's steadily shrinking the total economic return. It's consolidating it and centralizing it into the players who can print money and have the power to kill with impunity, but it's not breathing value. The pie is getting smaller, it's not getting bigger. That's a losing game.

What's happening is you see the Chinese and the Russians very clearly signaling again and again that they want to put their money in things that make the pie bigger. Ultimately everybody knows you've got to make the pie bigger or nobody eats.

It's really funny. I once went back and did a study on the Salem witch trials, looking at the legal issues of the Salem witch trials, and one of the things that I discovered was what stopped the Salem witch trials. Do you know what it was?

**ANNE WILLIAMSON:** What?

**C. AUSTIN FITTS:** They almost ran out of food because everybody was going to court instead of going out and planting their fields. Finally somebody got a hold of the idea and said, "Listen, you've got to shut this down or we're all going to starve to death."

Cooler heads prevailed, but the reality is you have a group of people who have been harvesting places, and it's shrinking the pie – whether it's members of the American middle class who are proprietors of small businesses and, "No, you can't operate this way forever," or the Chinese



– we’re all looking at them and saying, “Look, at some point we have to grow something or we’re all going to starve.”

I’m curious. If you look at the speed at which the Europeans started to join the Asian investment bank over the last couple of weeks, I think they’re all saying, “Look, at least these guys are talking about building the infrastructure along the Silk Road. We need to build the economy and build growth, and we want in on the contracts.”

The problem with the Ukraine is that you can’t afford to fight forever. You have to go grow some food.

**“The problem with the Ukraine is that you can’t afford to fight forever. You have to go grow some food.”**

**ANNE WILLIAMSON:** Yes. So far all they’ve taken is a huge liability. That’s what’s really interesting in the Russian stance is that they have shown from the get-go that they understood that despite all of General Breedlove’s announcements to Russian invasion of the Ukraine. There’s no evidence of it, and it hasn’t happened. Why? Because the Russians do not want to take on Ukraine’s problems. They gave a very generous offer to Yanukovich before the coup – very generous. I was surprised at how much they offered, but they won’t go any more than that, and that was leveled at \$15 billion plus support for energy.

Well, they have continued through gritted teeth the support for energy, but there’s no payments on the \$15 billion. That was shelved.

If Europeans want this, they say, “By all means! Be our guest! But you have no idea what you’re getting involved in,” and they are correct because now they’re dealing with oligarchical wars and these private militias which could begin to fight one another. That’s a very definite possibility this summer.

Meanwhile, when I was asking about us not getting much information from Ukraine proper, I mean in terms of what the Ukrainian people are experiencing. I mean, how is granny getting by? We have a lot of



grannies in Ukraine – a lot of grannies who are alone. And we have young families. Is Masha able to continue with her piano lessons? Probably not.

**C. AUSTIN FITTS:** Right.

**ANNE WILLIAMSON:** How are they getting their food? How are they living?

Their currency lost 60% of its value, the economy halved last year, and since the beginning of the first quarter of 2015 GDP has declined by another 15%. I mean, these people are suffering.

I don't know at what point the Western Ukrainians say, "Enough is enough." We have plenty of reports of villages in the west refusing to turn their young men over for conscription. There have been some very thrilling YouTube presentations on this issue where some really tough Ukrainian ladies just let these guys have it. I mean, they're fabulous! And the entire village has organized and sent these people packing. It's fantastic!

So we do know there is resistance, but how much longer can that government hold? Because what it is doing is so negative for the Ukrainian people. And surely they were not demonstrating on the Maidan last year to become a member of the IMF or of NATO. That was not the point of their demonstrations, but that's all they've been offered.

And we also have this fantastic example of the IMF really becoming just a bank because they're getting ready to loan Ukraine \$40 billion, and the \$40 billion is going to be spent on war.

There is a rule in the IMF Articles of Association that no loans can be given to a country that is currently in a military conflict.

**C. AUSTIN FITTS:** Right.

**ANNE WILLIAMSON:** Well, they broke that rule long ago under Boris Yeltsin



because really the IMF financed the first war against Chechnya in 1994-1996. That was paid for with an IMF loan.

After that, of course, more and more loans were made to the point where now they're making a \$40 billion loan to Ukraine who says they're going to build a wall along their eastern border and buy US armaments. So it's insanity. This is no longer an assistance bank or a bank that steps in the lurch when some country is having temporary current account problems as it was originally constructed. That has long ago been left in the dust. This is just a public bank, and it is now very much involved in war finance.

**C. AUSTIN FITTS:** Right, or financing sales for US weapons manufacturing.

**ANNE WILLIAMSON:** Yes, but of course, you buy weapons generally to use them. They're not going to warehouse those weapons.

**C. AUSTIN FITTS:** Right, although if you look at the market share numbers, there is a wonderful institute in Sweden that publishes military expenditure statistics. Last year or in 2013 global expenditures in military was \$1.7 trillion. If you look at who the exporters are, the biggest one is the US with 37, but I think Russia is the second with 27.

If you look at the numbers on our debt problem, it's very similar. Our debt problem is a military expenditure problem because we sell bonds and then we spend it on weapons and military. So I think that the heart of this question is: Can we find a way to compete on things that create value instead of things that just kill people and harvest places?

**ANNE WILLIAMSON:** Well, you know, we have such an upside down global economy centered on the United States. If you go back and you look at communism or Marxism as an economic system, it's quite clear what the problem was. In fact, Von Hayek and Von Mises both wrote essays on this subject. I think Von Hayek stated from the 1920's and Mises from 1912 on why communism wouldn't work. The essential point was that economic calculation was impossible. You couldn't determine prices in this system. I mean, to get it down to the very essence, that was the



problem. You had all kinds of other problems – I admit it – but that was the central one.

Where are we today? Our economy in the United States is so upside down, and we have to have these less than zero bound rates because the economy cannot tolerate a rise in interest rates or we'll go into an immediate depression. All this talk about raising interest rates is just market come-on because if anything, we're going to get more printing of money.

Why are they doing it? Because they are committed to a system and have been ever since 2008 where they will not allow prices to clear. So we're in the same boat as the Marxists.

**C. AUSTIN FITTS:** Right. In a way, the Soviets won the Cold War because we adopted the Soviet system. We're just doing it behind closed doors. You know Glen Greenwald's expression, the 'one-way mirror'?

**ANNE WILLIAMSON:** Yes.

**C. AUSTIN FITTS:** We're just using the digital systems as a one-way mirror to basically control. The Stasi never dreamed of the machinery that we've put in place. So you can track the whole country with debt, and then use the digital systems. They're playing the economic hit game with families who make \$35,000 a year.

**ANNE WILLIAMSON:** Not only that, but they are determined. What they are doing in this FATCA law – this new law that your listeners probably don't know a great deal about if they're living in the United States, but if they're expats they know all about it. This system is designed to track every currency unit that is earned, spent, deposited, or borrowed in the world in real time. That's eventually what they hope to achieve, and they're well on their way.

Of course, this is enormous control you're speaking of. People just do not understand how threatening it is because people think all the surveillance is about, "I wrote that naughty thing about Ronald Reagan



or Barack Obama.” They’re afraid the government will come after them.

It’s just pointless because the government doesn’t care about their political opinions at all. Their political opinions have done nothing to stop the juggernaut. They’re quite comfortable. You can pop off all you want, and as long as you don’t advocate violence nobody is going to come after you.

There might be a few people who are prominent whose opinions count with a large number of other people who are at risk, but the average Joe, no. But, if they learn that the average Joe has an older brother who married a Vietnamese woman and he learned to speak Vietnamese in the home in Kansas with that Vietnamese wife or aunt, well, now they’ve got a Vietnamese speaker. They can go commandeer that man’s labor if they need it in the future.

**“There might be a few people who are prominent whose opinions count with a large number of other people who are at risk, but the average Joe, no.”**

**C. AUSTIN FITTS:** Right.

**ANNE WILLIAMSON:** You see, if you have all this information on everybody, you can now begin to sort the population to purpose.

**C. AUSTIN FITTS:** Right. You can begin to harvest the human capital in ways which most people can’t even fathom.

**ANNE WILLIAMSON:** Right, and that’s really what’s threatening and why these social media sites are rather threatening. You’re putting out everything you know. Maybe your daughter is a registered nurse with all kinds of skills that they can then commandeer in the future. They really are dreaming of this totally planned society which is like communism, and where prices won’t matter because they really believe that in collecting all this information on the public and then writing appropriate algorithms will give them the power to overcome that fatal flaw of Marxism.



**C. AUSTIN FITTS:** Unfortunately they're wrong. One of the reasons they're wrong is markets do such a marvelous job of communicating and clearing the air. Markets can have such integrity where they work. I think the biggest, deepest problem you have – and you see it in the United States and you see it globally – is this deep reaction to the perversion of it, because any system that gets that centralized and involves as much hubris as this one, because if you look at the people who are managing it, they didn't come up meritocracy. They came up something that went fast, brought in a lot of power, and there's a lot of simplistic thinking combined with hubris.

But from a moral standpoint, it's also a very perverted group. They don't believe in the law and they don't understand the power of the law.

When the wall came down, instead of using the leadership of the Bretton Woods system to confirm and build their power, they used it to go on a global shopping spree and they were very picky about it and were way outside the law in many, many places.

As a result, you've created a backlash. The blowback is basically against the perversion. I always tell the story of when I was sitting in Washington having this squabble with my attorneys during the litigation. There was this chilling moment when I realized that I would rather die in the wilderness than be part of anything that was this perverted because there was no law.

I don't know if you've ever seen the movie *Dune*, but if you remember Jabba the Hutt, this huge, piggy, grotesque thing. You were dealing with something that just wanted more. It just wanted more, and it didn't care about the law.

Leonard Cohen has a line I always use, "We are blinded by the beauty of our weapons." This thing was not only out of control, but it was culturally empty. There was no juice to hold it together, and that's when I knew it would fail. It was scary because when you think of a failure that huge, it's just frightening.



**ANNE WILLIAMSON:** Well, part of what they've got – and you're right – they are totally lawless, which is something Mr. Putin repeats constantly because he's so astonished by it, and they're well outside the common law. But what they've got going for them is something known as 'administrative law'. That's what they use, and we have no control over that. That's a real tragedy for us.

**C. AUSTIN FITTS:** Right.

**ANNE WILLIAMSON:** They're in total violation of what you and I believe and see as the law, but we do not appreciate the power of administrative law which has grown to a huge body of literature of regulations. It controls all of us. This is what we don't have the tools to overcome so long as we have these huge governments.

**C. AUSTIN FITTS:** Right, because they can simply create more.

**ANNE WILLIAMSON:** Yes, and that's what really does worry me. I think a lot about these people, and I know quite a few of them personally, and I think, "Why do they persist? What is it they want?"

It's like you in your conversation with your lawyers. It's just confounding. How could anyone actively pursue such destructive ends?

But the simple truth is that these people think that they're doing good, and they think they're right. I mean, it's an awful problem that CS Lewis who wrote so many wonderful books like *The Marea Cycle*. He wrote a great essay on the part of do-goodism, which is really the power to destroy because these people believe it.

Now Paul Craig Roberts had an interesting take on it, which was one of the best expressions of these people's psychology that I have read which is that essentially they believe they are the power of history. It's so shocking and so frightening to think that this coterie of highly advantaged ivy leaguers are actually in that place where they think they know all the answers, and apparently they really believe it.



**C. AUSTIN FITTS:** Well at the end of the day their situation, to me, is a military question: Is there sufficient superiority of surveillance and intelligence systems – of satellites, of control of sea lanes, of invisible weaponry – that we may not understand or know about that can take them over the top? Is there a military strength here that is invisible that you and I can't define?

**ANNE WILLIAMSON:** That's a very good question, but I question that. I'll tell you why.

I read about so many programs that I had no knowledge of. I mean, a single day on the internet I discover five or six major efforts – or at least two or three – that I was unaware of, and they are lavishly funded. Of course, we have the same personnel cycling through all of them. The waste of the system is just extraordinary.

**C. AUSTIN FITTS:** It's mind-boggling. Hear, hear!

**ANNE WILLIAMSON:** I mean, the waste and mismanagement and theft, it's over the top. I mean, it's ringing all the bells.

So even though we have this tremendous military establishment, it is so fat that I can't help but think that it's ineffective in the lurch. For instance, Russia only spends one-tenth – and that's after raising their spending on military considerably – of what the US does. But if we look back to their defense of Setia in 2008 and of Kozia and the maneuvers they've engaged in since their Ukraine crisis, that's a pretty good military they've put together. I'm really rather impressed with what a good job they've done in just ten years. Believe me, the Red Army was really down and out.

So they've done a good job, but I think it's in part because they don't have a tremendous amount of money. They've had to be very disciplined. They've had to be creative. They've had to really train their troops, and you see the US hasn't focused on those things. So we have this huge, lugubrious organization – this Jabba – that can't fight. I'm not convinced it can.



**C. AUSTIN FITTS:** This is a very important point, and I'll tell you why. If you look at the history of war, the thing that really got war going was the bond market because the West came up with the bond market and the bond market was the way you could finance a war before anybody had to pay for it.

If you had to do war in a pay-as-you-go basis, it's really funny because about the third time I read Sun Tzu, *The Art of War*, I realized, "Oh, these were guys who had to finance with equity."

When you had to finance war with equity, you had to be much craftier and much more careful. When you could finance war with a bond market, you could just go out and get a ton of money and buy a huge amount of stuff and overwhelm them with force. The problem with that – and I saw it in Washington par excellence – is that you have no discipline to enforce optimization on the organization.

Then everybody gets what they want, and what you see in Washington is the wall came down and then everybody wanted a peace dividend, but essentially the military-industrial complex said, "No. We won the war so now we want the reward."

They piled through after 9/11 and they've built an infrastructure. I don't know if you have read *The Top Secret America* by the Washington Post investigators who went off and put together a database of all the hiring and bureaucracies and spending in facilities. It's basically this huge machinery that is just growing like an enormous parasite, and it's overtaken the host. Of course, it's looking for something to do.

**ANNE WILLIAMSON:** And it's really trying to replace the middle class that their economic policies are destroying. All those guys they're hiring are working for \$40,000 – \$50,000 a year – a lot of them, which is middle class wages. I mean, they're not doing anything productive, but they are

**“When you could finance war with a bond market, you could just go out and get a ton of money and buy a huge amount of stuff and overwhelm them with force.”**



feeding their families and educating their children. So that's good enough for now.

Ultimately it's a wealth-sucking game because they don't create wealth, but they are replacing – slowly – a class of people that is dying. Somehow the government thinks this is all going to work. Well, I don't believe it will at all. It won't even work in the circumstances for which it was designed, which is warfare.

**C. AUSTIN FITTS:** It will work under one condition. Let me argue. If you can continue to harvest the planets with the games we're talking about, and if you can continue to go around the world and destroy a place like the Ukraine and pick up the farmlands and some of the businesses for cheap, and if you can continue to do that globally, forever, it will work. This is why I come back to the military question.

**ANNE WILLIAMSON:** But at the same time, we're seeing that the world is beginning to resist, even in Europe, amongst the populations. Now some of the EU leadership is backing off. I don't think the United States is necessarily going to get their sanctions renewed.

Here in Hungary Viktor Orban is in hot water with both the EU and the US because he's standing up for his country. He signed an energy agreement with the Russians. I mean, what would you expect this man to do? This country needs the energy. He did the correct thing.

**C. AUSTIN FITTS:** Well, Exxon is running around Russia making deals to get oil cheap.

**ANNE WILLIAMSON:** And now the Germans have taken a tremendous hit because of these sanctions. So have the French – not as seriously, but German business is really impacted by them and it's getting worse.

**C. AUSTIN FITTS:** There's no doubt that the American game is going to have to change. It's just going to have to change. It's hitting a wall.

Before we close, let me ask you one question: What do you think the



deal with Iran – and let's assume it goes through – will do to this state of play?

**ANNE WILLIAMSON:** Wow! That's a really good question! This is actually the one policy of Obama that I'm very supportive of – that we get some kind of agreement.

I mean, it's a totally fraudulent dispute because there is no intelligence that shows us that Iran is actually trying to develop nuclear weapons. I remember hearing this stuff out of the Israelis that within six months Iran will have the weapons and so forth, and back in 1990 I remember them making these claims. It was always six to twelve months in the future.

Well, here we are 15 years later and they're still saying the same thing and we still have no intel on nuclear weapons out of Iran. At this point, I actually think they would be irresponsible if they weren't trying to develop them considering their circumstances, but there is no intel. In fact, the intel supports the idea that they are not doing it – that they gave up any program for nuclear weapons in 2003.

Therefore, these international associations – why did so many people join in it? Well, we've forgotten the other half of the formula which is that that organization has allegedly committed to denuclearizing the planet. In other words, it's supposed to be working at getting nations to drop their military nuclear forces.

Of course, we've never seen that. That hasn't happened at all. That was just forgotten after they got the structure up. Instead it's being used to target countries like Iran. Meanwhile, India and Pakistan have developed nuclear weapons and nothing is said. So it's a screwy situation, but I don't think it will go smoothly in the same way that this re-approachment with Cuba is not going smoothly because the Cubans aren't willing to make all the changes that the US wants. I suspect that Iran will be the same.

If you can somehow undercut the Israeli war-mongering, I think it's



really to the world's benefit and it will change the picture in the Middle East in a lot of ways as will these actions in Yemen. I mean, the place is a mess. You can't even follow the players. One minute we're bombing supporters and another moment we're sending supplies to other supporters of the same movement. I mean, it's totally bizarre.

The teams keep changing flags, so it's impossible to follow.

**C. AUSTIN FITTS:** I think what the world is saying is, "Look, the covert and overt warfare is destroying the economy and we all need to eat. We need to focus on more economic health and less fighting."

I think the message to the US is very clear: You need to attend to building a life worth living instead of harvesting.

**ANNE WILLIAMSON:** Yes, but do we have a single presidential candidate making that argument?

Look, our front runners are Hillary and Jeb Bush. Good Lord! I mean, these are two people who are not going to lay down their banners. They're both war people.

**C. AUSTIN FITTS:** I hate suggesting more things to watch, but today I'm putting up a video from Eric Lee who was born in China but moved here as a venture capitalist. He did a study on Chinese and US leadership. If you want to understand the argument for long-term Chinese success versus the United States, it's really on the issue of: What is the system internal to the country that builds and breeds leadership?

Unfortunately, the leadership here is oligarch pleasers as opposed to real leaders. If you look at the bench, it's not deep because you have people like Paul Craig Roberts and David Stockman just writing cranky stuff all the time. They're so infuriated!

It's very painful to live in a country where you can't respect not just the leadership but the system that creates and manages the leaders.



**ANNE WILLIAMSON:** The system in the United States has so gone off the rails because you have a congress that absolutely does not function except as a satisfaction agent for key players or well-organized players. Of course, the public is always busy with their own affairs. They don't organize.

**C. AUSTIN FITTS:** Oh, Anne, I have to disagree with you on that. If you look at the amount of money and time that has been spent to sabotage local political organization and activities – controlled sabotage – I have to tell you that the German Stasi has nothing on what's been done in America. It's very violent; it's very dangerous. The American people have been up against it.

**ANNE WILLIAMSON:** I agree, but it is so difficult to pull all these disparate individuals together around a principal or an objective. It's much easier to pull together a bunch of oil men to defend their depletion allowance. That's not tough, and you can get those guys to pony up the money and send representatives.

**C. AUSTIN FITTS:** I hate to say it, but if there's one group of people who could pull together their resources to get America back on the right track, in fact it might be the oil guys – or some of the oil guys.

**ANNE WILLIAMSON:** Well, Texas is now taking a hit on their economy, and that's quite interesting because we associate Texas with energy. Thanks to the fracking revolution and the Eagle Ford system in the south, there are big oil that big oil place, where oil was made in the last decade. And at the same time, we should not forget that Texas also enjoys a disproportionate amount of the defense industry.

**C. AUSTIN FITTS:** Right.

**ANNE WILLIAMSON:** The Presidents make sure they take care of Texas because of all those electoral votes. So now Texas is actually experiencing

**“The system in the United States has so gone off the rails because you have a congress that absolutely does not function except as a satisfaction agent for key players or well-organized players.”**



a true downturn. That's very interesting because that means the oil industry is under stress and so is the military-industrial complex.

**C. AUSTIN FITTS:** Well, the independents are in distress, but remember the large guys can recapitalize. There's a long history in the oil patch that every time the thing goes down, big guys consolidate at the expense of the independents.

Anyway, Anne, I promised I wouldn't keep you this long. I can't thank you enough for joining us on this interview. Tell us where you're going to be next and how we can keep abreast of your writing and your work.

**ANNE WILLIAMSON:** Well, I've got to go back to the Caribbean at the end of May, and I plan to be in Russia in July and August, I hope, this year.

**C. AUSTIN FITTS:** Wonderful!

**ANNE WILLIAMSON:** It's interesting because I think it's time to get on the ground and have a close look at what's going on that side of the border.

**C. AUSTIN FITTS:** I'm going to be in Europe in the fall. Are you going to be over there?

**ANNE WILLIAMSON:** You know, I wish I knew, Catherine. I have to tell you that I plan my schedule in three-month blocks these days.

**C. AUSTIN FITTS:** Well, pencil in Amsterdam in October because I'd love to see you. Anything we can do to help, you just keep us on your dialing list. We wish you Godspeed, and keep that information coming.

**ANNE WILLIAMSON:** Thank you so much, Catherine. Thank you for the pleasure of speaking with your audience today.

**C. AUSTIN FITTS:** Have a great day.

**ANNE WILLIAMSON:** You, too.



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