



The Solari Report

APRIL 3, 2014

1st Quarter Wrap Up: 2014





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Table of Contents

Chart #1:	Global Internet Connected Device Shipments	5
Chart #2:	Social Media Index ETF	6
Chart #3:	Freescale Semiconductor 2013-2014	7
Chart #4:	Sears Holdings Corporation	9
Chart #5:	S&P Crude Oil TR Index 2013-2014	16
Chart #6:	Market Vectors TR Russia ETF	18
Chart #7:	Teucrium Wheat Fund ETV	19
Chart #8:	Tokyo Electric Power	20
Chart #9:	iShares MSCI Emerging Index Fund	21
Chart #10:	Guggenheim Solar ETF	22
Chart #11:	Unemployment Rate - Official vs. ShadowStats Alternate	29
Chart #12:	Average US Per Capita Income & Federal Employee Salary	29
Chart #13:	First Quarter Market Roundup	30
Chart #14:	30 Year US Treasury Bond Yield	30
Chart #15:	US Dollar Index	31
Chart #16:	Projected Savings if Bitcoin Were Adopted	32
Chart #17:	S&P 500 - Total Assets Held by Fed	34
Chart #18:	S&P 500: What Is Possible?	35
Chart #19:	10-Year UST vs. S&P 500 Shareholder Return	36
Chart #20:	S&P 500	37
Chart #21:	Alibaba	40
Chart #22:	E-commerce Sales	40



INTRODUCTION

Good evening. Welcome to The Solari Report. Today is April 3, 2014. I'm Catherine Austin Fitts, and I'm delighted you could join me this evening for our first quarter wrap-up. If you haven't taken a look at the annual wrap-up that we did in January, I would encourage you to do that. That's our comprehensive overview. I'm going to focus tonight on the things that have happened in the first quarter that inform and add to what we talked about in the annual wrap-up. You can access that at the Subscriber Resource page.

Our theme tonight is spring fever. Today, and this month, is the blossoming of spring where I live. I have just driven back from Pennsylvania. You see spring breaking out all over many different parts of North America. I hope it's spring where you are, and I hope it's as beautiful there as it is here. It's a reminder of one of my favorite themes or passages from Scripture. From the Song of Solomon, "The flowers appear on the earth, the time of the singing of the birds has come, and the voice of the turtle is heard in our land." Spring is a reminder that a great source of our wealth is what the earth bursts forth every year. It's an enormous gift and one that we should be thankful for. As we watch the human race squabble and fight over all sorts of resources, it's important to remember that the vast majority of our resources come to us as a gift, and it's a very abundant one, one we should appreciate. It reminds me again of the extraordinary opportunity if we could reengineer our financial system to align with our environmental ecosystems. If our places could have financial ecosystems that we could optimize.

"Spring is a reminder that a great source of our wealth is what the earth bursts forth every year."

People keep saying there's no room for growth. There's tremendous financial growth if you reorganize the financial system and heal the environment and bring this into alignment with the environment. Tremendous growth that can come on the financial side. All those greedy investment bankers can make money healing the environment, so don't believe that it's not possible to live in harmony with the planet and have financial growth. It's very possible.



If you access the links at your Subscriber Links on the blog or at the [Resource page](#) for this first quarter wrap-up, you will find that we put up a web presentation. I call it an outline. It's not a written transcript of our talk. It's bullet points, graphs, charts, and it will help you follow along. Take advantage of that. Many of the graphs and charts we'll use for our audio/video presentation, so you can see them in that as well.

I want to cover five areas:

- Reorganizing the global consumer
- Geopolitics
- What's going on in U.S.A., particularly in the economy
- Money and markets
- The steps you and I can take to facilitate our own breakaway

REORGANIZING THE GLOBAL CONSUMER

We started a process in the 1990s with a series of trade agreements that accelerated the reorganization of the global labor markets. That was part of facilitating what I refer to as engineering of the financial *coup d'état*. If you, as a Solari Report subscriber, have not watched the wonderful video of Sir James Goldsmith talking about this as a fundamental shift in the relationship between capital and labor, we put it up once again on the outline. It's a marvelous description. Even though it was filmed in 1994, it describes the economy today. That was an unleashing of a reengineering of the labor market and a relationship between labor and capital. What we're seeing now, with the reorganization of the consumer, is possibly even more dramatic.

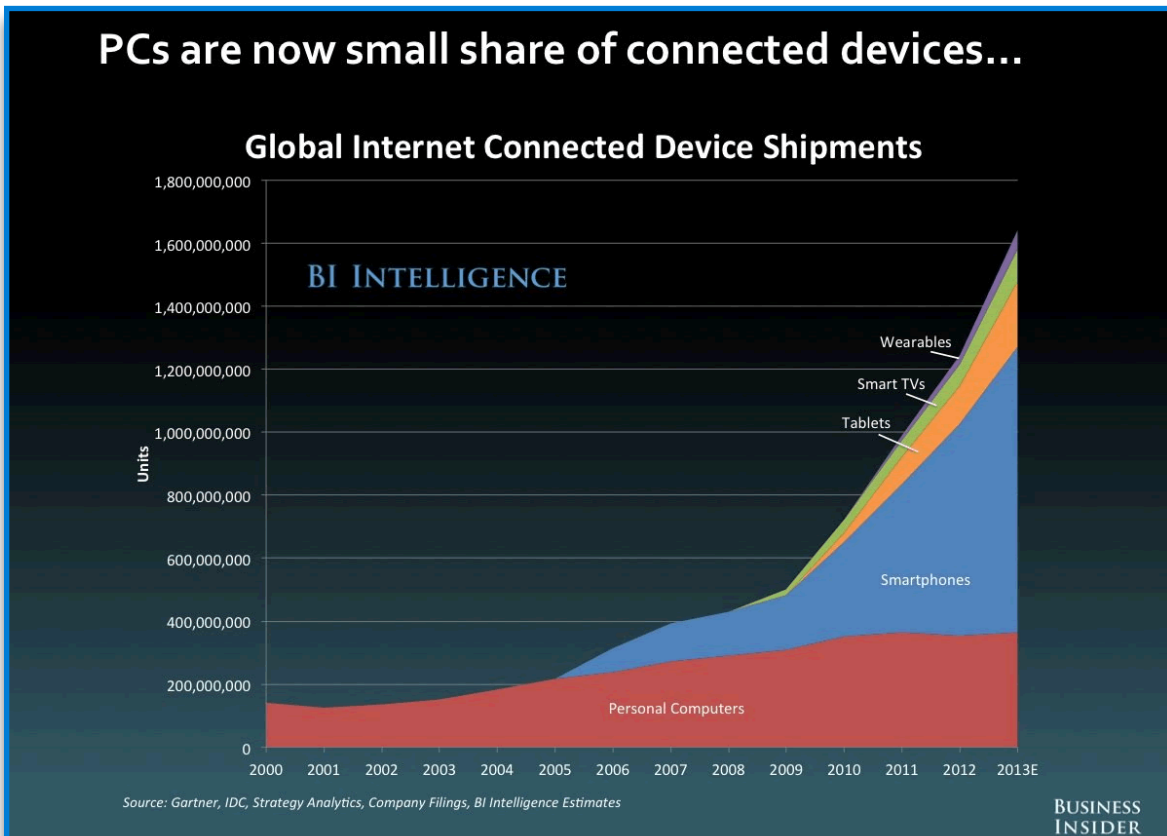
In 2013, manufacturers shipped over a billion smartphones. What is happening is the mantle of the largest consumer market, which for many decades was the United States, now approximately 317 million (which had moved to the European Union when the European Union was created, a market of approximately 503 million people now), has now shifted to something called people who are online. Almost 2 billion people are now online, connected with devices that are increasingly very unique. Smartphones and tablets are an integration of media, entertainment, financial transactions. We have almost 2 billion people online, and they control a significant majority of the media



attention and the financial transactions on the planet. Not to say that we can't get the other 6 billion, 7 billion-plus online as well and start to bring them into the media attention and financial transactions of the first 2 billion. As we reorganized the labor markets in the 1990s and still continuing, we've started to reorganize the consumer markets in ways that it is increasingly hard to fathom.

MOBILE-READY

What does it mean when media and entertainment and financial transactions can be merged into one medium, particularly if that medium can involve subliminal programming, entrainment and all sorts of other things? If you haven't listened to the Solari Report on entrainment, you must do it, particularly given the direction that things are going. Even though I called this mobile ready, if you look at what is happening with the shifting and the digitizing of everything and the connection through the internet, what's called the internet of things, we're talking about something that's much bigger than just smartphones. We're talking about literally digitizing and setting up just





about everything to communicate, given the invasiveness of the different systems, whether it's government or private entities or just hackers listening in. There's serious questions about what is this going to be like if everybody and everything is connected in these ways.

One of the big questions coming out of this is, "Will the Snowden revelations create a balkanized internet?" We're seeing groups around the world start to question the safety of these different systems and trying to figure out a way to create something regionally, a very interesting development. We'll see how it evolves. There are tremendous implications for the equity markets, as we talked about in the annual wrap-up. I described it as two models, Global 2.0 and 3.0. Global 3.0 is the model that works well in a networked world. Global 2.0 is the industrial model, and we're watching it shift. Some companies are making that shift successfully and others are not. This shift is important, so it's going to have tremendous impact on the financial markets. It's one of the reasons I have talked about the divergence within the market.



Up in the outline is a comparison of four stocks just to give you a sense of the magnitude of what's going on. One was the gold ETF, one is an index for the S&P 500, one is Lockheed Martin (the largest defense contractor and the largest



government contractor. If any company runs the day-to-day nuts and bolts of the U.S. government, it's Lockheed Martin), and then the social media ETF. The social media ETF includes companies involved in building social media and doing a lot of the mobile advertising and mobile payment that is developing. What you can see is, over the last year the social media and defense contractor have performed way ahead of S&P, with social media now falling. With the Ukraine and other tensions around the world, Lockheed has continued on up.



I also put up a chart on Freescale Semiconductor. This spring, Freescale was nominated as one of the fifty most innovative companies in 2014 by MIT Technology Review. One of the achievements at Freescale highlighted in the report is that they make tiny computers for the internet of things. One of the things they noted was the two-square millimeter size of a Freescale chip that has a processor, memory and other functions. So they're noted for the tiny chips and creating capacity for the internet of things. On March 3, Freescale Semiconductor released its first eleven radio frequency power products suitable for U.S.-based defense market application. On March 8, 2014, twenty employees of Freescale Semiconductor, on their way to China, disappeared with Malaysia Flight 370. We've seen questions all over the internet. One of



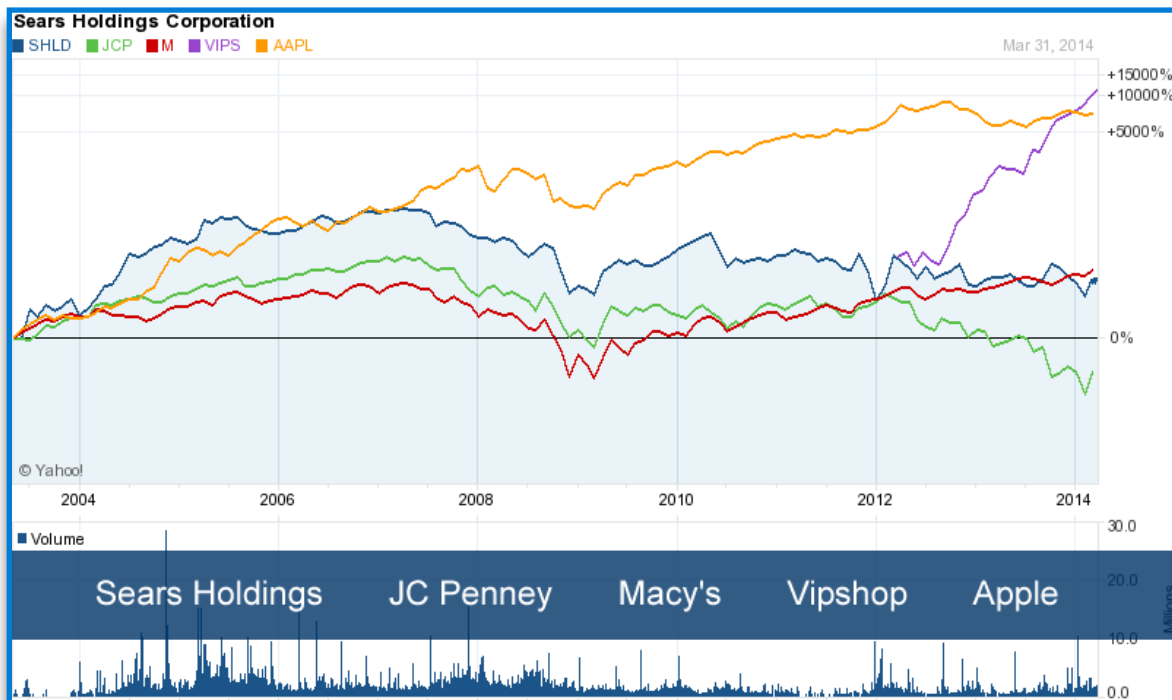
our subscribers asked me if I thought there was a connection. We don't know. The reason I highlighted this is it's perfectly possible. If you look at the importance of this kind of intellectual capital and related patents, you're going to see this kind of squabbling over who gets the knowledge and who has control of it. Could it be possible that the disappearance of Malaysia 370 related to the fact that there were twenty Freescale Semiconductors on the plane? You bet. That doesn't make it so, but that's the kind of economic warfare we need to be watching for.

“If you look at the importance of this kind of intellectual capital and related patents, you're going to see this kind of squabbling over who gets the knowledge and who has control of it.”

RETAIL 2.0 TO 3.0

If you look at what's happening within the retail area, it's unbelievably dynamic. I put up a commentary called “Bytes and Atoms” in the first quarter about this (we've listed at the bottom of the outline, all of the top commentaries as well as the reports we did in the first quarter). What I talked about was the extent to which goods and services are now going to be purchased online and delivered, whether it's by Amazon's drones or by the Post Office or whether we're going to keep going down to the shopping malls. Throughout the country, what you see as you drive around is more and more large warehouses and transportation facilities popping up at the edge of the cities. What's happening is we're seeing the malls begin to empty out and you're literally seeing this shift from the shopping mall into the warehouse which is delivering the online purchases. There are a lot of other creative issues, as in, “Do people use their mobile phone to test and price things out as they're wandering through the store?” So it's not a matter of bytes or atoms. It's very dynamic ways of reorganizing both of them.

As part of this, the numbers are quite astronomical, and it gets back to this number of people online. We see last year just the App Store at Apple (not the full Apple Store, just the App Store) sold \$10 billion of sales in apps. In December, their apps sales were \$1 billion. That's equivalent to the annual revenues of the government of Greenland. We literally have the App Store at the Apple Store surpassing a numerous number of governments in revenue size in one month. It's quite astonishing.



I put up a stock chart of a couple of the Retail 2.0 and 3.0 companies, and it's very interesting. From about 2003, you look at Sears, Macy's, JCPenney, their stocks are essentially flat, whereas I added Vipshop and Apple, who are skyrocketing beyond them. Vipshop is one of the online stores in China. You see again this tremendous divergence between 2.0 and 3.0.

Now, what does it mean to you and me? There are a lot of changes. One is much of this is going to be reengineering costs in a variety of different areas, down. If you look at what it cost me once upon a time to have 11,000 songs, which is the number of songs I have in my iPod, and buy them all in physical form as opposed to download them and put them on the iPod, there is a significant savings. One of the things you want to look at in anything that can be done digitally is how can you reengineer your expenses down. Also identify the market opportunities. There are tremendous number of opportunities for small business and entrepreneurs, but as I keep saying, it means we have to keep learning. The shift from Retail 2.0 to 3.0 is good news for some people, and bad news for others. It can be good news for consumers if they're paying attention.

A couple of points about who's fading away. TV continues to hold its



numbers, but if you look at what it's drawing and how it's working, clearly a deterioration in many areas, although we have some pretty interesting content, for internet TV. Cable is clearly dying, and Hollywood is struggling to maintain control and keeps running to Washington to try and rig their way back into the game. No doubt this is going to be tough on the physical theaters, so watch the recreation of bytes and atoms around the consumers. It's going to be very interesting and, again, it's going to be global and with more of the sales coming from Asia rather than from North America or the EU.

CONSUMERS: JUST DO IT

One of the things we're seeing is, as more and more consumers get online, find each other, and talk to each other, they're getting more and more fed up with the traditional system. They're getting fed up with 2.0, but they're getting fed up with being lied to by media and government. I put up some wonderful examples of this. There are walk-aways and workarounds happening everywhere. There's a wonderful movie that I watched in the first quarter, *Dallas Buyers Club*, about a group of citizens in Dallas who have AIDS and have had it with the traditional medical system, go to Mexico and find a way to get the drugs and supplements and nutrition they need. As I mentioned on the Solari Report earlier in March, the best coverage, I thought, of Malaysia 370 was on Reddit. You had citizens all over the world doing a much newer, updated version of what we did with unanswered questions on 9/11, which is getting online and start trying to ascertain what facts we knew, and what they mean. Remarkable. Some of the most responsible coverage on any of these sort of mysteries. A great example. Of course, the one I love is Kickstarter comes up past the \$1 billion mark; a perfect example of where the market wants to have micro equity financing, wants to have stock markets for small business, wants to have stock markets for communities, but it can't do it. At some point we just say, "Okay, we can't have equity markets. No problem. Just give each other \$1 billion." An amazing, amazing workaround.

We saw the Obamacare deadline come and go very, very recently, and what we're seeing is a lot of people just walk away and say, "I'm not paying for this service because I don't trust the system anymore. I'm going to pay the fee. I'm going to find a workaround." I put up, in the first quarter, a wonderful documentary called *Second Opinion*. I gave it a big gold Solari star. You had a very, very credible team out what had been done years ago suppressing



evidence on the beneficial benefits of laetrile when it came to treatment of cancer. It's an astonishing production, and the fact that it came out and came out in the way it did is a perfect example of the kind of critical mass that's building and saying we're going to break through. We're just going to walk away. We're just going to do it.

It's tax time, and tax time is a time where, if you haven't gotten fed up, you're very likely to do so. The double standard gets very painful because you're looking at what you're paying and you're looking at what large corporations are not paying, and you're realizing you're paying money into a system that is using that money to do things that are harmful to you. It's like you're paying the Sheriff of Nottingham, you're funding its budget

to torture you. There's tremendous amount of frustration in the United States over taxes. Part of it is that a variety of different investors are taking gains. That means if you needed to downsize your precious metals, many of those investors have taken big gains, and if you had money in the North American equity markets and you feel it's high and you're taking gains, you're noticing it's a very expensive cut, especially when a lot of that gain represents inflation.

Given what's been going on over the last year and tax time and the frustration with unemployment, with the falling household incomes, the 2014 elections coming up are going to be very meaningful. By meaningful, I mean voters are going to come out, they're going to care and they're going to vote in such number that even the voting machines can't rig it. We've reached a point where many people are beginning to realize incompetence and corruption are cover stories. They're cover stories for a system that never corrects because those are just cover stories. The problem is not incompetence or corruption. The problem is that we're engineering the system in a way which is outside the laws. It's a plan. Well, April Fool's Day plus one from the Supreme Court. The 2014 elections have just been negated. The Supreme Court has now essentially removed any barriers or any restrictions on how much can be given to a candidate, so now we're going to see billionaires be able to give one candidate \$1 billion. That tells me a couple of things. One is that the leadership was very concerned that even the voting machines weren't going to do it this time, that

“It's like you're paying a share of Nottingham, you're funding its budget to torture you, and it's a time of real accountability.”



the anger is this bad. Part of it being Harry Reid saying he's not going to support the President on the trade agreements because real fear is the electorate. The other is there's no doubt about it. What Mr. Global wants more than anything is a constitutional convention. With campaign financing a likely issue to inspire one, don't go for it, don't go along. It's a nightmare. It's the worst thing we could possibly get because they will hijack the process. But you have activists who have been, for many years, pounding the drums and saying they need it because of election financing reform. This is just going to make it stronger, and unfortunately, as bad as this is, it's not as bad as what they can do with a constitutional convention, so beware.

I posted in our bullet points for this discussion, a link to the first quarter Solari Report on FBAR developments. One part is of the filing on April 15th for U.S. individuals. The other is a discussion on the FBAR form, which is due on June 30. If you need to attend to those, I would recommend you take a look at that special report again.

1ST QUARTER SPECIAL SOLARI REPORT

FBAR DEVELOPMENTS FOR INDIVIDUALS FOR THE 2013 TAX YEAR

BUSINESSES: JUST DO IT

We talked about consumers "just do it." Let's talk about businesses "just do it," because when you have this integration of media, entertainment and financial transactions into one device, particularly a device that an individual's going to keep with them for many, many hours during the day, you're talking about all sorts of integration occurring and all sorts of industries now competing for each other's businesses. We're literally watching lines between different business sectors melt away and business models change in radical ways. One of the big ones is cutting out the finance guys. We have hospitals saying, "We can't afford the insurance companies. We can't deliver decent care and give the insurance companies their spread, so we are going to start insurance companies. We'll just insure the patients and take care of them too." The hospital is backing into the insurance companies' margins.

Silicon Valley, of course, is trying to reengineer everything into an app. Certainly they're trying to reengineer the brokerage business and the banking business into apps. We see T-Mobile offering banking services, again trying to cut the banks out. You see this telecommunications versus banks thing



happening. More web sites offering peer-to-peer lending. That means an individual lending money to other individuals. We see the Chinese online stores doing more and more with peer-to-peer lending. We see PayPal financing purchases.

Virtual currency. Can it cut out the credit card companies? There's tremendous opportunity in virtual currencies to lower the financial transactions costs and fees, and that's part of the interest in them despite my skepticism and the risks that are attendant with that. Finally, we see Walmart and Apple suing credit card companies. Part of it is if you look at a business like Walmart, their margins are getting squeezed terribly as the economy softens and household income goes down. That 1 to 3 percent that the credit card companies might be taking is potentially the thing that could keep them alive. Cutting out the finance guys is something we're seeing, but there are all sorts of these examples of companies going after each other's business. For you as a consumer, or a businessperson, some of these areas are going to offer opportunities for you.

The Vatican, the mother of all reengineeringings. I know you're thinking, oh, well that's a religious organization. The Vatican and the endowments in and behind and around it constitute a huge global business, particularly in those areas of the world where people are not angry at the scandals and still paying their 10 percent tithes. We've talked a lot last year and throughout the first quarter about the Vatican model and what's going on in the Vatican. It is the mother of all reengineeringings so it's worth keeping an eye on. It's the largest global institution that's having to rebalance from a governance structure that's very much controlled in the developed world to one that's much more sensitive to the emerging markets.

Finally, regulators take their pound of flesh as all of this squeezing of the margins and deflation of revenues goes on, and the government has the same problem. They've got an enormous number of agencies and regulators and as we saw in the 1980s and 1990s, particularly around the war on drugs, the model is now spreading to many other areas. More and more of the enforcement agencies on a for-profit model which makes money from seizures and civil money penalties. We have regulators out on the hunt and they're taking their pound of flesh, and that's not unconnected to the fact that we have

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HOSPITALS PLOT THE END OF INSURANCE COMPANIES



bankers getting hit by trains and jumping off buildings and I would say being thrown in front of trains and being thrown off of buildings. The regulators are out there taking the “pound of flesh,” and I would say for many of the big financial institutions, it is a difficult time. Not to say that their stocks aren’t still doing well and they still don’t have advantages which are beyond sinful.

“More and more of the enforcement agencies on a for-profit model make money from seizures and civil money penalties.”

I want to stress again that this is going to be very, very important because one of the ways that we all have a dramatic impact on what happens in this world is where we give our attention (whether it’s media attention or political attention) and who and how we engage in transactions (whether they’re purchases or financial transactions or donations). When all of these cash flows get reengineered, within that space, there’s an opportunity to reinvent our world and reinvent it in the ways that we wish. There’s going to be opportunities so I have to tell you that I think the reorganization of consumer markets is going to be as profoundly impactful as the reorganization of the labor markets, maybe even more so. It’s something that’s going to rock our world. It’s rocking our world now. Please pay attention to it and look for ways to find opportunity for yourself and to protect yourself from some of the more unpleasant areas, particularly the compromising of our privacy. As it is tax time, the other thing I have to say is please be impeccable. Remember the people who are listening to your phone calls and reading your bank accounts and watching all your transactions are also the people who are collecting your taxes, so don’t assume that they don’t know. I’m sure they do if they want to.

GLOBAL GEOPOLITICS

I warned in the annual wrap-up, as I have for many years, that our greatest danger is not the risk of global financial collapse. Our greatest risk is war. The reason we haven’t had a financial collapse is because the slow burn is engineered and the thing that keeps the slow burn working is force. When covert force doesn’t work, we get overt force in the nature of war. What’s happening is very simple. I keep telling the story of Jimmy Rogers at the New Orleans Gold Conference. Somebody asked him if he was worried about peak



oil and he said, “Forget peak oil; it’s peak everything.”

We’re watching the stress of growing populations engaged in greater consumption. The models that we’re using for the financial system and investment are designed for control, not to create the incentives to live in harmony with the environment. If you look at the proposals to shift us to a model of carbon tax and things like that, it’s a very top-down controlled model. It’s not a model that’s going to work. It’s going to be very ugly. There are wonderful models. There are ways of doing it that are bottom-up and create the incentives and the markets to allow people to reinvent how we do it. The problem with those models is that they don’t guarantee that the people who are in control now will remain in control. Leadership and governance will be much more driven by meritocracy.

So we’re watching the stress of growing populations in the face of harsh weather, environmental risks and ongoing disaster capitalism and the uses of force increasing. That raises risks throughout the global economy.

GRAINS, GAS, PIPELINES & DEBT: THE DANCE IN THE UKRAINE

We’ve put up a tremendous amount of commentaries and stories on the blog about what’s going on in the Ukraine to the extent we know it. You have America and Europe and various American-European corporations in the Ukraine as the price of wheat and gas rise. You have more and more corporate interest moving in. Ukraine is one of the greatest breadbaskets in the world, and of course, they’re the transmission point for gas pipelines. It’s all part of the grand chess board Eurasia issue that has been with us now for years. As I’ve said on previous Solari Reports, Ukraine is a plum which really hasn’t managed itself well. Their per capital income has remained at the same levels that they were in the early 1990s, whereas Russia, Poland and other areas around them have improved dramatically. They’ve stayed flat, and in these situations, you get a dynamic of use it or lose it.

When you have American-Europe promoting NATO, trying to get the Ukraine into the European Union, you create enormous insecurity in Russia. It’s a little bit like having the Russians down in Cuba messing around. We’re playing in their playpen. Now, if you look at the tensions between Ukraine, with the exception of some of the Russian populations, and Russia, those are



plenty. So the opportunities for divide and conquer are absolutely enormous. At this point, you just have too many powerful forces. All the money on the planet working on dividing and conquering and playing all sorts of games. We're seeing more and more sanctions flying back and forth between the United States, Russia and the European Union. This kind of fighting is very negative on the economy. We're really pushing a very deflationary process.



If you look behind the scenes, I'm not convinced what's happening is so much a battle between sovereign nations. It's a battle of which corporations are going to get to cut up the pie. If you look at the Russians, for them, this is much more about whether they're going to be a sovereign nation or whether they're going to get picked over the way they were in the 1990s. Not to say that they haven't picked over the Ukraine, including what happened at Chernobyl. So you had the rape of Russia in the 1990s. Obviously World War II, they lost 27 million people, so the Russians have gotten rolled on many occasions. Putin has done everything he can to rebuild from the rape of Russia in the 1990s. So this is not just about the economy or national interests. This is about

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governance models. Russia wants to be a sovereign nation. It wants to run itself. It wants to be able to protect its immediate interests, whether it's access to the Black Sea or Russians in the Crimea.

These are all sovereign interests. Putin has made it very clear he does not want Russia to be run by corporations. You're seeing a fairly deep struggle in values. One between a nation that does not want to be run by corporations, does not want to have GMO seed dictated to it, does not want to have NSA listening to everything. They're thinking very much in terms of, "We want to be a sovereign nation and we want the individuals within us to have certain rights of sovereignty." So this is a deeper struggle. One of the subscribers asked if this is a squabble between the Russians and the Rothschilds. I wouldn't so much say the Rothschilds because it gets back to who's in control. The question is does Russia determine what's going on in Russia or do a group of corporations and invasive surveillance technology determine what's going on in Russia? There's a real struggle in terms of sovereignty, which is why I think some of the sanctions are going to boomerang. You're watching a competition between two groups who have very different values.

Right in the middle of it, we have the IMF making big loans. That money is not going to the Ukraine. It's going back to the hedge funds and banks, both in Russia and Europe and probably in the United States. A lesson coming out of this is I see more and more people beginning to understand the tactic of soft revolutions and soft weapons. Charles Smith is going to be joining us the week after next to talk about soft weapons. It's very important to understand the kind of tactics that the people who control the telecommunications systems and can deliver entrainment and how they can affect a population and the weapons they have to use.

I also think you're seeing a growing backlash. That frustration that was going to be expressed in the elections here is the same frustration you're seeing around the world of people and nations who are sick of the invasiveness. Unfortunately, we see too much of the leadership 'blinded by the beauty of their weapons,' and they underestimate the risk and the dangers of these backlashes. The tactics that they're using are increasingly wasteful, and the backlash is increasingly tense. NASA unfortunately announced this week that cooperation with the Russians in space is off. It doesn't surprise me if the



Americans are using this as an excuse to leave themselves freer to proceed with space-based weapons.

Finally, we see G8 downsizing to G7 as part of this dance. A lot happening just this week, so I think this is a fluid story. Could this get very bad? Yes, it could get very bad. One of the stories I posted up on the blog in the Dance in Ukraine section is an amazing story entitled *U.S. Secretly Built Cuban Twitter to Stir Unrest*. Great background if you want to understand the soft revolution and soft weapon issue. It was interesting during the initial couple weeks. As the Russians were moving into the Crimea, I would get so many e-mails saying, "Oh, the United States is weak. There are a lot of games trying to position people in cheap emotional ways and the dollar's going down." I put up the charts of the S&P versus the Russian market and the emerging market, as well as the S&P versus wheat and natural gas during the period. I would encourage you, whenever you're watching stories like this, to always watch the charts. The charts will often tell you a very different story than what you're hearing as the spin, whether it's in the corporate media or the alternative media. I for one, I

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have a lot of faith in price, no matter how manipulated it is, to talk about what's going on. Take a look at those because it's always interesting to see. One of the things you're seeing is as the price of wheat and natural gas goes up, the fight gets worse.

THE QUIET DREAD OF FUKUSHIMA

I think that what is happening in Fukushima is unbelievably important. I continue to do everything I can to try and ascertain what's happening and what it means. The unanswered questions only grow. We've watched Japan engage in massive monetary expansion and their stock market was up tremendously last year. I put up the chart of Tokyo Electric Power versus the Japanese ETF, and you can see that Tokyo Power is down more than 80 percent, but of course, it doesn't go down all the way. Tokyo needs its electric utility, so clearly the government continues to support it. I wanted to point out





we had a great interview with Don Cox during the first quarter, and he offered a much more positive alternative view on Japan. If you're interested, I would really encourage you to take a look. I will continue to try and find answers to the unanswered questions of Fukushima, but for now, they just grow, and I ask that we continue to pray for all concerned. This is an issue that is so important, so serious it calls for prayer.

REFORM & SLOWDOWN IN CHINA & THE EMERGING MARKETS

There's no doubt that Chinese growth, for many years, has depended on enormous leverage in local municipalities, in the shadow banking system, and massive subsidies of various kinds. Clearly that had to come to an end. The corruption in China has become very significant and a real danger to their long-term economic growth, so we see reform of the Chinese shadow banking system. Don't be surprised if we see a deposit scheme (a government deposit guarantee) come out that will help build the regular banks, which will emerge as the largest in the world. It means slower growth in China, and that means slower growth in the emerging markets. If Europe is not buying from China, then China's not buying from Brazil and so it goes around in a circle.

As we talked a lot last year and in the annual wrap-up, G7 continues to call the



capital homeward. I put up a chart of the emerging market ETF versus the S&P 500. One of the things I was eager to see was, 'would the emerging markets turn up?' No, they continued down from the beginning of the year. Now, they have started to turn up, but we'll see if it holds. We continue to see enormous divergence between the developed markets and emerging markets and the day that that turns, it could be a very significant shift. Now you're paying a price-earnings ratio for earnings in the developed markets that's way above what you're paying in the emerging markets.

ENERGY BREAKTHROUGHS

Energy is something that impacts everything and everybody everywhere, not to mention the fact that the reserve currency's on a petrodollar standard. We see renewables growing in very yeasty organic ways. Many different kinds of renewables. The clear direction in the developed world is 'let's do some of everything and see how it goes.' Fracking continues to move to Europe with this battle with Russia. That's going to increase the pressure on Europe to say yes to fracking. One of the most important developments for renewables is the battery. I put up a picture of a mock-up of the new Tesla gigafactory that being planned. A lot of what they're doing is breakthrough work in battery. If the battery solution gets solved, what it means is wind, solar, all the different



renewables get much more competitive. Creative destruction is already on us, whether it's what's actually happening in renewables or what's threatened with other breakthrough technology, or just the investors' fear that it's coming. We see real struggling in the utilities and other areas and more running to the statehouse and the capitols of the countries trying to get protection to keep their 2.0 model going. So this is going to be a very dynamic area.



One of the funniest things going on is, around the world, you have many different inventors working on many different technologies. All of them are convinced that their technology will rock the world, and what is not understood is getting something out of the lab into a workable, both business model and consumer model, is much harder than any inventor can imagine. Translating something from an invention to a business is a big step. So this is going to be a very creative area, and the politics are going to be intense. I don't think you're going to see adaption of very significant breakthrough technology until the question of, 'what is the reserve currency and what standard is on' is





asked and gets sorted out as part of a process. This is not just an energy question; it's a currency question.

Another big question is, "How will energy work with the internet of things?" We know that Tesla felt that energy could be delivered through things like wireless technology, so the question is will that happen. I put up a chart of one of the solar ETFs. We've seen the solar and many of the renewable stocks really bubble. These stocks have traded way ahead of the market, and many of us would argue, way beyond their real economic value. So, is there a real bubble happening here? You'll see it's way ahead of the regular market indices. Maybe some of it is just people saying, "We've had it with 2.0. We want 3.0 now, so we're going to put our money in that 'you go jump in the lake' investment decision."

U.S.A.

The first quarter has been very challenging in North America. North America's been responding to multiple stresses. One is very extreme weather in many parts of the country whether it's too much snow and too much cold or too much drought. Let's focus just on several key areas where the local action can make an enormous difference in building a stronger economy.

THE ONE-TWO PUNCH ON SMALL BUSINESS

Small business is taking it in the chin, in the stomach, and in the back. It's incredible. We started with Obamacare, which is a tremendous burden on small business. Then, small business is struggling with the heating bills or the energy bills that come with the kind of weather we've had in many different parts of the country, But then the weather hurt many businesses as well. So they've really struggled with the economic hit of Obamacare and then the economic hit of weather and heating bills. They're struggling with the shift from Retail 2.0 to 3.0 that requires time and investment and new technology, and that's a big struggle. Many little businesses and retailers are getting shifted out by the online stores. We have the President and states working on minimum wage. That can change the economics of many small businesses, including putting some out of business.

We continue to have more and more regulatory burdens and enforcement, and



I don't think that's an accident. For example, food safety rules are, to me, designed absolutely to facilitate the revenue of small farms and small grocery stores into companies that are publicly traded and give big political donations.

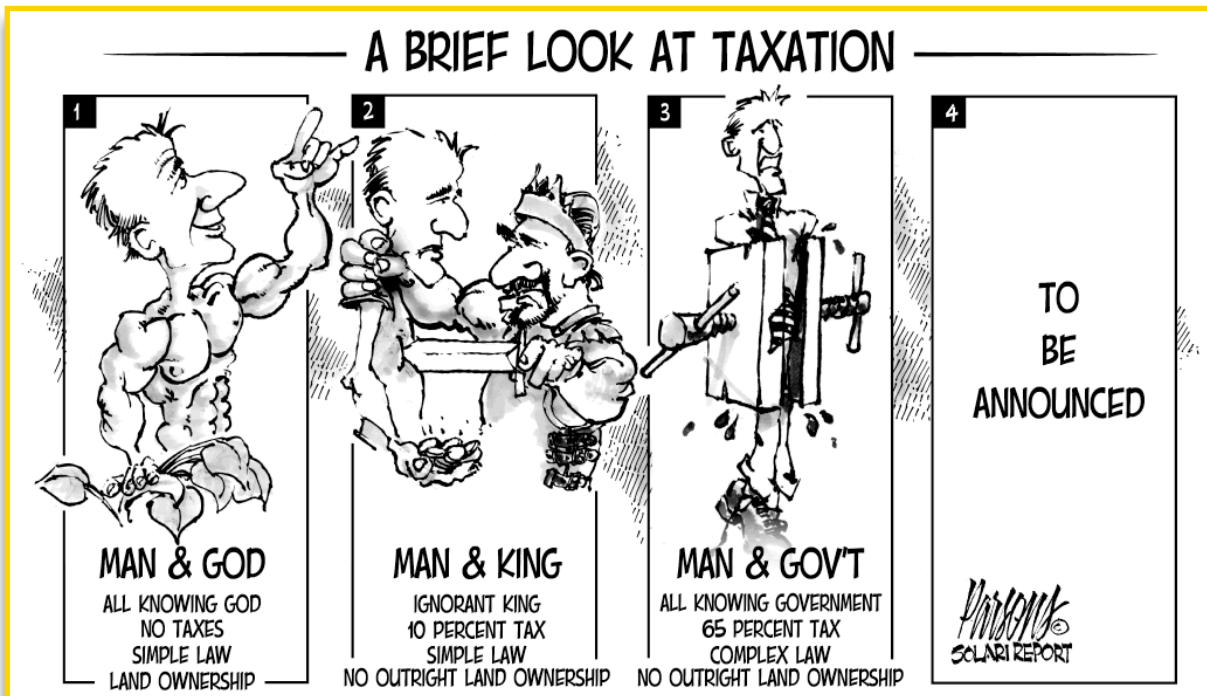
Tax time is very painful for small businesses paying its taxes. I put up the story we had up on the blog, *26 top American Corporations Paid No Federal Income Tax from 2008 to 2012*. The piracy's enormous and we see many American corporations building up unprecedented cash stores offshore. They can't bring them back without paying taxes, so they keep them offshore. They're not bringing them home and paying taxes, but again, the double standard, as it is for individuals, is very painful for small businesspeople. All of these things mean that small business can't grow employment the way it could, and that is very painful. We see in the new treasury budget justifications on next year's budget, a proposal that any business with more than ten employees is mandated to provide a 401(k). Now, what that means as a practical matter is all these small businesses are going to put a percent of their profit into a 401(k). That is going to channel local small business profits as investments in the big corporations who are coming into that neighborhood and trying to take away their market share. It's a little bit like financing the guy you're competing with, and if you keep doing that, you're going to fail.

The question in all this is, "Well, Catherine, where's the opportunity?" One of the opportunities is when you create those 401(k)s, get together at the Rotary or the Chamber, get together with everybody locally and figure out how you can create a 401(k) with a component where money flows into local investment opportunities (community venture fund, community loan program). There are many different ways to do it, but it's time we started to get together and strategically have lots of small businesses putting a tiny portion of their money into 401(k)s where employees can check an option that allows local investment. That's a real opportunity.

Our cartoonist, Bob Parsons, did a wonderful cartoon on taxation.

RELATED STORY

26 TOP AMERICAN CORPORATIONS PAID NO FEDERAL INCOME TAX FROM 2008 TO 2012



THE TARGETING OF MUNICIPAL OFFICIALS & PUBLIC PENSION FUNDS

Now we have Warren Buffett calling public pension funds tapeworms. Warren, you are using my expression. That's not the first time he's used it. What is this all about? It is very important, if Mr. Global is going to control politically and control the resources, that we get the state and local officials out of the way and we get control of the public pension funds before we try and reengineer money by place. If we reengineer government money and reengineer investment by place before they get control of the public pension funds, guess who's going to control the action? It's going to be the public pension funds in combination with the state and local officials. So it's a little bit like, before the game begins, you attack your chief competitor so you can make sure you have control. Not to say that some public pension funds don't have problems. We've seen all sorts of studies from the Pew Foundation and others. I think a lot of it is exaggerated generally. The public pension funds have done a relatively good job. The big problem public pension funds have is on the health care side. It's not so much their pension benefits, but in the health care benefits where they're woefully underfunded. But you certainly can't point a finger at them, take a look at the whole federal government.

The other problem is, as we go into a world where more and more of the



population live in megacities, that gives the mayors and state officials a lot more power than the feds. Think of this as the same as I said before. The businesses are cutting into each other's margins. You see the feds moving in on the state and local governments. They want the cash flows. They want the power. They want the authority. Now, with the technology, we don't need a very paperful, expensive state-federal-local government. So the question is going to be who gets reengineered out, and who gets automated? The best defense is a good offense, and that's why you see folks like the federal government, who have got the Department of Justice running around and trying to do criminal indictments of Tom, Dick and Harry (state and local officials), including games with traffic patterns. So see this for what it is. It's also part of scapegoating government. We've taken all the assets out of government, moved them into private corporations, moved all the liabilities back, and now that the governments have all the liabilities, we're going to blame all the problems on them and the private guys are going to be the good guys. They've got the money, they've got the technology, they're going to control and the ultimate liability is blaming the government for everything that happens, so see this for what it is. It's a clever offense that's really happening in place of what should be a defense.

Our hero for the quarter is someone that I just learned about. On the Solari Report, in the first quarter, we had the wonderful PBS documentary on Louisville about the Louisville Orchestra and the relationship between the economic health of Louisville and its dedication to great music. It told the story of Mayor Charlie Farnsley, who was the mayor of Louisville. A remarkable man, an attorney by trade, became the mayor. As the mayor led the effort to raise capital and interest in building one of the most avant garde orchestras in the world, and in encouraging and attracting composers from all over the world to make new music. It's quite remarkable because one of the things he did was receive a grant from the Rockefeller Foundation; can you imagine the Rockefeller Foundation did something really, really wonderful? It's a great story. Charlie Farnsley finally ran for Congress, got up to

SOLARI HERO

CHARLES FARNSELEY





Congress, was there for two years and said, “That’s it; I’m never coming back,” and refused to run for another term. This is a man near and dear to my heart. He invented Rebel Yell Whiskey, which is one of my favorite whiskies, and started a press for Southern writing called Lost Cause Press. A true renaissance man, his story shows the extraordinary things that one person can do. It reminds me a little bit of the Mayor of Hickory Valley. In fact, I got him to promise he would join us on the Solari Report in October. He runs the Hickory Valley Cotton Gin and is an extraordinary example of somebody who, while wearing all these different hats, whether it’s creating businesses and creating employment or serving as the mayor, makes the place fantastic. Part of the key to success in anyplace is you’ve got to find the ‘Charlie Farnsleys’ and support them. That is our opportunity in the election this year. Forget about the Supreme Court. Forget about what the feds are up to. Forget Presidential elections. There is so much that can be done if we get the ‘Charlie Farnsleys’ in control locally. That’s so, so important, so in 2014, pay close attention to the local elections. You can get a lot done there.

UNEMPLOYMENT: WHAT’S THE PLAN?

We had a great Solari Report in the first quarter with John Williams from Shadowstats. We now have more than 100 million Americans on means-tested subsidies, and we’re expecting 40 to 50 percent of the current jobs to be automated in the next decade or two. What’s the plan? How exactly is this supposed to work? I will tell you, when I worked in Washington in the early 1990s, the plan at that time was, well, let’s give everybody the equivalent of \$600, and have everybody live on that. Sometimes I see, as I watch household income fall, fall, fall, it’s as though they’re trying to reengineer expenses down so that everybody can live on \$600 a month. I continue to be baffled by what the plan is, but I will tell you there’s extraordinary opportunity.

One of the great workarounds is if we take the federal budget and the state and local budget and say, okay, where are we paying somebody \$25 an hour to do something that someone in this neighborhood would be happy to do for \$10 plus health care. There are unbelievable untold learning and sharing opportunities, and I always use the food stamp example. We are outsourcing customer service, last time I looked, in 37 states, to JP Morgan Chase, and in India, for a big markup, they’re doing the jobs that the people who are getting food stamps could do, and if they were doing those jobs, they wouldn’t need



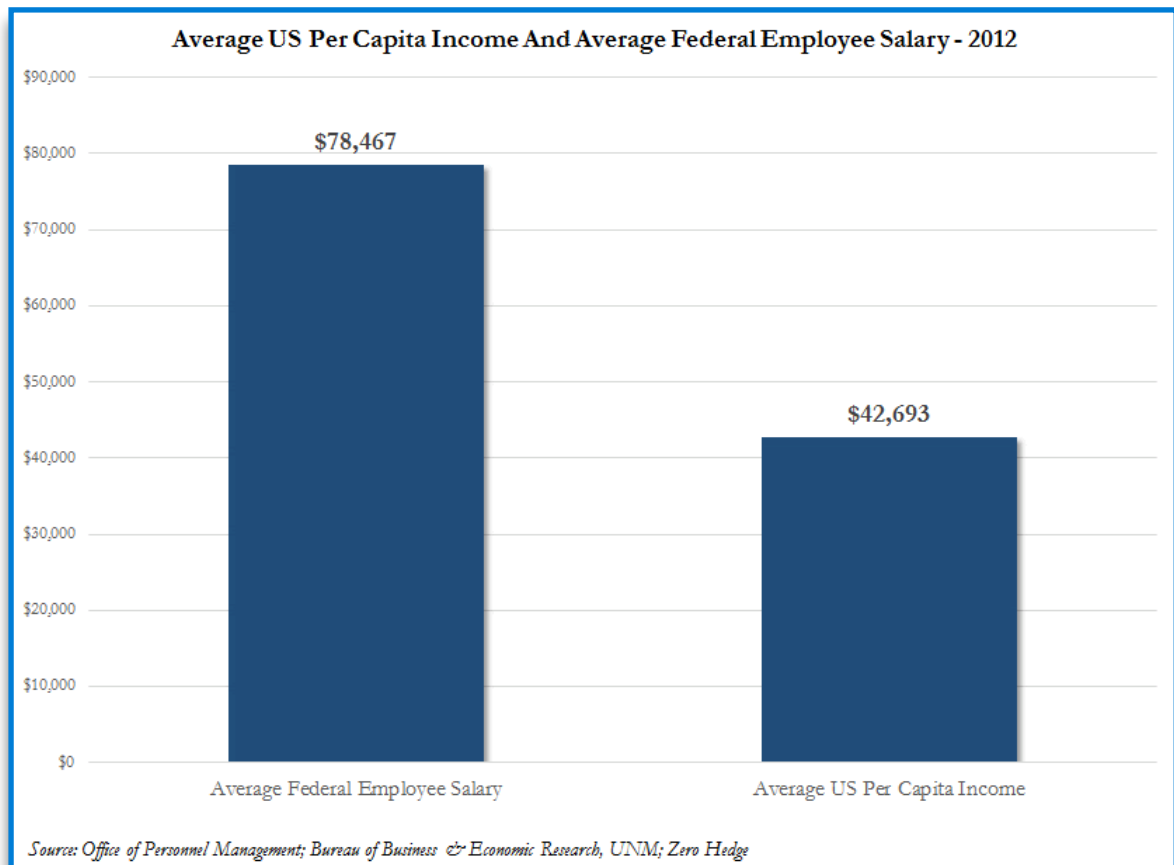
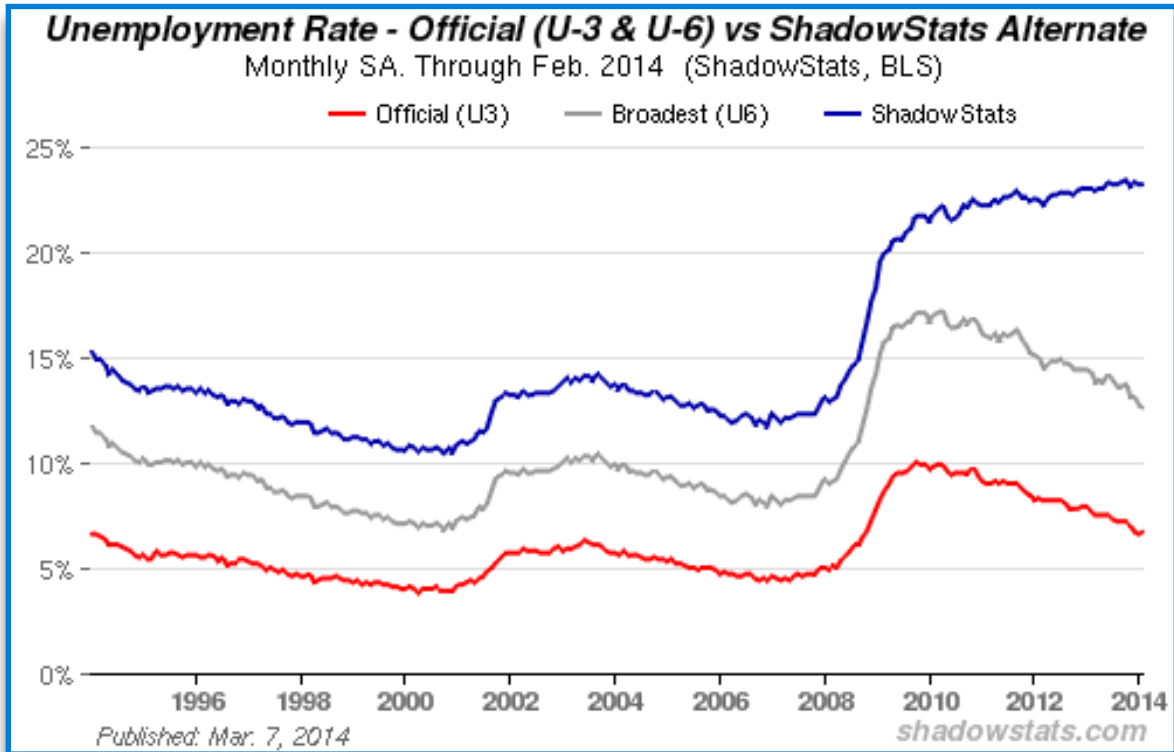
food stamps. So we're paying twice for one function. It makes no sense, not to mention the fact there's beaucoup farm land lying fallow. People would love to do farming, and farming is economic, but not with the food safety rules and all the different enforcement games.

If you take a look at our economy by place and the government budgets, what you discover is a lot of corporate earnings are held up with government contracts and government purchases that are not economic. They're "fees for our friends," as I have told that story many times, but we're all guilty of paying the "fees for our friends" game. It's called participatory budgeting. We need to start looking at how the money works in our place and we need to start bleeding into these margins that are occurring on a non-economic basis.

"We need to start looking at how the money works in our place and we need to start bleeding into these margins that are occurring on a non-economic basis."

The reason they want that constitutional convention is they know we're going to start doing this, they, one, don't support a constitutional convention and, two, start looking at how the money works in your place and seeing where the opportunities are for you and your business and your family. They're bound to be there.

I put up in the outline, a chart of John Williams' Shadowstats description of what he believes real unemployment is, as well as the average U.S. per capita income in the country compared to the average federal employee salary right now. The average U.S. per capita income is \$42,000; the average federal employee's salary is \$78,000. We're all paying our taxes so that people who make \$78,000 a year can institute all sorts of stuff outside the law, which are great for generating more wealth for the 0.01 percent, and bad for the rest of us. I know many, and I've worked with many wonderful federal employees, and I'm sure some of them are sitting there thinking, 'oh, that's way too cruel,' but unfortunately, it's really not. You just cannot have a federal government where people are paid double at the civil service level what the average household income is. It's just not a plan.





MONEY & MARKETS

Index	12/31/2013	3/31/2014	% Change
S&P 500	\$1,848.36	\$1,872.34	1.3%
DJIA	16,576.66	16,457.66	-0.7%
Russell 2000 (IWM)	115.06	116.34	1.1%
MSCI EAFE (EFA)	67.10	67.20	0.2%
MSCI Emerg. Mkts (EEM)	41.80	41.01	-1.9%
Barclays Agg Bond (AGG)	105.83	107.71	1.8%
Barclays H/Y Bond (JNK)	39.97	41.12	2.9%
Gold (oz.)	1,204.50	1,291.75	7.2%
Silver (oz.)	19.50	19.97	2.4%
US Dollar Index	80.04	80.11	0.1%
Commodities-Reuters/Jeffries CRB Index - \$CRB	280.17	304.67	8.7%
Baltic Dry Index	2,277.00	1,362.00	-40.2%
10 Year Treasury Yield Index - \$TNX	30.26	27.23	-10.0%
30 Year Treasury Yield Index - \$TYX	39.64	35.61	-10.2%





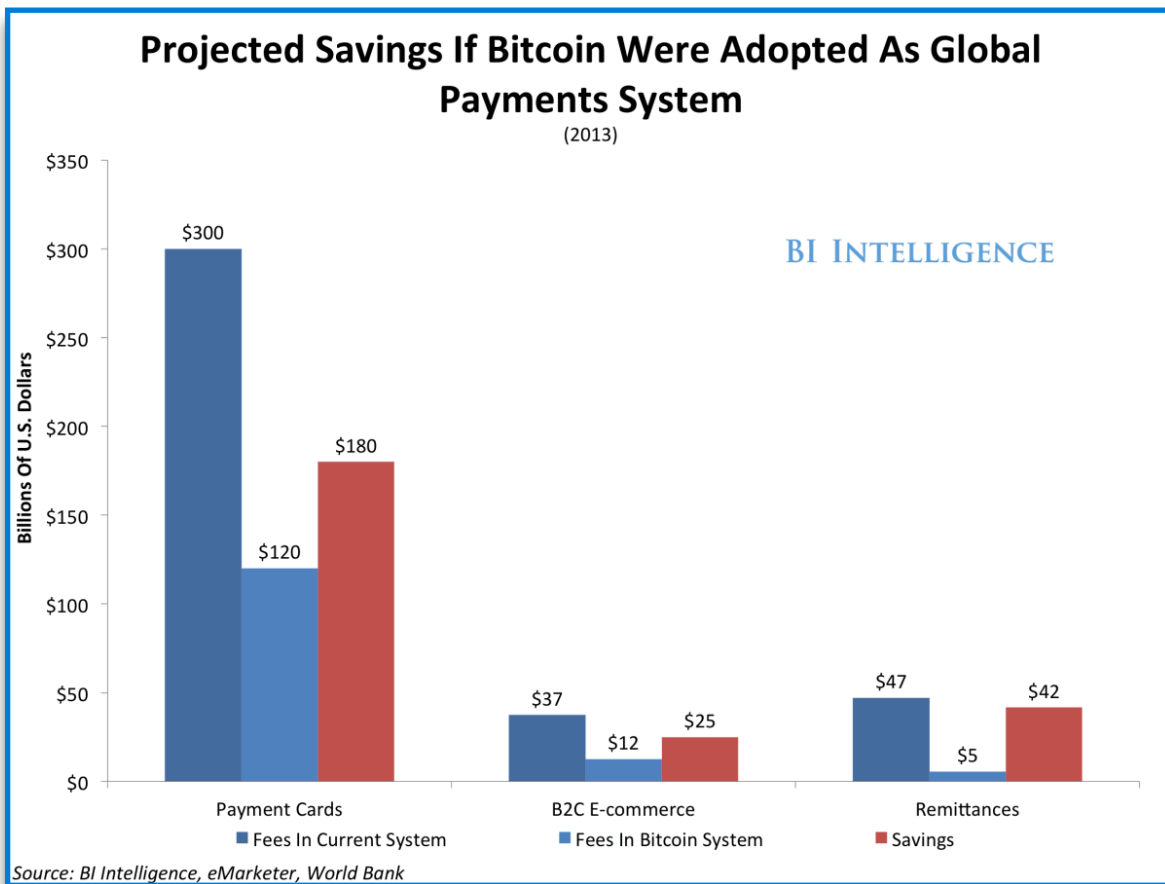
QE, THE DOLLAR & THE SHIFT TO A DIGITAL CURRENCY

Our roundup of markets in the first quarter is up on the outline. Pretty much flat across the board. Bonds did a tiny bit better than the S&P. Europe was pretty much flat. Some of the emerging markets peaked up a little bit, but again, it was a fairly non-eventful quarter. Many of us were wondering if we'd start to see real moves up in emerging markets and commodities, and we saw a little bit. We certainly saw precious metals peak up, and now dropping back down. So not a big change. It continued to be an S&P-dominant world. We saw Janet Yellen move into the position as Chairman of the Fed and continue the taper, but continue to talk about the importance of supporting the





economy with quantitative easing if necessary. So we really look at a prospect of quantitative easing forever. I put up a chart that shows the 30-year Treasury bond yield. The yields started to come down a little bit, so bonds are peaked up. They had a poor performance last year. Janet has said she was going to let interest rates rise. As a result, we've seen the bond market under pressure in the last week or two. Pressure on the U.S. dollar for all the reasons we know, and certainly, as a result, it was very interesting to watch the battle back and forth in the Ukraine and what was happening with the dollar.



Of course, we have Bitcoin continuing to raise its head. Bitcoin had a difficult quarter as some of the exchanges got hacked and went down. We also saw the IRS come out with a pronouncement that Bitcoin would be treated as property, as well as one effort by media to out who the real developer of Bitcoin was, a former employer of a defense contractor. You kind of wonder, okay, where is this coming from? I continue to believe that Bitcoin, no matter who invented, who created it, who's running it, is a way for the system to

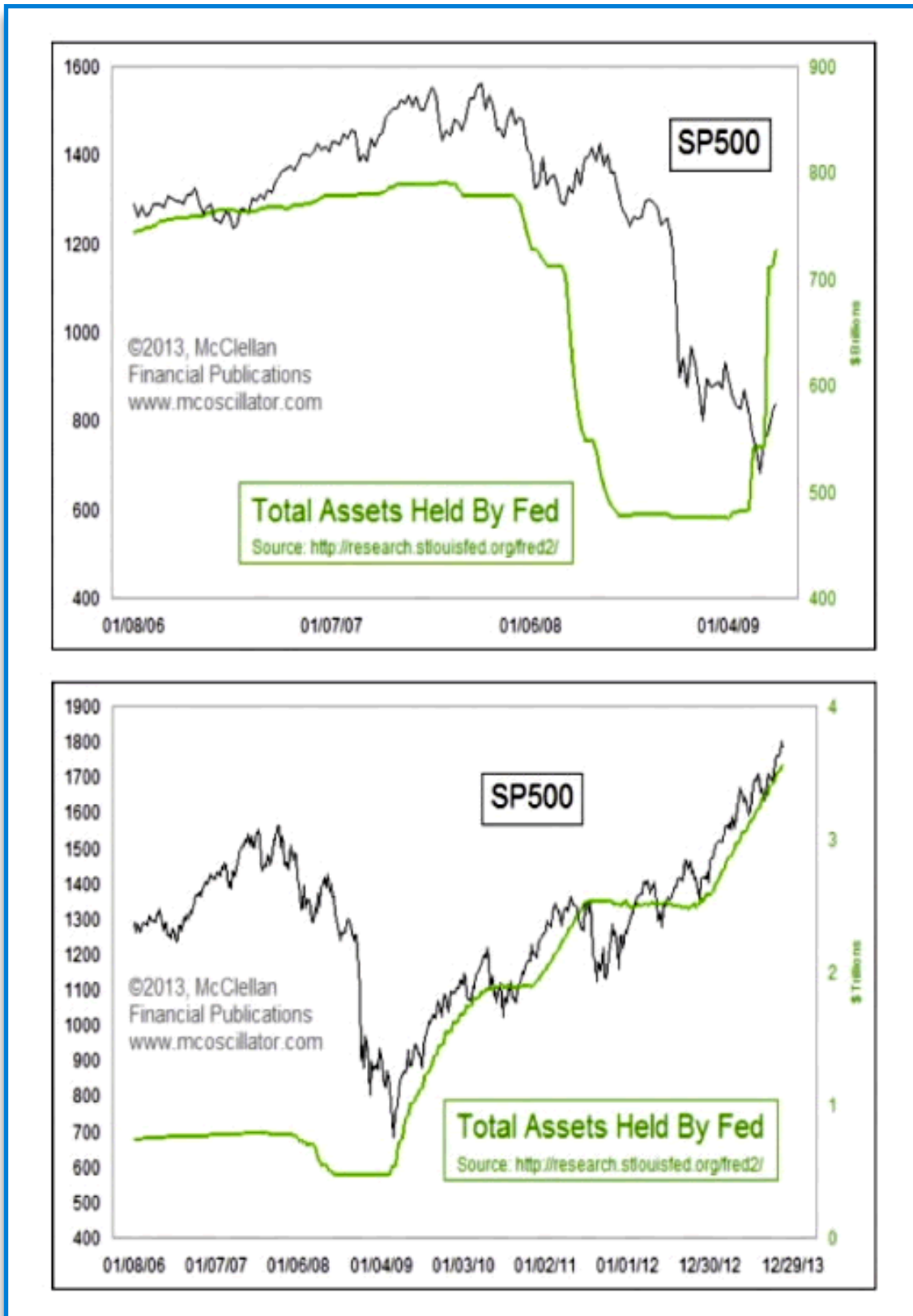


prototype virtual digital currency. That's what Mr. Global wants. I've always said that they don't care whether you call the ultimate one-world currency 'dollar' or 'wampum beads.' What they really want is a digital currency, and one that can help them track the entire history of where it's been. Something like Bitcoin or many of these digital currencies is really the ultimate in terms of fiat control systems and it's pretty scary.

One thing that is true, though, and I think it's one of the things driving us towards a world of digital and virtual currencies, is there are enormous savings to be had in terms of transaction fees. I put up an estimate from *BI Intelligence*, that is in the outline, and what it shows is their estimate of the drop in fees that could be engineered if Bitcoin were adopted as a global payment system, and it's quite astonishing. They're estimating that Bitcoin could cut out more than half of the current financial transaction fees, and that's a very significant savings when you've got 2 billion people online and businesses trying to organize around tiny payments and tiny amounts. Real pressure to do that, which is one of the reasons why I think it's going to happen. savings when you've got 2 billion people online and businesses trying to organize around tiny payments and tiny amounts. Real pressure to do that, which is one of the reasons why I think it's going to happen.

U.S. EQUITIES ROCK ON

One of the charts I had up in the QE section was a chart that shows you the tight correlation between the rise of the S&P 500 and the total assets held on the Fed's balance sheet of very tremendous overt-type correlation between the Fed's continued support. This is why, as the Feds taper, the big question is how will the North American markets do? As we know, they've continued to hold their own. S&P was up a little bit more than 1 percent for the quarter and had a strong week this week. Surprisingly, housing has not done well. How much of that was the weather, we don't know. The big question will be how will housing do this spring. We continue to have households struggling with houses upside down, mortgages worth more than the appraised value of the house and household incomes falling. So much of the strength in the housing market where it's been has been because you have areas of the country that are successful in Global 3.0 or you have big institutional investors buying up large amounts for residential housing. It's what I expect: more of a shift to rental housing from home ownership.





However, U.S. equities continue to be strong. If you look at some of the charts we've put up, one of the things I showed was the chart that shows from the beginning of the S&P 500. If you look at where we are in terms of PEs, we're way above the average. We see investors like Jeremy Grant that just say, "I'm not putting clients' money in this market. You can't make money if you start off this high." If you look back over the history, what you'll see is there are two times the PEs have gone dramatically above where they are now. Those times were both the 1920s and then the 2000 tech bubble. Both were times of tremendous technological innovation. I think that we run the possibility of that, so it's one thing to keep in mind. I call it a crash-up.

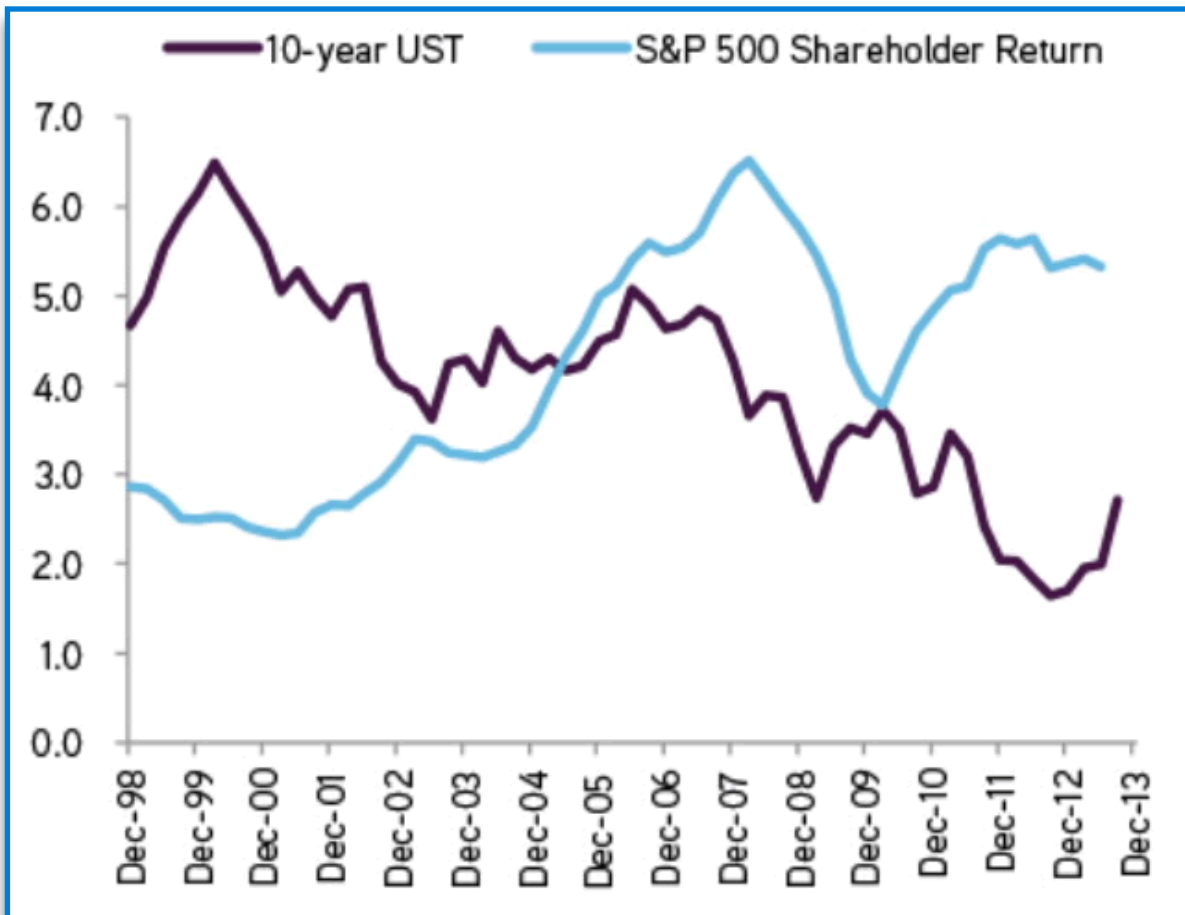
Chuck Gibson, on the equity reports last year, pointed out that there are very few retail investors, globally, who own equities. The United States population, whether through institutions like pension funds or directly, are really some of the only equity investors around the world. Most investors are in banks or real estate. One of the things that's happening with these online systems is efforts being made all around the globe to encourage the new and growing middle class to invest in mutual funds and equities. If that should get going, we could see a real shift in PEs in the equity markets globally. I, for one, would love to see us move to more of an equity model. An equity model is one that's



going to do a great deal to harmonize business activity and the economy with what is good for people in the environment or has the potential. Moving to an equity model means a much more accountable model.

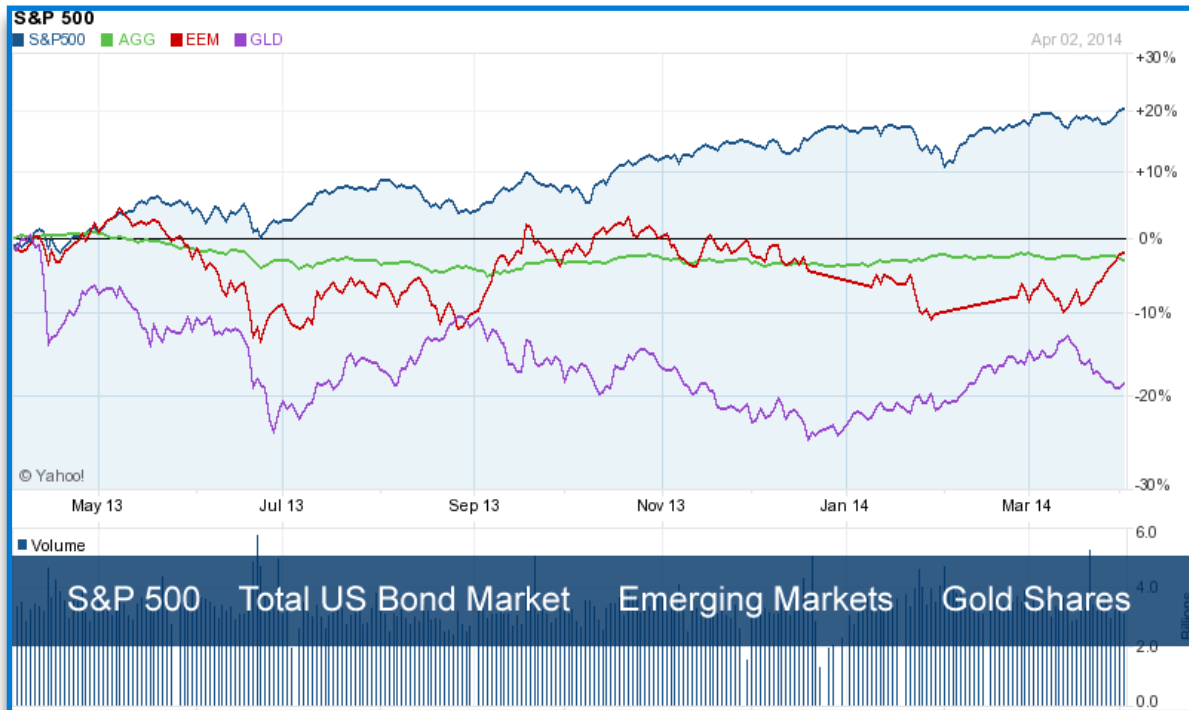
The other chart I put up shows the yield to the ten-year Treasury compared to the S&P returns, and what we see if there's real divergence. People are getting their yields in the equity markets. They're not in the fixed income. We have Bill Gross, head of PIMCO, talking a lot about financial repression, which means savers have lived for years now with no yields on their bank deposits and fixed income. What I'm seeing and feeling, particularly during tax time, is people getting very, very tired of trying to keep their investments in

“An equity model is one that’s going to do a great deal to harmonize business activity and the economy with what is good for people in the environment or has the potential.”



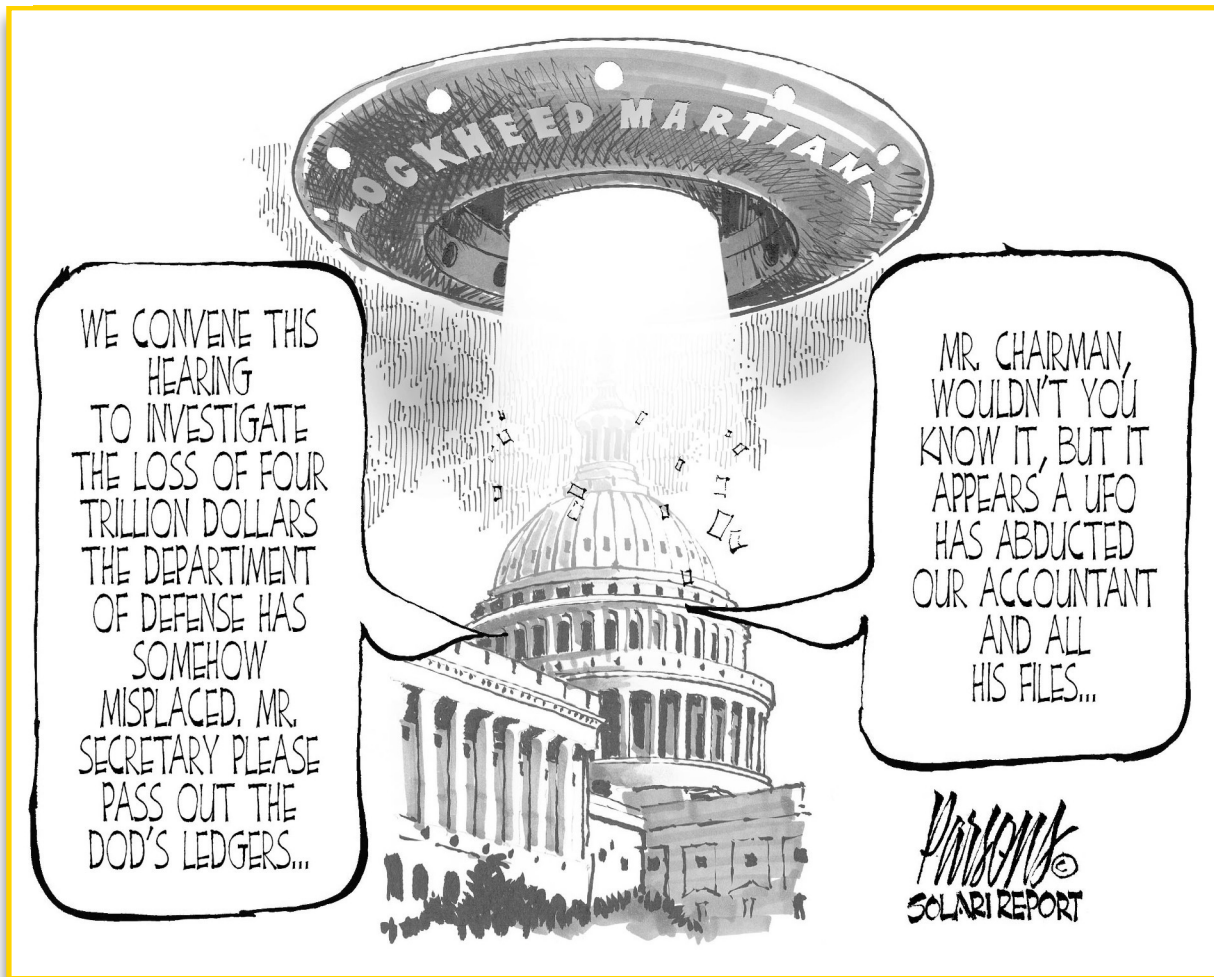


things that are safe and yet getting no yield and being frustrated. That's part of what is pushing funds into the equity markets.



BREAKAWAY ECONOMICS

I put up my favorite cartoon ever, the one the Bob Parsons made for us. It shows a UFO above Congress and we have little bubbles coming out of Congress. One says, "We convene this year to investigate the loss of \$40 trillion from the Department of Defense, which has somehow been displaced. Mr. Secretary, please pass out the DOD's ledgers." The other bubble says, "Mr. Chairman, wouldn't you know it, but it appears a UFO has abducted our accountant and all the files." The money is rushing up into this UFO, and on it it reads 'Lockheed Martian.' Very funny. The question is, where is the money? Forty trillion dollars has been shifted out of the financial *coup d'état*. I put a listing and a breakdown of that \$40 trillion in the annual wrap-up. Take a look at it if you're interested. Where is it? Is it being spent in space? Is it building underground facilities? Is it paying for global spring? Is it what's financing all these means-tested subsidies? Is it an endowment to finance a one-world government? Where is the \$40 trillion? I always tell everybody, crime that pays is crime that stays. If you can steal \$40 trillion, then you can buy almost everybody and everybody knows you got away with it. So this is a major



governance issue.

It's also a major governance issue because, as we watch the internet of things, we're literally watching a leadership that is digitizing everything with very invasive surveillance and control technology. It's the integration of machines and people. I put up on the outline, one of my favorite videos to describe this invasiveness of the digital systems. A wonderful version done at the Paris Opera of Stravinsky's Nightingale, and believe it or not, it is the best artistic expression of what all this 'internet of things' is all about. It's absolutely fantastic, and it's now free on the internet, so if you haven't watched it, I really encourage you to. Clearly, part of it is you have a small group of people in control and they're afraid of something. What are they afraid of? Are

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**THE NAVY'S NEWEST DESTROYER IS A DRONE
FULLY INVISIBLE AIRCRAFT**

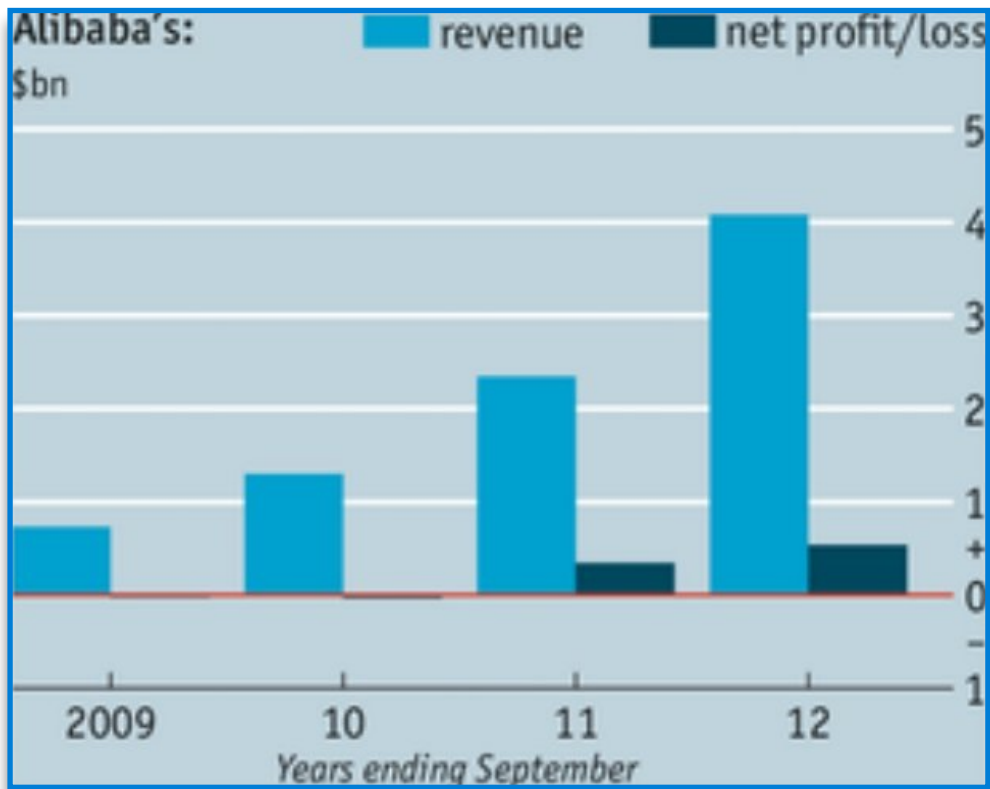


they just afraid of the shrinking resources of a bigger and bigger population and how a small minority can stay in control? It could be that simple, but certainly they're acting from a place of fear and trying to maintain control and manage their risk. Our opportunity is to say, okay, well, that's what they're doing from our point of view. How can we solve the real problems and do it in a way which is a lot nicer and from a much higher mind? The more the global population goes to a higher level of consciousness and addresses the problems, the more they can lower their fear levels and engage with us. There's a lot of opportunity to move to a model that is not so dependent on force, not so dependent on violence; let's see what happens.

Ultimately the greatest powers on this planet are spiritual, not any man-made powers. The positive is here to be done. I don't underestimate the pain and suffering that can occur before the good guys win, but I continue to harp on the fact that before we can craft real solutions, we need to understand who's really in charge and what are they afraid of. It's a question I keep asking. I've been asking it my whole life. I've been trying to get to the bottom of it. We've had some wonderful Solari Reports. We had Richard Dolan on UFOs, Joseph Farrell on the metastructure and Joseph will be back in May. Wonderful conversations to get further and further into who's really in charge and what's going on. Then tremendous focus, you're going to see continue this year, on where is that \$40 trillion being reinvested in the day-to-day economy? What's the new technology that it's being reinvested in? Where is that reinvestment in the infrastructure going? How does that work? Something that's very important to our businesses, our careers and our assets and investments.

ALIBABA - ROCK THE WORLD

Alibaba is the largest online store in the world. It was started 18 years ago in a living room in China by a school teacher who taught English and didn't know how to use a computer, but he saw the opportunity. His name is Jack Ma. As of April 2, General Motors had a market value of \$55 billion. Goldman Sachs had a market value of \$78 billion. Intel had a market value of \$125 billion. The underwriters estimated that Alibaba's market value was \$147 billion, essentially three times bigger than General Motors. I put up several charts, one showing the growth of e-commerce sales in China versus the United States in 2012. The size of the e-commerce market in China surpassed the United States and is skyrocketing. It's headed toward almost double now and it's going to grow.

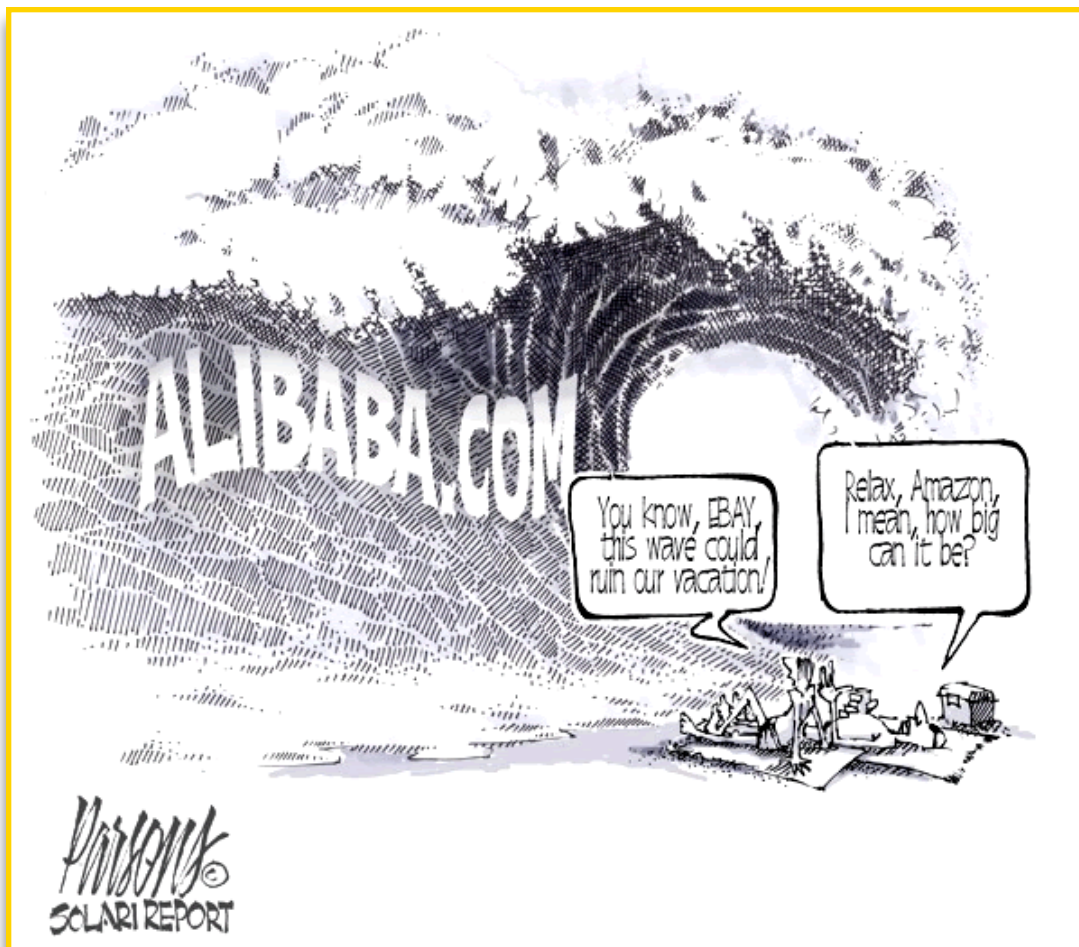




Two other big internet presences in China, JD.com and Weevo, are also looking to go public. Apparently the size that they're planning on going with is going to be bigger than Facebook, but when Alibaba comes public this spring in the United States, it's really going to focus many people in the developed world on the size of this consumer market. Two million people online, the size and the juggernaut of it and the reorganization of the global consumer through online systems. Look for that IPO. None of this is an investment recommendation. One of the things you'll find is there's an old rule in investment: never buy an IPO. I've used, in this presentation, many stocks or ETFs so that you could see the dynamics of the trends we're talking about. Please, don't view this as a recommendation for any of them. At the bottom, we have a disclaimer saying if

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LAYS OUT BLUEPRINT FOR E-
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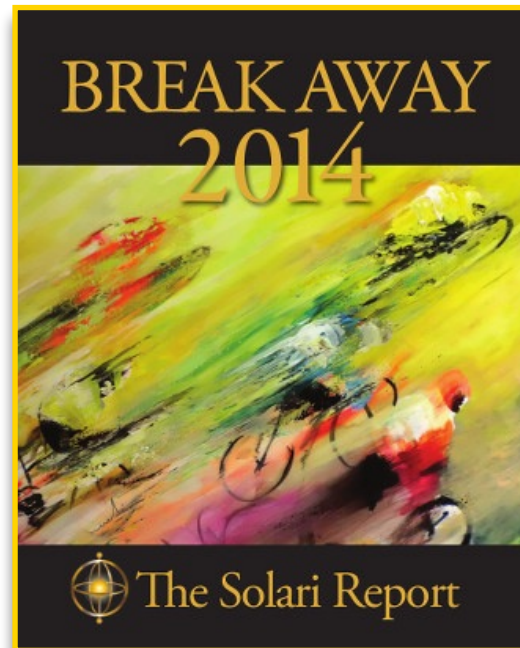


you need investment advice, seek it from a means that can give it to you and focus on your unique circumstance based on what makes sense as an attractive investment for you, as opposed to what's describing a trend. Please don't assume that the use of any of these is an encouragement to invest in them whatsoever. But, as I said, Alibaba is going to be a bell that reminds everybody of the shift in the size of the consumer markets and what that is going to mean to our world.

BREAKAWAY

STEPS YOU CAN TAKE: YOUR BREAKAWAY

Number one, bank intimate. Forget online systems. You need bankers you can trust. When it comes to banking, there's nothing like good old-time bankers you can trust. It makes an enormous difference. I put up a link to our Bank Intimate page. If you haven't found a great local bank or credit union, you need to find one. Bank with people you trust, particularly when systems are this invasive and this hackable. You need bankers you can trust and you need to know your bankers and they need to know you. It's a critical part of your financial world and life, and in your community, it can be a tremendous part of your business relationships. So for heaven's sakes, you want to bank with people you can trust.



During the 2014 elections (who knows what's going to happen in the federal elections), you really want to make your voice heard on the local elections. Those are going to be much harder to buy and to rig. I've seen all the money in the planet try to rig a local election, and the local folks fight back and prevent them from doing it despite the machines and everything else. Pay attention because if you can get the



Charlie Farnsleys elected, it can make an enormous difference in your safety and well-being and financial situation. Focus on the local elections. They're going to be important.

As I said, it's tax time, please be impeccable. There is no privacy, in my opinion, and you need to be impeccable in terms of your paperwork and you need to be impeccable in terms of your reporting.

Reengineer expenses down. A lot of this business fighting over different sectors means we're in a time when, literally, every month you can renegotiate your telcom bill. You need to be very creative about reengineering your expenses down because we're seeing a lot happening on the expense side of the financial statements, both for business and consumer. A lot is happening that's very deflationary, and you want to take advantage of that. Also, identify niche markets. Everybody moving online means that the long tail can be a great business. The long tail means very small volumes can make a lot of money and be a great business for niche players, so keep learning and looking. I put up on the blog a little post about my first Etsy purchase. Etsy is a web site that caters to craftsmen, and if you can't find something in your local market, you may find a local player that's going to be in another local area. Wonderful craftsmen, wonderful materials, wonderful products that are very competitive in terms of price.

Look for walk-aways and workarounds. I see more and more people saying, "That's it. I've had it." Whether it's health care or other areas, a lot around food, if you have opportunities to form circles in your area of people who are interested in helping each other be your own doctor or be your own gardener (whatever the issues are that you're dealing with on health and food and local elections), organization can help. Organize your time and effort to be energizing for you and the people who participate. You need people you like and you need people you trust. You've got to be very careful.

“Organize your time and effort to be energizing for you and the people who participate.”

Reverse the spin on small business, municipal officials and public pensions. Don't let this spin roll down on you because if you let the spin have its way,



the next thing you know, the wrong people are getting their mitts on the public pension fund money and engineering money in unpleasant ways. There are tremendous pots of assets, both at the municipalities and the state governments and in governmental corporations related to, affiliated or controlled by them. There's a competition underway for those pots and you want to make sure that money's safe. That money constitutes very important assets, and assets that can protect you from ridiculous and stupid privatizations. I always ask people, why are you letting foreigners buy your local utility? The accountants get together and you know it's a good investment, especially for all these 401(k) that are going to be dipped into.

Invest in yourself in the future. Do not forget to invest in yourself and the people in your family. This is a world where intellectual capital is the basis of great wealth, but we have to invest in our education or training, and it's really about lifelong learning. Out with the entrainment trends. All of this media (smartphones, internet, TV) comes with entrainment. If you haven't listened to the Solari Report on entrainment, please do. God bless Edward Snowden. Now, people understand what I'm saying. You want to listen to the Solari Report done with Charles Smith on soft weapons as well. I can't tell you how many times I see businesses and families plagued with this technology. Somebody goes into a place like the Ukraine and they are working people, divide and conquer. There are very few teams or businesses I've seen ever be able to understand what's happening and to outwit it. We can if we can see it, so please listen to the Solari Report on entrainment that I did with Adam Trombly.

Finally, net energy plus. When things are changing in these extraordinary ways, you have to look at everything through the prism of 'what is an opportunity' and the importance of being and playing that energy plus. By that, I mean you need to give energy and you need to get energy. You need to find a way to work that way with everyone in your life. You need to find ways of understanding what they do and where they're going and teach them about you and what you're doing and where you're going so you can always align with them to give and get energy. I feel like I have a moral obligation to give energy to those around me in a way that gives me energy. That's what keeps the optimization going. We used to do that very naturally with markets, and we had currencies or we had markets that gave us more accurate prices than we



get now. We can all figure this out if we're willing to play net energy plus. What it means is that you're going to have to let a lot of people and things go because when things are changing this dynamically, something that was economic last year, it's not economic this year. You're ready to shift to 3.0, but somebody you love is not willing to shift. You've got to let them go and make the shift because the reorganization of the consumer markets is literally a financial tsunami, and it's here, good or bad. Much of it is driven by the embracing of the technology by the consumers around the world. It is what it is.

Finally, under breakaway, I had to put up what I think is one of the most important stories that rocked my world. I learned about it in the first quarter. It's a TED speech. It's up on the blog this week. *Scientists Working on Human-to-Dolphin Translator Report Their First Successful Interaction*. We have now created a way of communicating directly with dolphins. As I said to our wonderful blog master who tipped me off to the story, "Fantastic." The human race has now learned to talk to a higher intelligence and now we can start to hear the wisdom we need if we're going to evolve to a higher mind. If you've ever spent time with the whales or dolphins, it's a life-changing experience. I continue to believe that they are more intelligent in many respects than we are, and I, for one, think the idea that we could start to communicate more effectively with the other species, whom we share this planet, is absolutely delightful and very much in keeping with our theme tonight of spring fever. As one ally says, just think of all the living beings in the planet as our potential allies, including the dolphins.

"The human race has now learned to talk to a higher intelligence and now we can start to hear the wisdom we need if we're going to evolve to a higher mind."

GREAT RESOURCES IN THE FIRST QUARTER

We listed out our first quarter Solari Reports, our top commentaries, and they're all there for you.

ASK CATHERINE

We had some questions, and before we close, I'd like to cover some of them. One question was, "Thank you for your fine work. In a recent segment, you



courageously mentioned how hospitals are now potentially dangerous places to be. My sense is that very few people will be able to wrap their minds around the truth around the darker aspects of the health care agenda, but you are correct and all any of us can do is warn people and tell the truth.” Thanks for that comment. I agree. It is very important when you navigate many of the health care systems that you understand that they are very regulated, they are very controlled, and they are subject to all sorts of perverse economic incentives. When we go in them and navigate them, we need to be very careful and not assume that they have our best interests at heart.

Another question, “In the first quarter wrap-up, please talk about the implications about the internet being given to the UN’s front group for alternative news sources like this one threatened by this development. What are some alternatives?” Excellent question. I don’t know what the alternatives are. What the author of that question was speaking about is the turning over of the naming conventions to a global not-for-profit out of the control of the United States. It was an astonishing development and you wonder what the politics were. I suspect part of it was the politics of getting Europe on board to deal with some of the issues in the Ukraine and some of the desire to get Europe to agree to moving forward with the trade agreement with the United States, but who can say. The reality is if you look at the influence of the internet as we move to systems where everybody’s online, it gets progressively harder for the United States to say that they are in control. There’s no doubt about it that that was an extraordinary power point, and what the ramifications are going to be is a big question. It wouldn’t surprise me if one of the pressures for that is there’s more and more threat of the vulcanization of the internet, and I think that was designed to stop it, given the Snowden revelations. We are in real trouble in terms of our holding everyone into the system without balkanization and what that means to American businesses. Make no mistake about it, the Snowden revelations have been extremely expensive for the U.S. position and U.S. businesses in relationship to internet and internet access.

“A few times I’ve tripped across your discussing equity investment based on place and you tried to get something like it going in the 1990s. I’m not sure I understand the concept. Do you have a longer discussion on it somewhere?” Yes, if you check in the Articles section, you can find some of our old material on place-based investment, and you might want to troll around in the articles



and look at some of those. There's a back casting and an old manual we wrote on how to organize an effort for a place. What I will attempt to do sometime this year is more on-place-based investment because I clearly believe it's coming and I also think it's essential.

One question they asked is, "Are you still working on the board game and what is the name of it?" We were working on a board game for place-based investment and stopped. It makes a lot more sense to do it in digital form. The question continues, "My quest for getting the highest quality of information keeps getting better and better. I really liked Casey's stuff, but there was just your puzzle piece." They're referring to the interview I did with Doug Casey on the Popsicle Index or Doug Casey's group. "I'm very grateful for your optimism and uplifting inspiration while putting a crazy and beautiful world together."

Okay, "What are your thoughts on the recent comments from Christine Lagarde from Hopkins on the second annual reference to the global financial reset. I have not heard those endeavor to do that. Lagarde indicates that 180 countries will move forward with a reformation of the financial system to encourage nova growth, more so to the emerging markets. 'The U.S.A. is holding things up,' she states. Does the U.S. dollar continue to weaken as China, India and Russia posture against using anything but the U.S. dollar? I've read the articles," et cetera, et cetera, et cetera. There is no doubt that it's pushing around the world for a variety of reforms and changes to the financial system, including to deal with the debt burden. The United States has been holding out on reforms necessary for the IMF to move forward. Of course, we had a chill go through the developed world as Lagarde talked about a wealth tax, and I think many people are concerned about that. Is the U.S. balking at a global financial reset? Absolutely. Will it continue to do so? Yes, it's going to continue to do so, but the reality is the marketplace is going to steadily chip away. In many respects, this continues to be a military question because the United States has enormous invisible weaponry. Two of the stories I put up for the outline for this wrap-up include a story about invisible planes and our new destroyer is a drone from the Navy.

Next question, "You mentioned in the *Breakaway Economy: Part Two* that you thought solar would have some role in the energy future. Some organizations



have goals in moving to all solar and other renewable energies by 2050. Do you think this is even possible, given the challenges of current availability and access to rare earth minerals necessary for this technology?” Very good question. I think, given the innovation going on in this area, that we’re going to see (it’s hard to predict) many solutions to many of the materials issues. It’s because of questions like this, what technologies get adopted, what make it, what don’t, are very tricky to decide. I’m not a solar expert, so I don’t know. What I do see is a number of breakthroughs happening, as I said, particularly with batteries that could make an enormous difference. I continue to believe, because of the UFO evidence, that there are much more efficient technologies potentially available, but that all of these threaten the fundamental petrodollar model, so it’s not going to be until the powers that be are ready to bring breakthrough energy. It’s going to be one of the rabbits they bring out of the hat. When you ask a question, ‘what’s the exit plan on unemployment,’ one of the possible exit plans could be free energy. The danger, of course, is if you drop the cost of energy that much, you run the risk, many feel, of an explosion in population, and it’s something that they’re very concerned about. So watch the integration of new energy technology or making renewables really economic. Watch that be a function of the control they need for the currency and the control they need to opt out. If you get a real internet of things and virtual currency with top-down control, it makes it much more easy for the powers that be to move to much more aggressive technology that lowers the energy prices.

Let’s see. “I would like to know if you would be able to do a rundown or report on the boom and bust towns. As a guy looking for fortunes and safety, I really want to place myself in a boom state. Would you be able to guide us in the best and worst areas?” That’s a very good idea. I will think about who I can find to help me do that.

Next question from a great subscriber. “Are you going to address the recent IPCC report on climate change in any way?” I didn’t talk about it in the wrap-up because whenever reports come out about climate change, they don’t address all the different issues of geo-engineering and what’s happening with the weather. What I’ve said many times is, until we’re willing to put onto the table all the things going on with the weather, I don’t trust any of these reports. I don’t trust where they’re going, and that’s why I much prefer the Reddit kind of discussions on these issues. I haven’t brought it up, but there’s no doubt



about it, you're seeing more and more pressure and concern on the climate issues. The one that was probably the most frightening was the story this year up on the blog of the academician who proposed we build huge walls to stop tornadoes right across the middle of the country. It reminded me tremendously of one of Doris Lessing's novels about the planet that's dying and the extent of using huge walls to deal with weird weather. Very scary development. I continue to look for people who I feel we could get onto the Solari Report to discuss climate change. It's a huge issue and one that I'm very concerned is going to be abused. That's why I didn't address it.

A final comment. Our movie this week was something called *The Lives of Others*. It's a 2006 German movie, on a surveillance situation in East Germany before the wall came down by the East German police, the Stasi. It's a remarkable film. I would love to tell you a lot about it but I don't want to give away the plot. I encourage you to watch it. It's about the kind of things that happen in a situation with very invasive surveillance, and it has lessons for all of us living in a society that's very rife with surveillance. The thing that's beautiful about it is it tells a story of how humans continue to be humans, no matter how much the system tries to get them to be inhuman. It certainly was something that happened to me many times. I was in a situation a while back where I was dealing with significant physical harassment surveillance. Repeatedly, the people who were supposed to be doing surveillance on me became helpful, I wouldn't say became my friends, but somehow we got into cahoots and things turned out very interesting. It very much fits with the theme of the movie. One of our subscribers posted a comment that I just had to read. I thought it was a lovely description of this movie. "Catherine, I first saw *The Lives of Others* here in Chicago a couple of years ago when it first came out and I was absolutely blown away. I couldn't stop crying at the end. It's a quiet film full of nuance and you have to pay close attention to follow the plot, but I have rarely seen such an effecting portrayal of the redemption of a single man from eager participant in an evil system to conscious resistor. It's such a rewarding film that I hope everyone will see it. I think of it as a call to action for each one of us. Bravo." Anyway, *The Lives of Others*, I recommend it to you.

Well, that's it for our first quarter wrap-up. The link, again, for the outline is up on the Resource page as well as in the blog post. I hope you will access it.



It's been a pleasure to have you for our first quarter report.

Coming up next week, we have precious metals with Franklin Sanders. Precious metals has been an area under great stress in recent weeks, and I know that people have questions. I have not answered the precious metals questions today. We'll be asking them of Franklin. He'll update us on the market and we'll talk about what's ahead. A lot of uncertainty for precious metals, so I look forward to having Franklin next week. Following that, we have Charles Smith on soft revolution and soft weapons. Very interesting discussion, so a lot coming up. I know it's tax time. My prayers are with you. Just turtle through, be impeccable and remember, don't worry about whether or not there is a conspiracy. If you're not in a conspiracy, you need to start one. Ladies and gentlemen, good night 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.