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# America's Black Budget & Manipulation Of Markets

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Column: Catherine Austin Fitts

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**Financial Sense NewsHour  
Radio & Net Talk Show Presenting  
[Catherine Austin Fitts](#) w/ Jim Puplava  
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## **America's Black Budget & the Manipulation of Mortgage & Financial Markets**

Investors benefit from understanding the federal budget, credit policies and covert intervention that drive markets -- often overriding fundamental economics. How has the US governmental apparatus become so powerful in the marketplace and what does it mean to the health of our economy? How unstable is the mortgage bubble and where are the opportunities for investors if the bubble bursts?

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\*TRANSCRIPT\*

For providing us with a transcript of the show, special thanks to one of Jim Puplava's Financial Sense NewsHour listener, Glenn Assheton-Smith, and his fellow investors at the <http://www.siliconinvestor.com> forums :

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**JP:** Catherine, we've seen a lot of information and a lot of concern on Wall St. about the Mortgage markets. We've seen consumers take on more debt when it comes to taking on bigger mortgages, refinance. But this story gets much bigger than just the credit itself.

**CA:** Sure. Where would you like to start?

**JP:** (Laughter) Well, let's talk about black budgets and how the manipulation takes place in the mortgage and financial markets.

**CA:** OK. Let me start off with a story. When I became Assistant Secretary of Housing, I left Wall St. and went to Washington in 1989, and I walked into the FHA Jim, which at the time was a \$300 billion portfolio of mortgage insurance, about 80% of that was single family. So it's homes, homes that Americans buy, and it's sort of broad middle class/lower middle class. And I walked in and I said to the guy who was supposed to be the Controller, and I said I'd like to see our financial statements.

So he delivered to my office about 20 pounds of books all on the budget, and I read it twice, and I called him and said "Look, I've read this thing twice – a couple of thousand pages – and I can't find out how much we are making or losing in the single family fund." By law, the SHA commissioner has sole fiduciary responsibility to make sure that the \$50 to \$100 billion of mortgage insurance originated is self-sustainable. So the premiums are supposed to fund whatever the defaults and losses are. So I said, "I can't find out how much money we're making or losing". "Well that's because", he said, "It's not in the budget". And I said, "Well where is it?" And he said, "Well the Accountants have it". And I said, "Well where can I find them?" And he said, "They report to a different Assistant Secretary, you're not allowed to speak to them".

**JP:** (Laughter)

**CA:** So I was a little bit taken aback. And to make a long story short, I had raised a lot of money for the first Bush, and so I lobbied extensively, and what I got was a pair of cufflinks, and the accountants moved over to report to me, it took about 2 months. And so I could finally talk to the accountants, and they came in and I said, "How much are we making or losing in the single family fund?" And they said, "We're losing \$11 million a day."

**JP:** Wow.

**CA:** Exactly, so I said, "Well we have 10 regions and 80 field offices, where are we making or losing

money?” And they said, “We don’t know that.” And I said, “We mail out checks, we have zip codes, so it’s a crash emergency go-find-out.” And they came back 2 months later, and it turned out we were making money in 8 regions, and losing money in 2 regions.

And I was also on the oversight board through the Secretary of the RTC, which was the cleanup of the S&L’s, and it was very much the same pattern. It turned out that the two regions – 1 was Texas, which included Arkansas, so you had both the Bush’s and the Clinton’s in the same region, and the second was in Colorado. And what had happened, a significant part of what they called the S&L scandal and the HUD scandal was you literally had a financial fraud epidemic – it was called, some people call it Iran-Contra, but after you work through it and learned all about it, we had a significant black budget financial operation financing black budget projects with financial fraud, whether it was through the S&L’s or HUD. And all of that could happen because you did not have transparency.

So one of the things I got passed when I worked with a group of people in the Administration was a requirement that you produce audited financial statements for the 24 agencies of government. One of the things I’d like to do is go through a little bit about that and tie it back to the mortgage bubble.

And so we got in the first Bush administration a law required that the Federal government had to produce audited financial statements, which went into operation in 1995, they had about 4 years before they were required. And what happened when the first financial statements came out, was essentially most agencies could not comply, or produce audited financial statements. And as of today Jim, in 2004, the Federal government has yet to comply with the laws requiring audited statements for those 24 agencies, and the Treasury consolidated.

**JP:** And yet they always need more money, but they can’t account for where the money that they have goes.

**CA:** Right. In fact, in 2001 we did an estimate, and it turned out that 85% of the first Bush administration budget [was] going to agencies that weren’t in compliance with the audited financial statements rules and reliable financial systems.

Anyway, let me fast forward. In 1995, when HUD produced the first audited financial statements, they were published, and a fellow came to see me, and he said, “Look, there’s been a terrible mistake. You don’t understand, my family’s been in business for many generations, and we’ve been tracking all the FHA mortgage insurance outstanding in the market since the FHA went into existence in 1934, and there’s a terrible mistake – the amount of outstanding FHA mortgage insurance in the markets is significantly more than is shown in these financial statements ...

Now when the fellow came to see me, Jim I thought he was crazy because what he was saying was that the U.S. Treasury and the FHA were engaged in significant securities fraud. In other words, what he was saying was that there was a significant amount of FHA & Ginnie Mae (or FHA related) securities outstanding than was shown in the financial statements.

Now, that’s what I’ve come to believe is true. In 1995, I thought the guy was nuts. What has been evidenced over the last 7 years, is that there is a pattern that suggests there is very significant financial fraud in the mortgage markets. And let me tell you a little bit about why I believe that to be true.

After I left the Bush administration, the Secretary of Treasury asked me to go back in as a Governor of the Federal Reserve. But I discovered the Internet when I was in HUD, and decided that I wanted to

create my own securities firm that specialized in financial software. And I was convinced there was a tremendous opportunity to finance neighborhoods and places, and securitize small businesses and small real estate income and finance in the equity markets. In other words, in a world of privatization, there's no reason why you can't finance a lot of municipal functions with equity. ...

So we wanted to do that, but a lot of it depended on creating the software tools to let you really see how the money works by place. And part of what I discovered when I was Assistant Secretary is, because there's no transparency in how the money works by place for government money, there's tremendous opportunities. There's neighborhoods where, for example, HUD is spending \$250,000 per unit to rehab public housing, but you can buy a rehab single family in the same 3 or 4 block area for \$50,000. So, to the extent that you can reengineer government money within a place, there's tremendous arbitrage opportunities if you combine that with financing places with equity. So we got very interested in doing that.

One of the things that happened was HUD later hired the [i.e. Catherine's software] company back on competitive contract, to help with \$12 billion of defaulted mortgage auctions. HUD was the last of the RTC and the private financial institutions auctioned all their mortgages. But HUD was kind of the Johnny-come-lately, and so hadn't done that, and we helped them do that between 1994 and '95 & '96. They auctioned successfully about \$10 billion of mortgages. What happened in that process was we were able to get the recovery rates, which had traditionally been about 35 cents on the dollar, beyond the industry standards which was about 75 cents on the dollar, we got it up to about 70-90 cents on the dollar.

And then in 1996, [we] were targeted by ... the only way I can describe it, have you ever heard of the movie "Enemy of the State"?

**JP:** Oh sure.

**CA:** OK. Well I have someone who introduces me at conferences and says "This woman played Will Smith in real life." Do you remember the role that Will Smith played?

**JP:** Oh absolutely.

**CA:** OK. Well what happened was we were targeted in a process where we went through a period of having 18 audits and investigations, and 12 pieces of litigation, and through that whole sort of enforcement process, the honest people were pushed out of HUD. And they pushed my company, and a series of other honest contractors and government officials out. And what happened in the year following that is HUD failed to produce audited financial statements, and reported undocumented adjustments of \$59 billion, that was in fiscal 1999. And throughout government in fiscal 1999 thru 2000/2001, there were reports of not only failure to produce audited financial statements, but about \$3.4 trillion of undocumented adjustments. Very, very significant. That works out to about \$11,000 per American resident.

**JP:** Where do all these losses get booked?

**CA:** What was happening [was that] annually, starting in 1995, the Federal government, the auditors underneath the auspices of each agency's Inspector General, would come forward and say, "This year we could or could not produce audited financial statements, ... and part of the reason is that we have undocumented adjustments of \$59 billion or whatever the number was." And so in this annual sweep

up whereby the individual Inspector Generals would report into the Secretary of the Treasury and to the General Accounting Office (which is the auditor for Congress), it would come in through this annual sweep, and they would come in and say, "OK, we can't produce audited financial statements, and we have this much of undocumented adjustments." At some point after the numbers got really crazy, they just decided after 9-11 to stop reporting them.

Now, when people say to me "What is \$3.3 trillion of undocumented adjustments?", let me give you an example. In fiscal 2000, the Department of Defense had \$2.3 trillion in undocumented adjustments. OK now, there's no way for us to know Jim, how much of that translates into cash. 'Cause \$2.3 trillion is more than total taxes paid in a year by ... say tax payers in that year would have paid taxes of about \$1.6 trillion. So, there's no way to know if \$2.3 trillion translates into how much cash, or how much cash is missing.

What we do know is that under the laws of the Constitution, which say money cannot be spent unless it is appropriated. It is essentially a violation of the Constitution to do that, with one exception. And this is where the black budget comes up. There are provisions under the National Security Act of 1947 and the CIA Act of 1949 for military and military intelligence to crawl money from outside of different agencies' budgets, and spend it on non-transparent purposes. That's sometimes why it's called the "black budget".

And what I found out both as Assistant Secretary of Housing, and then what I found with my company ... and with the group of honest guys kicked out of HUD, was you had an agency whose legal purpose and political purpose was to help finance the mortgage markets, whose mortgage insurance programs were increasingly caught up in financing black budget operations. And this is very much tied to what's going on in the mortgage markets.

By any chance Jim, do you watch the Soprano TV show?

**JP:** I don't watch television, but I'm aware of some of the themes and things that go on in the program.

**CA:** Congratulations on that, because I don't watch TV either.

**JP:** (Laughter)

**CA:** Approximately 2 years ago, one of the things that developed on the Soprano TV show was that Tony Soprano's new big business was HUD financial fraud. And it's interesting that the financial fraud that Tony Soprano was doing was very much one of the predominant kinds of fraud in the HUD single family portfolio, but one of the one's used to finance the black budget, and one of the models that was very prevalent during Iran-Contra.

**JP:** You know, it's amazing Catherine as we've seen the U.S. develop more into a financial economy, I guess a sign of the times the mob moves into mortgage finance.

**CA:** Yeah, it's really simple. If you had a company Jim that was not being productive, the way that that would stop is that ultimately somebody would pull the financing on you. Your bank would pull your financing, the SEC would not let you finance in the stock market at some point. If you had a local or state government the credit agencies would pull the plug on you. But part of the problem we've had in this country is that we have a Federal Governmental apparatus that can be non-transparent, not

follow the laws of how money is supposed to work, function outside the boundaries of the law, and yet continue to finance. The New York Fed and the Federal Reserve can continue to print currency, and continue to borrow a significant amount of money in the securities market outside the boundaries of the law.

And the problem we have as investors is ... you know, one of my favorite people, and he's been on your show before, is Bill Murphy and the guys at GATA. They've done a terrific job of documenting the manipulation in the gold markets. And for many years, I've tried to get Bill to understand that the manipulation in the gold markets that he's dealing with is the same people and same players that are manipulating the mortgage markets and the mortgage bubble. And they can do it, whether they do it in the gold market or the mortgage markets because they have access to a Governmental apparatus and financing apparatus which is non-accountable and not transparent.

**JP:** Catherine, this raises another subject in addition to your own experience, this weekend's edition of Barons did an article called "Swept Away" – it was how Fannie Mae keeps its losses from sullyng the bottom line. And many investors may not be aware of the way the derivatives market works, but certain kind of investments, if they're held for the long-term, or carried on the balance sheet at cost (you never market them to market), other investments that are considered for trading purposes are marked to market, but there are certain accounting rules that allow not only what you saw at HUD, but organizations like Fannie to sweep losses onto the equity statement of their balance sheet.

**CA:** Right. I think the hardest thing about being an investor today is how do you get accurate information about the real values ... how do you understand what Fannie Mae or Freddie Mac's portfolio is really worth? How do you trust the books? And it's unnerving because the market ... you know, part of the thing that's keeping the stock prices where they are from what I see is tremendous manipulation within the markets. So we're looking at and tracking a political economy, not something that behaves according to traditional economics. Because you're not looking at honest books, and you're dealing in a situation where ... you know, if in 1 year the Federal Government is missing \$2.3 trillion, where does that money go, and where is it being reinvested? That's a huge cash flow that can take the markets one way or another.

**JP:** Well, the other thing that you have too is even if you were to come from an accounting background like myself or yourself, you look at Fannie Mae's 10-K filings last year, they were 181 pages ...

CA & JP: (Laughter)

**JP:** ... I mean that's become a novel! I mean it's almost like you have to become Sherlock Holmes to really find out what it is that you're looking at, and even then you don't know what it is you have, because most

people don't realize that the bulk of the \$200 trillion ... and that number just astounds me in terms of its size

**CA:** I know, it's kind of overwhelming. Let's make it simple. Because 5 years ago I decided that I was going to start traveling around the country by car to see what was really happening on the ground. Because I think you can always understand an economy by simply walking around and, you know, when I was on Wall Street I used to do due diligence by going to the company and just going up and down in the elevator and talking to the secretaries. Let's talk about what things look like on the ground

in America, and what that means to the credit of a Freddie Mac or a Fannie Mae.

In the mid-90's Jim, we knew that a huge amount of jobs and income-generating activities in America were going to get outsourced to Asia. I mean, those decisions were made in the early 90's, and we knew that was going to happen. And I was a leader in Washington promoting a model whereby Americans paid down their debt, refinanced their communities and themselves on an equity basis, and redeveloped their skills. I mean, we knew the workforce was going to have to reengineer itself, and our pension funds and retirement arrangements were not going to be financially credible unless the workforce reinvented itself, and paid down its debt, you know, then. ...

So we knew then we had a problem. And what happened is was my team was kicked out of Washington, and a decision was made instead of reengineering folks' skills, or migrating them to equity and starting new businesses, a decision was made to float the economy of the biggest wave of debt that I can imagine. And what we've done is we've seen consumer debt skyrocket.

I have a member of my group, the Solari Action Network, who reconfigures the BEA's statistics once a quarter, and what his calculations show is very much what I see on the ground in communities throughout America Jim, which is the average American household has income of \$32,000 per year, they have expenses of \$37,000 per year, and they finance that \$5,000 per year deficit with liquidating assets, working harder, or borrowing more. And of course as you know, and it's clear from your website, that the debt has gone ... not just the consumer debt has gone up-up-up, but the mortgage debt has gone up-up-up. And now, that load is just increasing every year, and meantime we are accelerating moving all the jobs and income abroad.

Now, when you move all your income abroad, and you leave your growing debt at home, it doesn't take long to understand what's going to happen to a Fannie Mae or Freddie Mac or a Ginnie Mae. At some point the growing debt has got to get serviced, and the question is how?

You can flood the country with immigrants who can buy up real estate that you finance at the bottom, but at some point something's got to give in the middle. I mean, if you shrink and collapse the middle class, they're going to default on their mortgages.

**JP:** You would think Catherine though, given the size of this Credit bubble that we're creating - not only in mortgages, in the bond market, the proliferation of hedge funds that literally move large amounts of money in and out of the market - people would be paying more attention to debt. But I hear stories, you get these people on Wall Street that say we have no inflation, and the other side of that story is as long as the Fed raises interest rates at a measured pace, the stock market will continue to go up and consumers will continue to spend money. None of that makes sense to me.

**CA:** (Laughter). It makes no sense, unless you, let me give you an example. Last year we appropriated \$87 billion for Iraq, but the administration has repeatedly says it can't explain where half of that money is going. It was interesting, one of the top reporters who followed the \$3.3 trillion of missing money, I asked him the other day, I said, "Where do you think the \$87 billion went to?" And they said, "Well, we think it went to finance the states' deficits, because they were screaming about the states' deficits, and then all of a sudden it stopped."

We've had a complete implosion of internal financial controls in the governmental apparatus. \$3.3 trillion missing from government is a financial coup-d'etat. You can keep a bubble going as long as you can finance it. And my guess is, again very much credited to Bill Murphy, what we're watching is a

securities operation both with the Federal agencies, the mortgage agencies, and the U.S. Treasury, which are financing a political economy. The money that comes in from those debt operations are being used for other than their lawful purposes.

Here's the question: If we're manipulating the gold market, who's financing that? Who's financing the money that it costs to manipulate the gold market? Well, if \$2.3 trillion is missing in a year, that's plenty enough to manipulate the gold market and a lot of other markets.

**JP:** You know, you would think though Catherine, and this is why I just wonder if we're coming up against some headwinds here, because certainly even though you can manipulate markets, you can bring interest rates down, you can keep asset prices inflated, but let's bring this down to Main street. You've driven around looking at these communities. If people are losing their jobs, if the jobs are going overseas, if they're downsized where they're not making the same kind of income they used to make let's say 5, 10, 15 years ago, they're adding more debt, even though that debt is at a lower interest rate, there comes a point where you can't get any more debt, nobody wants to give you another credit card, or the bank simply will not give you another home equity loan. I mean at some point you run up against a wall.

**CA:** Right, and that's where we are. I'm in Washington DC today, but I live in Hickory Valley Tennessee. In western Tennessee, in many of the communities, we're in a state of depression. I mean, the middle class is essentially being wiped out. And, you're absolutely right, without that fundamental productivity in the economy, there can be no economic gains. Now you can get some economic gains by moving in lots of immigrants. I mean, my impression Jim is that the borders are open, and America is experiencing very rapid immigration, and that's part of what's keeping the economy propped up. You can also keep activity going as long as you can finance the U.S. economy by borrowing more money, and printing more dollars, and pushing more dollars out. But we've reached a point where immigration and warfare are two economic activities after a bubble, but what we've been watching for years in this country is very significant falling productivity ...

**JP:** Explain the productivity miracle that Greenspan trumpets every time he's on top of Capitol Hill.

**CA:** We're running the economy to centralize wealth. We're using what I call a negative return on investment Governmental apparatus, both the budget and the credit and regulation, to centralize bank deposits, centralize purchases, centralize investments. We're centralizing political and economic power. And in the process of that, we're doing not what I call privatization – privatization is when you transfer government assets to private investors at market price. "Piratization" is when you transfer government assets to private investors at significantly below market prices. So we're going through the process of using the Governmental apparatus to centralize economic power and wealth in a way that shrinks the total pie. And Greenspan's job is to put a pretty face on that. And the mortgage bubble's job, and the U.S. Treasury securities fraud, is to finance that.

So it's good for Greenspan, it's good for the people he works for, it's terrible for the economy, and it's certainly terrible for people like you and me. And an honest finance guy is at a huge disadvantage in this environment

**JP:** It almost seems like we're turning the population in the U.S. into economic serfs, because you know, you take a two income family today, between what it costs to buy a house, own two cars and make payments, and send your kids to school, there's nothing left over.

**CA:** Well think about it this way. Another way to look at it is, say the average taxes per resident is about \$5,000. And 85% of that, or say \$4,700, is going to agencies who refuse to produce audited financial statements or reliable financial systems. And if you study the black budget, increasingly what you're seeing is that money is going to support private corporations and private banks who are using those resources to basically steal community assets out from under them. So you're basically financing an operation which is stealing all your political powers and economic wealth. It's a dream.

**JP:** Yeah, what this is, is a giant wealth transfer. And I remember, was it Hayek's book "The Road to Serfdom" ...

**CA:** [Catherine proceeds to expand on her alternative "open source" model of community equity financing ... i.e. "securitizing" small business income ... quoting Catherine, "I mean, why do we need a big corporation to come in and privatize our water? Why don't we just privatize our water, create a liquid security, and get the capital gains for ourselves?" ... and again, "There are tremendous opportunities to reengineer this. Because whenever you have an economy that is this unproductive and this negative, if and where you can turn it around, the capital gains opportunities are absolutely enormous."]

**JP:** ... So, maybe this is a grassroots movement that begins at this kind of level Catherine, because certainly large corporations today are outsourcing our jobs. And it's really the small businessman whose local that is the creator of jobs.

**CA:** Absolutely. But right now, you know if you come to a Rotary International lunch, right now the local small business guys are playing with multiples of 1-5x, and they're getting clocked by the large corporations, because they can finance at multiples of 20 and 30x ...

**JP:** What has been the reception to this so far?

**CA:** Well, so far the reception has been tremendous, except from the Department of Justice and the Black Budget guys (laughter). We were prototyping 100 of these in 1998 Jim, and part of it was we had a software tool called Community Wizard, where you could dial in, say if you lived in San Diego, you could dial into Community Wizard and start to download all the data about how the money worked in San Diego. And what we didn't realize at the time, because we were just naïve, was that that was illuminating a lot of the black budget fraud that was in the Federal mortgage portfolios. And, for example, when I was Assistant Secretary, I'd get these inventories that said we had 10 buildings on this block and I'd go fly there and I'd go drive by the block, and there'd be no 10 buildings there.

So the problem was when Community Wizard would illuminate you know the databases on what the Federal Government was doing in the mortgage business, and citizens in their community could get those numbers and police them, and see the money contiguous to the world where they walked around and drove around, and the lies came to the fore. ... And now wherever I go, I get tremendous and positive response ...

... You know, I'm a great believer that centralization is really nowhere near as productive as decentralization.

**JP:** Catherine, getting back to the other economy that's out there now, the Credit Bubble, Fannie Mae, Freddie Mac, all of this Credit financing, what's your view in terms of how this ends. I can't help but see

this whole thing crumbling, and maybe it's a private initiative that rises from the ashes such as the things that you're proposing that rebuild this economy, because certainly we have hollowed out this country in terms of what we've done to manufacturing. And you can't create wealth by just printing money and borrowing money.

**CA:** Right. I think there are two scenarios. One is the bust, which is this thing keeps going as long as it can be financed by the U.S. governmental apparatus, and at some point, you know, as the Japanese and everyone else says we're not buying any more of this, we're not taking more dollars, the thing busts. And when it busts, what you're going to have is, it's going to be 1929 but worse. Because in 1929, there was a lot of social capital in America. It was a much kinder, gentler place I think than it is now. And you had many more people that knew how to grow their own food, or knew how to function. So one scenario is the bust.

The other scenario though Jim is the Orwellian scenario, which is we've reached a point, and I've written many articles about this, where rather than let financial assets adjust, the powers that be now have the control of the economy through the banking system and through the governmental apparatus, they can simply steal more money, keep financial assets, you know whether it's the stock market pumped up, the derivatives going, or the gold price manipulated down. And they simply liquidate all living things rather than let the economy go bust. In other words, you can adjust to your economy not by letting the value of the stock market or financial assets fall, but you can use warfare and organized crime to liquidate and steal whatever it is you need to keep the game going. And that's the kind of Orwellian scenario whereby you can basically keep this thing going, but in a way that leads to a highly totalitarian government and economy ... corporate feudalism.

**JP:** It almost sounds like we're heading in that direction in some sense in terms of the words that they use, the way the statistics are manipulated, "seasonally adjusted" (laughter), I love those words. "Seasonally adjusted", what does that mean? Does that mean they're going to make the weather go away? I mean we'll just have sunshine every day. When you take labor numbers where we have 7 or 8 thousand actual jobs created, and I call them hypothetical jobs, we turn them into 300,000 jobs. Or you have inflation statistics that take everything that goes up and then adjust it for quality adjustments so there's no price increases ...

**CA:** Right, those statistics have really reached a point where they're just almost worthless. My vision is citizen controlled and led transparency because at this point I just don't trust government to provide it. We're looking at an economy that is phenomenally manipulated and unfortunately Jim, digital technology has allowed a level of manipulation that people like you and I just couldn't envision.

But yeah, I think it's very hard for me to fathom how we can avoid the bust scenario. But in theory we can, as long as we continue to finance it, and part of that is rolling out alternative technology. I mean, we have the technology we need to provide alternatives to fossil fuel, but we haven't integrated them into the infrastructure. And as you know, it's one thing to have a technology, it's another to train a whole generation of people how to use it and how to integrate it into their businesses.

The scenarios that people discuss about peak oil are absolutely possible. Either one is possible, that we could have a bust, or sort of the Orwellian process but we simply destroy the middle class.

**JP:** You almost wonder if that's indeed the way we're going, because certainly, you know I can't imagine Catherine the average person on Main street, let's say he picks up the newspaper in the morning and he's reading that a government report says there's no inflation. Or he turns on the TV and

he sees a news clip of Alan Greenspan talking about wonderful productivity, miracles going on with assets, and then the poor guy goes to work, pulls into maybe the filling station on the way to fill up his tank of gas, and then maybe on weekends goes to the grocery store or maybe he has to visit the doctor, and he's seeing his costs go up in a way that isn't described anywhere in the financial media. Yeah, they may talk about rising gas prices, but I always here this word "benign" inflation. What does that mean?

**CA:** Well it's funny, one of the things that was wonderful when I first moved to Hardeman County (Tennessee), I was driving around with one of the local farmers who was telling me essentially that they weren't efficient like the corporations. And, you know, we got into it a little bit more and what I discovered is that they didn't understand that they were having to compete on a basis where their revenues were greater than their overhead, and what they didn't realize was that local food franchise was laundering money and doing pump-and-dump stock market fraud, and so that they didn't have to generate revenue sufficient to cover their expenses. And the problem wasn't that the small farmer was "out of it", or not clever, it was the small farmer was honest, and was up against competition that was essentially practicing organized crime. And so I think part of the challenge is if you're sort of a regular guy in America, you're in the middle of economic warfare, and how do you see the game? How do you see the game clearly? And how do you see the game in a way that you then have the opportunity to do something about it? Cause there's no sense in seeing the game if it just depresses you to no end. So how do you see the game, and then how do you organize? It's funny, when I started to do speaking tours about the financial fraud in Washington, somebody said to me "Do you think there is a conspiracy?" And I said, "Look, don't worry about if there is a conspiracy, you need to start one."

**JP:** (Laughter)

**CA:** And the idea was, you know, we need to organize, if we're going to function in political markets and the political economy, and government is essentially going to be controlled by private players who are using that governmental apparatus to outfox us in the game of economic warfare, we need to organize to do the same. So we need to see that we're in a game of spiritual and economic warfare, and organize accordingly. So the average guy is going to have to figure out how he can, in fact, start whether it's locally or network globally. The pro-decentralization team, the honest guys, are going to have to start forming conspiracies to shift the resources back to us.

**JP:** Well it seems like one way to do that Catherine would be in a world that's full of fiat currency floating around is to own something real and tangible, which is to own the gold and the silver.

**CA:** Absolutely. Absolutely. One of the great new vehicles in my life is I use Gold Money. I don't know if you've used any of this Digital Gold? But it's quite marvelous. Have you had James Turk on your show yet?

**JP:** Yeah, we've had him, and James is coming back in the month of June, which is going to be devoted to gold and silver.

**CA:** Great. I'm a very satisfied Gold Money consumer. And I'm a great believer in the precious metals right now. We've certainly seen it manipulated down, and it's certainly a manipulated market, but I feel very confident that the price of gold has quite a floor under it, and I think it's going to go up quite a lot in the next couple of years.

**JP:** (Comments on gold investment)

CAF Exactly, Exactly... You know something Jim, I've been stunned because, remember I spoke at the National Press Club with Murphy about 2 years ago, GATA did a great press conference, and C-SPAN covered it. And I would never have believed that they could keep the manipulation going on this long. ... At the same time, I don't think that they can use the governmental apparatus to finance this game much longer, and I think precious metals have a tremendous market following. And so there's a fundamental economic support for precious metals that you can count on. So that's an investment that I believe in, and I agree with you absolutely, and they can't do this forever. ... At some point, land has value and gold has value.

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## BACKGROUND

### Links:

Solari

<http://www.solari.com>

Where is the Money?

<http://www.wheretheismoney.org>

### Articles:

The Myth of the Rule of Law by Catherine Austin Fitts November 2001, SRA Quarterly, London

<http://www.solari.com/gideon/articles/q301.pdf>

Where is the Collateral? by Chris Sanders

[http://www.wheretheismoney.org/S00223\\_collateral.htm](http://www.wheretheismoney.org/S00223_collateral.htm)

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