The Solari Report

October 11, 2017

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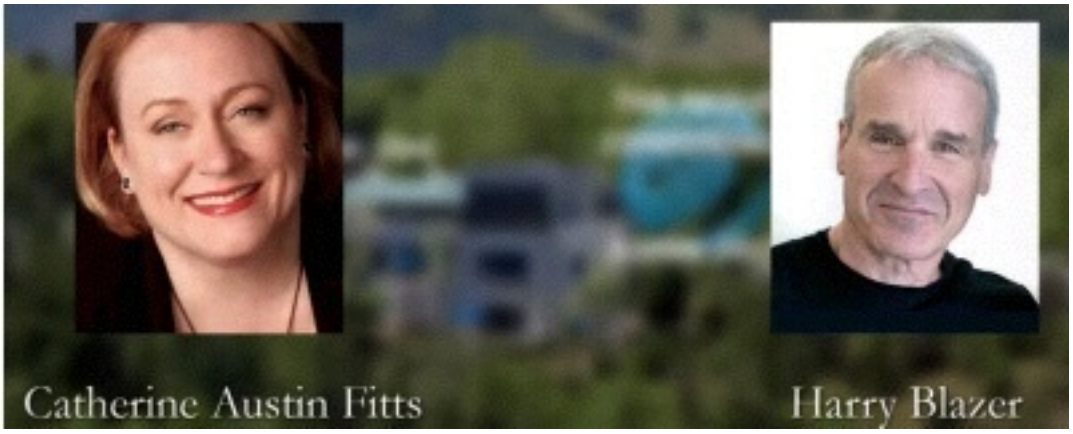
Bitcoin – The Op with Harry Blazer



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C. Austin Fitts: Ladies and gentlemen, welcome to The Solari Report. We have a very interesting discussion forthcoming. I recently attended a conference in Aspen, Colorado on cryptocurrencies. I was very lucky because Harry Blazer decided to join me at the conference. It's one thing to face evil presented as good in an umbrella of complexity, and it's always hard to do it alone. I've gotten used to doing it, but to have Harry there and have him help me unpack what was happening and what it means to you and me was absolutely wonderful.

We are in the middle of a fever of pump and dump. We're in the pump part, and whether it was the internet tech bubble, the housing bubble, the bailouts, the missing money, I've lived through these bubbles before and I've seen an enormous number of people get caught up in them and lose their place and end up being much worse off in terms of both financials and freedoms.

Watching this escalate has been very frustrating. Having Harry helping me figure it out and unpack it was an incredible blessing.

He agreed that he would join me and give a complete report on what we've learned and step back and take a long view on Bitcoin. I wanted it to call it 'Bitcoin: The Most Sophisticated Op Yet' but Harry persuaded me to shorten it to 'Bitcoin: The Op'.

We're going to be talking about blockchain technology and cryptocurrencies, including Bitcoin, reporting on what we learned in Aspen, and discussing how this fits into the bigger geopolitical and governance and financial pictures.

With that, Harry, welcome to The Solari Report.

Harry Blazer: Thank you. It's my pleasure and, of course, one of the reasons I went to the Nexus conference in Aspen was because you were there as a speaker, and you actually got paid to be there! I believe you added some of the most important value at the conference, and perhaps even took some of the fog away from the younger folks that were being seduced. You were able to create some cognitive dissonance that I think will be very useful to their development.

Fitts: I should mention that there were some excellent , important people there. Ed Griffin was there; Ron Paul was there; Dennis Kucinich was there; Patrick Byrne was there; Jesse Ventura was there; and I finally got to meet Stacy Herbert who is Max Keiser's co-host. There were many interesting people in attendance. It's almost as though the cryptocurrency people were doing opposition research.

Blazer: We both came to the conclusion that there is plenty of prototyping happening for different reasons, which we will get into later.

Fitts: I thought that the young people were wonderful. One of the books I kept bringing up and trying to get everybody to read was *The Master Switch* by Tim Wu. The subtitle is *The Rise and Fall of Information Empires*, and it starts with a telegraph, and then goes to the radio, the TV, and the telephone. It describes the new technology coming out, and there is this wonderful blossoming of innovation that is very exciting. Young people and entrepreneurs grasp it, think that they are going to save the world, and then after it gets figured out – wham! – it centralizes under tight, central control and it has the impact of further centralizing both politics and economy.

Blazer: I think that is an absolutely critical perspective, and I think that it is truly in play when it comes to cryptocurrencies.

Fitts: It's very important for the economics of it. If you look at how the government structure is run, you get as many people and smart people as possible innovating, testing and trying, and you have this prototype phase. The richer you can make your prototype phase, the better.

What I always say is that the way they get the prototype phase to be rich is by making sure that everybody is making money prototyping. We have price suppressed and manipulated all over the economy, but here you pump it. The more you pump the price, the more you attract people coming in and figuring out how to prototype.

Blazer: To that end, the people who did the original, so-called, 'mining' of Bitcoins for pennies to start with, and now the price today is $4,300, which is a 400,000-time return on your money and efforts. That is a historically unprecedented and unimaginable return. So you talk about a pump - it's a pump of exponential dimensions compared to anything ever.

Fitts: I want to mention the first bubble that I lived through. The first bubble that I lived through was in the 1980's when the Fed was really pumping and expanding the monetary supply. I had a wonderful partner named Peter Flanagan. I talked about this in my speech at Nexus. He would always fight with the traders and the people in capital markets at bonus time. He did an analysis once and said, "Okay, if we only ran the same average balances that we had during this last decade, and instead of having traders in the chairs, we run those average balances with chimpanzees, we would have made more money.

The reason I mention that is because, if you were hanging out with the people who were sitting in those chairs during that period, they all thought that they were geniuses. I've never seen arrogance and hubris like that until the housing bubble.

One thing that happens that I've seen is when you pour significant money into somebody's pocket, particularly someone who has never had it before, it affirms them beyond their wildest imagination, and they truly lose their mind, and they don't know it.

You and I have seen this many times, but this is the first time that we're seeing it to this extent. We're watching people disappear into the virtual world.

There was a great deal of discussion there – and we will discuss it later – where I kept saying, "The governance system in control is analog, not digital." One of my favorite moments at the conference was when one group was arguing about Bitcoin and gold, and you said, "What about seed?"

I had this image, when you said that, of all these people fighting over cryptocurrencies, while their soil is slowly being poisoned away and they don't even notice.

Blazer: You were also the one who mentioned that this is a distraction in terms of time, effort, attention, you name it, but also because of financial resources. If you are putting your money here, you aren't putting it in other places.

Fitts: My fear is not money; my fear is time. If you put your time here, you're not putting it in other places. I believe that we need to think in terms of time and attention, but I am getting ahead here. I do want to mention one thing. Before I went to the conference, I spent many, many weeks – because my clients have been asking me about this, and I felt that I needed to unpack it – and over 100 hours, much of it with a wonderful ally named Court Skinner, doing due diligence. Two things happened.

The first thing is that I felt I really had a beat on it before I got there, but I learned much more, which confirmed what I had come to the conclusion with Court. Historically, whether as an investment bank or as an investment advisor, my take on things is that if I can't understand it after 100 hours of serious due diligence, there is a problem, and it's not me. That is number one.

I can't tell you how many times informed ignorance is used as, "It's your problem; you don't understand it." It's used as a marketing mechanism to shame the person who can't understand it. I think that is a number one red flag.

The other red flag is that if you can't understand it, the people who are marketing it start to bully you rather than educate you. I've had a couple of experiences where the people so enthusiastic about the software industry tried to bully me into signing up for Ethereum or doing something with Bitcoin. Rather than answer my legitimate questions to make sure that I had intellectual mastery of what was happening, they tried to bully me.

Blazer: I would say, also, there are two techniques: Bullying, which we certainly saw in some of the seminars and discussion groups that happened at the Nexus conference, but there is also seduction.

Here we are, having this presented to us by the marketing folks as something that is basically going to bring the Federal reserve down, allow for total decentralization of finances around the world, democratization, it's incorruptible, we get rid of all the middle men, it's incredibly efficient, astonishingly cheap, anonymous, totally confidential and unbelievably safe. What we found out is that all of those claims are false. Those are some of the things that we are going to get into.

You have many young folks who feel that this is the way that we are going to bring humanity to another level of consciousness, and that is why we started to call this thing an 'op'.

There is something intentional about it. It's too slick, too refined, too well-thought-out, and it's too well-marketed.

Fitts: Here is what I will say. If you look at the people and how they are running the op, it's dynamic. They put it out, and they grew it organically. However, if you look at what they've done and how they are managing it, this is the smartest, cleverest one yet. It's even smarter and more clever than the housing bubble.

Blazer: Of course, you have good people in it who are there with good intentions and want to do good things. There is always that.

Fitts: Right, and there are market fundamentals that are driving part of the desire for these kinds of solutions. We will talk about that, also.

Before we do, let's go through again and define what Bitcoin is, what is cryptocurrencies, and what is blockchain.

Bitcoin is one cryptocurrency, but all cryptocurrencies are working with open database ledger software, and it's a fact – I think – that open ledger database software has a wealth of potential. So let's start with some definitions here. Why don't you walk us through?

Blazer: When I came into this thing and went to the Nexus conference, I thought it was *Nexus Magazine* that was sponsoring it. No, it was Nexus Earth, which is basically its own cryptocurrency and was started by Collin Cantrell, that I think did a very effective job as an insider of representing the limitations and shortcomings and dangers of Bitcoin.

Nexus Earth was started to take care of those shortcomings and come up with something that actually could work as a currency because Bitcoin can't for a number of reasons.

I didn't know much about it, so I went to this conference to find out more, but once we decided to do this talk, I said, "I need to really understand it even to a different level."

I've prepared a fair amount of information, so I'm going to go through it. Jump in at any time. Hopefully this will be helpful because I feel that it has been helpful for me.

What is *Bitcoin*? It is the most popular cryptocurrency and the first commercial implementation of a cryptocurrency.

What is a *cryptocurrency* or *cryptocoin*? It's a form of digital currency (virtual) that is produced by solving mathematical problems based on cryptography. It is, in essence, a chain of digital signatures.

What is *cryptography*? It's essentially the science of figuring out how to keep secrets using mathematics.

What is a *blockchain*? A blockchain is a network of distributed databases used to maintain an immutable public ledger of transactions. It represents a record of all validated transactions grouped into blocks, each cryptographically linked to predecessor transactions down to the genesis block, thereby creating a 'chain of blocks'. Bitcoin represents the first commercial use of the blockchain.

So what are the origins of a blockchain-based Bitcoin? Bitcoins is the first implementation of a concept called cryptocurrency, which was first described in 1998 by Wei Dai on the Cypherpunks mailing, suggesting the idea of a new form of money that uses cryptography to control its creation and transactions rather than a central authority.

The first Bitcoin specification and proof of concept was published by Satoshi Nakamoto and used the blockchain.

So who is *Satoshi Nakamoto*? Well, we don't know, but we do know that the name is a pseudonym for the investor of the Bitcoin protocol, which was published in a paper called *Bitcoin: A Peer-to-Peer Electronic Cash System*, and was made public via the Cryptography mailing list in November 2008.

Fitts: I would like to point out one thing; it was published two months after Lehman went down.

Blazer: You always add very significant facts.

This person or entity or group of persons then released the first version of the Bitcoin software client in 2009, and participated with others on the project via mailing lists until he, she, they, or it faded away at the end of 2010. This entity was a member of the team that created the open-source code that runs the Bitcoin network, but never revealed anything personal about itself. The last that anyone heard from Satoshi was in 2011 when this entity said that it had moved onto other things.

Some estimate that it might have mined, what is now, billions' worth of Bitcoins before departing. According to the BitcoinGroup.com.au, which I will reference among other things in our notes, 'Satoshi' means clear thinking, quick-witted, and wise. 'Naka' means medium, inside, or relationship. 'Moto' can mean origin or foundation.

So these are things that could apply to a person who founded a movement by designing a clever algorithm, which he did. However, we then met somebody at the Nexus conference who was of Japanese descent and fluent in Japanese, who also interpreted the name this way: Regarding the direct translation of Satoshi Nakamoto, the Japanese language is full of homophones – words that sounds alike, so you can interpret them different ways. "So Satoshi Nakamoto can be written in several different ways. However, the most common way would be like this," and he gave us some Japanese symbols.

In Japanese, the surname is written and spoken before the first name. In analyzing it, Nakamoto consists of two symbols. One stands for center or central, and the other is origin, root, and basis. Satoshi stands for knowledgeable, intelligent and intelligence.

So he said, "Putting them all together, Satoshi Nakamoto, or in effect Nakamoto Satoshi, translates to 'the origins or roots are center intelligent' or can be understood as 'originated inside central intelligence'."

This person says, "I hope this all makes sense. If you believe that the powers that be like to hide their actions and intentions in plain sight, then this name certainly is quite interesting."

I want to look at the Satoshi paper because it's eight pages, it's mostly readable, and it's in English with a bit of math at the end. Before we do that, I want to talk about a few terms that you always hear in regard to Bitcoin.

One is called a *hash*. A hash is an algorithm (a math function) that was described to me as a black box that has an input and an output. The process turns random-sized data into a string of numbers of a fixed size, which is a signature. It is designed to be irreversible, which means that it's not feasible to revert it.

According to Wikipedia, the ideal cryptographic hash function has five main properties:

1. It's deterministic so that the same message always results in the same hash.
2. It is quick to compute.
3. It is infeasible to generate a message from its hash value except by trying all possible messages.
4. A small change to a message should change the hash value so extensively that the new hash value appears uncorrelated with the old hash value.
5. It is infeasible to find two different message within the same hash value.

There is also a thing called *hash rates*. That is the number of calculations that your hardware can perform every second.

This becomes increasingly important because essentially Bitcoin was set up to become increasingly more difficult to 'hash' or to compute as more and more bitcoins were mined and the thing got larger and larger. This was intentional.

Now, whereas you could use your CPU of your computer to do hashes when it first started, not long afterwards, you needed GPU cards – the graphic cards that are used for gaming, and it is interesting how much gaming and cryptology is involved with this entire thing. Then you needed things called FPGAs, which are Field Programmable Gate Arrays. They are integrated circuits that are designed to be configured after they are built, so they customize them for Bitcoin mining.

Now you need ASIC, an Application Specific Integrated Circuit, which is a silicon chip specifically designed to do a specific task, which in this case, is to process the SHA-256 hashing problems. That is the code that they use for Bitcoin mining.

So if you don't have that, and not just that, and you don't have a gigantic array of thes processors, then you have no hope of being able to mine today. So there is an illusion out there that an individual can start mining these Bitcoins, and that is absolutely false.

Fitts: If you look at the ownership of Bitcoin, it is very concentrated. One of the reasons it is very concentrated is because, if you examine what it takes to be a successful miner today, it takes quite an investment of machinery and electricity, etc.

Blazer: It's huge. So it's gone from mega-hashes per second to giga-hashes per second to now terra-hashes per second. That is how they measure the hash rate.

There is also this concept of a *node*, which is a computer or series of computers connected to the Bitcoin network that relays transactions to others.

There is the concept of a *nonce*. A nonce is an arbitrary number used only once in a cryptographic communication. Many nonces also include a timestamp. Nonces are used to actually make the mining process more complicated.

We will have references for all of these in our notes.

Mining is the act of generating new Bitcoins by solving complex cryptographic puzzles using computing hardware. A key to this that I've discovered is that those cryptographic problems are, in essence, verifying and confirming transactions in the Bitcoin network, which is the equivalent of finding valid blocks and securing the global record of all of the transactions, which is a blockchain.

Miners are getting rewarded in two ways for making the network work; through Bitcoin and through fees for validating transactions and maintaining the blockchain.

Fitts: Let me just mention one thing. Bitcoin is set up so that it stops generating new Bitcoins at 21 million. The issue is that at that point, running the nodes on the blockchain is very expensive. So in theory, if they can't make money mining, then they have to make money by fees that generate enough money to run the nodes.

Blazer: That point has actually almost arrived, well below the 21 million mark. So a fair amount of the income now is from fees by primarily supplying services.

Fitts: If they generate enough fees to cover the electricity by breaking Bitcoins down into smaller and smaller points, they can do that, but it starts to get very expensive because there is so much redundancy in affirming the blockchain.

I think this has embedded implosion potentially, depending on what the fees are.

Blazer: It's embedded centralization for sure, and we're seeing it in many, many flavors.

I guess the main thing that I want to tell you about mining is that it's not mining for Bitcoins; Bitcoins is the reward that you get for mining for valid blocks. That is what they are looking for. They are looking for these blocks that they can verify and validate using advanced mathematics that has already been prescribed and using a lot of hardware because this is becoming more and more difficult to do on purpose.

You get the Bitcoins because you have fundamentally solved the problem and validated a block. "Here is your reward."

Validating a block also means that a transaction has occurred. So another way to get a reward is, "Here is your fee for allowing the transaction to happen."

Nevertheless, as it becomes more and more difficult, as we see, it takes much more time. So there is a big backlog and sometimes people have to wait a day for their transactions to actually be cleared.

They talked about *proof of work*. This is essentially a hashed block that is confirmed by the network as valid.

There is also this concept of the *51% attack*, which is now becoming very relevant because, as we find out, there are seven people who control almost all of the mining. When I say 'people', I really mean 'entities'.

Fitts: The market share of mining and the market share of ownership is highly centralized.

Blazer: Right, and getting more so. So the 51% attack is a condition in which more than half of the computing power on a cryptocurrency network is controlled by a single miner or a group of miners. That amount of power theoretically makes them the authority on the network. This means that every client on the network believes the attacker's hashed transaction block.

This gives them control over the network, including the power to issue a transaction that conflicts with someone else's, stop someone else's transaction from being confirmed, spend the same coins multiple times – which was never supposed to happen, of course – and prevent other miners from mining valid blocks.

You talk about centralization and the potential for fraud!

Fitts: It's really interesting. We have central banks, they have to turn their profits over to the sovereign government, and they have transparency. Is it perfect? No, but compare that to going to new central banks that have no transparency, are anonymous, and report to no one and keep the profits.

Blazer: What is ironic is that the confidentiality that the user thought that they had – because they have to use 'wallets' and they have to use all the services that are out there to exchange money, so exchanges and payment services or an ATM – you've lost all confidentiality and all anonymity as soon as you start to use these services or convert it to something else.

Another thing that is always ironic is that the Bitcoin advocates have tremendous analogies to gold in everything that they are doing even though they criticize gold as being an anachronism. For example, the Bitcoin looks like a Krugerrand. It's the same color as gold. They use analogies to 'mining'. I find all these things incredibly ironic.

Let me continue on here. The Satoshi Essay vision is non-intermediated, peer-to-peer transactions of any size, done electronically over the net, so transactions can occur anywhere, anytime and are more efficient and cost-effective than bank-mediated transactions using purely digital currency for payments that are non-reversible and structured so trust is superfluous. That is primarily the vision outlined in Satoshi's paper.

He tried to solve two primary problems that have in the past required the mediation of a trusted third party: 'Double spend' where the same piece of currency or Bitcoin is used twice to make a purchase, and 'reversibility of a transaction' by a customer figuring out ways to not pay for something that has been acquired.

Rather than get into detail about his paper, I would like, at this point, to summarize the features of Bitcoin as it has evolved to its present state.

First, it has a public record of all transactions supposedly through the blockchain, which theoretically cannot be tied to an individual that are confirmed as valid through consensus by a majority of nodes, but which – in turn – increases overhead and transaction time as the Bitcoin network grows.

This has been compared to a glass safety deposit box where everyone can see there is something in the box, but a specific user is the only one with the key to get in.

Second, there are time stamps for all transactions, which opens up the possibility for other uses of the blockchain technology that you were referring to that actually could potentially be quite useful. We can talk about that more later.

Three, the need for wallets, exchanges, payment sectors – basically an entire superstructure of third party financial service providers, something that Bitcoin was supposed to make superfluous – where anonymity can no longer exist while opening up many more opportunities for hacking and fraud.

Four, the Bitcoin wallet consists of two 'keys', the public key, which is your wallet address and how other people send Bitcoins to you, and the private key, which enables you to send Bitcoins to other people. The combination of the recipient's public key and your private key is what makes cryptocurrency transactions possible.

If anyone else acquires the private key to your wallet, then they can withdraw your funds. Because it is irreversible, you will never see them again. So if you keep your coins in either an online wallet or a hard-drive-based software wallet, you are vulnerable to attacks by hackers or malware that can log your keystrokes. You have talked about this in the past. They now have come up with this full array of wallets, and even people are telling you, "Hey, you really should keep your key on paper in a safe deposit box," but they're supposed to eliminate all paper.

Fitts: When I was doing the due diligence, I realized that the only way I could own Bitcoin was to keep it offline in a hardware wallet, including a hardware wallet that has a screen. The one I was looking at was $200-$300, but there was no secure way to do the transaction.

If I took my hardware wallet and put it online and tried to do the transaction, that's where the security issues skyrocketed. Because it's so complicated to do that, many people use the online wallets and the exchanges where they're leaving their private key with the service provider, which means that it can be emptied out overnight. We've seen that repeatedly.

If you have it on your phone, that is not secure. If you have it on an exchange and the exchange gets hacked or taken down, you can kiss your money goodbye. And here is what is so interesting: One link that I put up as the recommended link for Bitcoin was the Cambridge University study that walks you through all the different service providers. It pointed out that 72% of Bitcoin owners have their private key on the exchange or in the wallet. That's like putting your cash on your front porch.

Blazer: It's like including your pin number on the place where you make your signature on the back of your credit card.

Fitts: I went through both the standard risk issues and security protections that apply to the securities industry. So if you study the rules related to custodians and how custodians are organized and managed, or in marketing and how risk issues are defined and disclosed;

if you look at every service provider I've seen and every wallet provider I've seen and every promoter of cryptocurrencies that I've seen; if they were held to those standards, they all would not be approved for primetime. They would not be allowed to play with other people's money.

What is interesting is that in the Cambridge study, when they are interviewed they say, "There are plenty of regulations. We don't need more regulations."

If you talk to many of the developers that I talked to in Aspen, they are oblivious, not only to the existence of these standards and the fact they represent best practices, but when you suggest that they should incorporate them, they look at you as if you are mad. Yet we continue to see exchanges hacked and people losing money.

One other link that I put up was a presentation by John McAfee, whose company is a major miner, describing the security issues – particularly on the transaction level. It's not the security when you're sitting in blockchain, but the security issues when you are transacting. John McAfee, who has been a leader in this industry for decades, is saying that he loses a couple of thousand dollars on every transaction as a result of user error.

We're talking about, not only the Wild West here, but also an industry that doesn't even know what best practices are, and if you try to bring it up, they think it's irrelevant.

Blazer: I have a number of other points to bring up, but what you added was absolutely essential.

Bitcoins don't exist anywhere. There was talk about someone having Bitcoins, but when you look at a particular Bitcoin address, there are no individual Bitcoins held in the same way that you might hold dollars in a bank account. You cannot point to a physical object or even a digital file and say, "This is a Bitcoin."

Instead, there are only records of transactions between different addresses with balances that increase and decrease, thus the need for the blockchain.

Every transaction that has ever taken place is stored in this vast public ledger called blockchain. If you want to figure out the balance of any Bitcoin address, the information isn't held at that address; you must reconstruct it by looking at the blockchain.

Somebody made a comment to me once, "I wonder what happens when AI invades the blockchain." We can imagine what AI could do inside the blockchain.

Because Bitcoins exist only as records of transactions, you can end up with many different transactions tied to a particular Bitcoin address. So for example, perhaps Jane sent Alice two Bitcoins, Philip sent her three Bitcoins, and Eve sent her a single Bitcoins – all as separate transactions at separate times. These are not automatically combined in Alice's wallet to make one file containing six Bitcoins; they simply sit there as different transaction records.

When Alice wants to send Bitcoins to Bob, her wallet will try to use transaction records with different amounts that add up to the number of Bitcoins that she wants to send to Bob. The chances are that when Alice wants to send Bitcoins to Bob, she won't have exactly the right number of Bitcoins from other transactions. Perhaps she only wants to send 1.5 Bitcoins to Bob. None of the transactions that she has in her Bitcoin address are for that amount, and none of them add up to that amount when combined.

Alice can't just split a transaction into smaller amounts. You can only spend the whole output of a transaction rather than breaking it up into smaller amounts. Instead, she will have to send one of the incoming transactions, and then the rest of the Bitcoins will be returned to her as change. Alice sends the two Bitcoins that she received from Jane to Bob. Jane is the input, and Bob is the output, but the amount is only 1.5 Bitcoins because that is all that she wants to send. So her wallet automatically creates two outputs for her transaction: 1.5 Bitcoins to Bob, and 0.5 Bitcoins to a new address which is created for Alice to hold her change from Bob.

How is that for ease of transaction?

Fitts: We have one subscriber who complains because their exchange limited them to $1,000 a day. So imagine going to your brokerage account selling $25,000, and having it take 25 days at $1,000 each?

Blazer: There you go, and there are probably hundreds of things similar to that, that you can point to, never mind once the regulators get going.

Next, proof of work represented by the longest chain-that is a chain containing the most computational work or hashing and is the one that is found to be valid. It's the one that shows that it has taken the most work. This is designed to increase the difficulty with time, and in turn, it increases overhead and the need for more and more sophisticated expensive mining resources over time.

There are limits on how fast blocks can be generated to control the generation rate of Bitcoins, supposedly to control inflation.

There are limits and minimums on the size of blocks. There are limits on the number of Bitcoins that can be produced in total. You talked about that earlier. In turn, that creates a situation where Bitcoin will be commodified. It basically has to become a speculative investment in and of itself and that alone undermines its function as a universal currency.

Fitts: We'll get there, but it's not a currency. In other words, you have a mining community that wants it to be a currency, but it is not a currency yet. Their hope is that it will be a currency, but now it is just a speculative investment. We will get into that in a minute, but let's make clear that this is not a currency.

That's not to say that on occasion you can't use it like a currency, but it doesn't meet the standards of a real currency yet.

Blazer: That's right, and that is part of the case of what I'm making.

A mechanism for subdividing Bitcoins to increase liquidity once that total limit of 21 million is reached is called a Satoshi. It is named in honor of Satoshi, and it is one-hundred-millionth of a single Bitcoin. I believe the smallest transaction that you can send today is 5,430 satoshies. Of course, some exchanges won't even allow that.

Irreversibility of a transaction also means that there is no ability to recover a Bitcoin once it's gone – either by being spent or stolen.

Bitcoin core runs on generic databases that require a fair amount of processing that is not relevant for cryptocurrencies. The two major ones are Level DB for indexing, which is a creation of Google, and Berkeley DB 4.8 to manage the wallet data and keys, which comes from Oracle. Once I found that out, I had a big chuckle.

As part of the blockchain, data is processed by every node. As the number of Bitcoins increases and the number of transactions on the network increase, difficulty for mining is designed to increase as well. Theoretically, a network becomes more secure because of the cost involved with attacking it in computational resources and electricity, but the bigger it gets, the slower it gets.

Data processed by every node creates a chain reaction of decreased propagation time as the slowest node creates the bottleneck. You're only as good as your weakest link in this system.

Messages in Bitcoin Core are processed in a queue. This means that slower messages from a node or denial of service attacks on the protocol can cause block propagation delays.

A blockchain is one-dimensional and obeys the queue. So it if reaches capacity, it has only one way to go – backwards – creating transaction backlogs.

Orphan rate increases for many reasons – also bogging the system down. *Orphans* are detached blocks that appear valid but which are not part of the main chain. They can occur naturally when two miners produce blocks at similar times and the system has to choose one block over the other, orphaning one. They also can be caused by an attack with superior hacking power, attempting to reverse transactions.

Finally, there are extreme memory requirements given how blockchain is indexed and how copies of block headers are stored. So, there is a heavy overhead. These are more reasons making the case for why this can't be currency, because it becomes harder and harder to use, becomes less efficient, and becomes less scalable. It also becomes more time-consuming, and more resource consuming.

Fitts: Much of what the conference was about was agreement that blockchain and Bitcoin as they are currently constituted cannot scale and cannot be economic. The focus is on, "Okay, how do we create open ledger database technology and cryptocurrencies that can scale and can be economic?"

I believe that if you look at what Mr. Global once prototyped here, those are two of the biggest issues of what he wants prototyped.

The other thing that he wants prototyped is how you make something quantum-resistant that his quantum computers can backdoor.

Blazer: That is right, and that is what I was referring to. Blockchain are not quantum computer resistant, thus, it can theoretically be hacked.

Fitts: Can I stop you here for one second? When I was trying to do the due diligence with Court on this, I came to the conclusion that this thing depends on four secret decoder rings – mostly around the hash function – and I need to prove to myself that it's not backdoor-ed. I've never seen central intelligence let anything like this out that they couldn't backdoor.

One thing that McAfee makes clear is that they can backdoor almost everything through the practical reality of how it's used as well as the keystroke technology. When you get to the moment of having to transact, they can backdoor through the transaction mechanism by a variety of different mechanisms. But my question is: Can they backdoor through the secret decoder rings?

What is interesting is that I haven't been able to prove it one way or another, and that was in talking with and working with the smartest people I know in this area. Nevertheless, when I got there, what I was hearing from people is that they believe it's back-doored.

Blazer: That is also why I want to mention that some of the core technology for the databases is coming from Google and Oracle.

Fitts: However, you were being subtle, and I'm not subtle.

Blazer: I can 'not be' subtle, too. There should be full-blown quantum computers in five years.

The ultimate goal of cryptology is for the ability of an entity to crack a code to take more processing time than the years in the universe and that is the idea.

Bitcoin uses an encryption key called SHA256, which I previously mentioned. Using a classical computer, this would require two to the 256th power computations to crack the code. That is two times itself 256 times. That is a big number.

Having said that, for a quantum computer, because of the way it is structured, it would only require 256 to the three-power iterations, or 256 times itself three times, which is a much, much smaller number.

Ironically, Bitcoin has scaled faster than Moore's Law. Moore's Law basically says that prices half every 18 months while processing power doubles during that same time span. So traditional efficiencies in technology cannot help maintain the Bitcoin system's ongoing efficiency.

Colin Cantrell himself talked about eight or nine things that are major problems: Transaction fees are too high, resource requirements are too high, transaction processes are too slow, mining pools are centralizing, energy requirements for security are too high, and micro-transactions aren't possible. (People want to be able to buy bubble gum with this thing. Good luck!) Blocks of votes are now only accessible by a very few, and Bitcoin should be trustless.

That was one of the whole points of Satoshi's paper, but you have to trust somebody as it evolves.

I want to make this a very key point in Satoshi's paper. On a number of occasions in various ways, he confirms that the system only works as long as honest nodes – miners – control more CPU power than any cooperating group of attacker nodes. Yet the ultimate irony is that by having to build increasing complexity into the mining function – and remember that mining is primarily about keeping the network vital to hashing through intense computation – an arms race was created where increasing processing capability would be required to stay in the game. This would allow those with the greatest financial resources, who could afford the most of the latest and greatest in processing power and the associated electric bill, to centralize control.

He ends his section on 'Incentive' with the following paragraph:

> "If a greedy attacker is able to assemble more CPU power than all the honest nodes, he would have to choose between using it to defraud people by stealing back his payments, or using it to generate new coins.
>
> He ought to find it more profitable to play by the rules, such rules that favor him with more new coins than everyone else combined than to undermine the system and the validity of his own wealth."

My comment to Satoshi is, "Perhaps you are unaware of an autonomous deep state with hidden and virtually unlimited funding and computing power whose main objective is control. If you have control of the money, the money will come."

Fitts: Let me just mention something. Someone who can steal $21 trillion can control Bitcoin all day long.

Blazer: Through a number of ways, but now there is an internal way to control it, which was never supposed to happen. Let me finish my thought, and then I'll set you loose.

Centralized control leads to centralized control of wealth as well. Isn't it ironic that one of the primary goals of Bitcoin – the creation of a universal digital currency – is also a primary goal of the globalists, the New World Order with its aspirations for replacing national sovereignty with a one-world government and arguably, the deep state?

My punchline here is: It seems that Bitcoin has failed to deliver on all of its promises: decentralization, democratization, incorruptibility, disintermediation (getting rid of middle men), efficient and fast transactions, reliability, cheap transaction costs, and confidentiality. In turn, it has failed as a scalable currency and is basically a highly speculative, volatile, financial play which, if enough people buy in, the value will go up and, in turn, will be making relatively few people very rich.

At the current price of $4,300 and an initial price of a few cents, this turns out to be roughly 400,000 times the rate of return for a few very early players in a few years. This is unprecedented, but also unimaginable, in the history of finance. So that is what I wanted to say, and now I'm opening it up to you.

Fitts: It is the most sophisticated op yet. I've lived through so many of these, and I've watched people get lost into the fever.

One thing that I wanted to mention was a point I made repeatedly throughout the conference. We have a governance structure that is invisible. Part of that governance structure is the financial system. It's a subset, and you can't change or redesign the financial system without understanding and having a design for your governance system.

So thinking that the changes in the financial system are going to help improve the governance system is nuts because the two are intimately integrated.

The third thing that I said is that we have now added to this information system. If you look at all three, we have a governance system that has very little or no integrity, we have a financial system that does not have enough integrity, and now we have information systems that don't have integrity.

If you think that you can create a digital product on the information systems that have no integrity and use it to change the financial system in a way that doesn't have integrity, and you're going to improve the governance system, that is crazy and makes no sense.

Blazer: I want to stress the second point because you said this on a number of occasions, and it actually had a profound effect on some people, including Kucinich: You can't use a financial instrument to improve your governance system.

Fitts: Right, and one of the reasons you can't is because control occurs analog by physical force. Yes, they use financial systems and yes, they use information systems. They will do anything to keep the force invisible, but it wasn't invisible this weekend in Las Vegas, and ultimately force is what runs it.

I lived through the Feds coming at me with force – slapping down subpoenas, showing up with guns on their side at the door – and the first people to piddle on the floor and say, "Yes, sir," and give them everything that they wanted were the people running the ISPs. It was very funny to watch. The freedom fighters that talked a big game turned out to be very scared!

Control is run by force, and you have to deal with that. If you're going to change the governance system, you have to bring transparency to it, and you have to deal with the physical force issue.

Blazer: I want to mention this one thing because it is strongly pointing out that you can't use a financial instrument to change governance systems. There were all these bright-eyed idealistic people who kept thinking that Bitcoin was going to save the world and it was going to save democracy and it was going to bring transparency and force transparency on our governance system and our banking system in ways that have never been possible before. You essentially pulled the rug out from underneath them.

Fitts: The first time I did it, I had the wonderful Ed Griffin sitting next to me. He went second, and said, "I thought, what am I doing here? These guys aren't going to want to hear what I have to say, and I wouldn't be free to say what I want to say, but now that Catherine just said that, let me dive in and agree with her."

There is nobody on the planet outside of the intelligence agencies who understands the governance system better than Ed Griffin. It was unusual because all the folks who struggled for many, many decades to try to understand the governance system and get real change were all very clear.

I'll move ahead for a second. On the panel with Dennis and Patrick, someone in the audience said, "This is going to blow up the central banks. When are they going to come and shut this down?"

I said, "Why would they shut this down? If you're a central bank, you are the smart money trying to buy gold, and trying to buy land. In the meantime, you've printed all these dollars, and need a way to soak those dollars up. If you can pump Bitcoin and get everybody buying zeroes and ones, that keeps the gold price down, which is the smoke alarm. It keeps the land prices down, which is also a smoke alarm, and you're massively accumulating the land holdings. The top 100 landowners since 2008 have almost doubled their holdings. So it leaves you free to accumulate the gold and the land without triggering or setting off any indication of hyper-inflation."

"The reason they wouldn't shut this down is because this is fabulous and it's working for you?!!"

Blazer: It's helping to prototype a digital currency for the entire world, and also it's prototyping the use of the blockchain, which is going to be very useful for many people.

As a matter of fact, it was Kucinich himself who made a list of all of these gigantic banking institutions and government organizations that were using the blockchain or doing heavy research into blockchain about how it could be useful for them to conduct their business.

Fitts: Recently, China shut down Bitcoin – both the exchanges and the trading. Let's talk about Bitcoin as a speculative investment.

It's not a currency yet because it's not liquid enough. It doesn't fit that criteria. It is a speculative investment, and the thing that makes it attractive to people is that they are hungry for capital gains, and it's been generating this year fantastic capital gains.

You have people such as Max Keiser saying that it's going to go to $100,000, and John McAfee saying that it is going to go to $500,000. At the same time, he's telling you that you are going to lose it all through an exchange and it's kind of odd.

That is absolutely making it attractive. My point to everyone is that if you look at how thin the market is relative to any of the commodities or financial markets, if I can steal $21 trillion, I can pump Bitcoin all day long.

Blazer: Either way, up or down.

Fitts: Of course, I had people coming in and asking, "Should I buy Bitcoin? Even if it's a political pump and it's worthless, I want to play."

So between September 1st and September 14th we saw the price drop 40% because the Chinese came out and said they were outlawing the exchanges, and then they outlawed them, and they came out and said they were outlawing the trading. I don't know if they've implemented that yet or not.

So if you had put money in on September 1, two weeks later you would be down 40%. The price has now come back most of the way at this point, but we're looking at that kind of volatility. It's one of the reasons I say that it is speculative. The other is because it's obviously a political prototype.

Here is an observation for somebody who wants to do Bitcoin. I think that this pump is far from over because, if you look at what Mr. Global needs prototyped, it's much more. As Dennis said, we have the Netherlands central bank working on this; we have the US central bank working on this; we have the Chinese central bank working on it; and India's central bank is working on it. Everybody is working on what they can do with blockchain and if they should do a cryptocurrency.

We're off to the races one way or the other. We don't know what will happen. That's why I think it's so important that people like you and I understand it and that my subscribers understand it. This is going to be current.

Blazer: I wanted to make a couple of points. The Griffin that you're talking about is G. Edward Griffin, and he is the person who wrote *The Creature from Jekyll Island* that was the main expose` on how the Federal Reserve was created.

The other thing is that very recently South Korea banned ICOs. An IPO is an Initial Public Offering, and an ICO is an Initial Coin Offering, but they are leaving open the possibility for still having cryptocurrencies used. They haven't outlawed cryptocurrencies themselves. So actually what this does is provides a way for eliminating competition for new cryptocurrencies to come in and have people like Bitcoin and Ethereum and a few standing players get even stronger in this domain, which I think is quite interesting.

The other irony that I found was that in one of these panel discussions we were sitting in, this young man was talking about how he travels the country using Bitcoins and all of this. He said, "I pay for my gasoline with Bitcoin."

I was sitting behind him, so I passed him a note. It said, "When you bought your gasoline, did you convert your Bitcoins into dollars?"

Of course, he never answered. It's just amazing how they constantly value Bitcoin in terms of another currency. They're always going back to, "It's worth this many yen or this many euros or this many dollars."

Wait a minute, it's supposed to replace the currency, but yet you don't really have an understanding of what it's worth until you convert it to something that you understand. I thought that was very interesting.

Fitts: I'm going to continue. Number one; the price may go up because Mr. Global wants to pump. Number two; I think that the price may go up, because if they allow ICOs, you're going to see much more activity.

An ICO is essentially issuing a coin, almost like issuing equity shares. It's a way around all the restrictions on issuing equity shares. So in essence, you can participate in the entity. The SEC shut down ICOs because of how fast new cryptocurriences were coming out by saying that they may choose to regulate them, and that put the kibosh on it.

The third thing that could cause the price to go up is if the SEC approves ETFs, it's going to solve major custodian issues.

One of the big issues is whether people would buy gold or not. They didn't want to have to put it in a depository. They didn't want to have to put it in a safe at home. The custodian issues were too much work for them or created too much risk. Then when GLD came out, which was the big gold ETF, it sucked huge amounts of money out of the physical gold market because everybody said, "I can go to my brokerage account and just buy it with a click."

If I can go to my brokerage account and buy Bitcoin with a click and I can speculate, then I'm fast-in/fast-out. If the SEC allows ETFs, that is the indication that Mr. Global is going to take this to a whole new level.

Blazer: Please comment about how the impact potential that this entire thing could have on small banks and community banks.

Fitts: Let me just continue. If you look at the regulatory treatments of this, we are two percent of the way into a full regulatory treatment, whether by the tax authorities, the SEC, and a variety of banking regulators. This means that in the early stages of prototype they will generally leave you alone, but once they decide to centralize this, you could see the price brought down to zero.

Blazer: Absolutely. The point is that they can turn on the regulations from 4,000 different directions at any time that they want to.

Fitts: I would say that this is as pump and dump where the price can go up to $100,000, and the price can go down to zero. There is no way to tell which one it is. There are many different laws about how you handle and manage a speculative investment like that. So if you want to play, be prepared to handle it accordingly that way.

Here is what you need to know. I don't own Bitcoin. Somebody sent me some Bitcoin, which I have in an exchange. It's sitting there, and I think that it is $19 worth. I'm not going to buy any Bitcoin. One of the reasons I'm not going to buy any Bitcoin is because I never spend any time financing my own demise. That is number one.

Blazer: There you go. That is the primary reason not to right there.

Fitts: My time is too precious. Number two, is that one of the things that has happened – which is not inadvertent from Mr. Global's standpoint – is that if you buy Bitcoin, you are going to be put on a list. Right now, what Bitcoin has managed to do is put a huge amount of money into a hacking community

We have capitalized cyber-terrorism to an extreme extent. We've put billions of dollars into the hacking community's pockets. Is that fair to say?

Blazer: That's right, and there is another side of the coin that you brought up, which is also very important. If you know how to work the system, you can use the anonymous feature of the system to fund all kinds of things and not have accountability. You want to talk about that, too.

Fitts: I don't want to be on their list, and I don't want to be involved. I also don't want to feed money anonymously.

Blazer: I don't want to make some of the fat slobs that I saw at this conference – who were obnoxious with huge amounts of hubris and were talking so much nonsense – rich. That is another reason.

Fitts: I always feel sorry for people who are lost in a fever. I've seen many lives destroyed. Even when they're in the hubris phase I get scared for what is going to happen to them when it goes the other way.

I don't want to be on the list, and I don't want to be connected to that community.

Blazer: I think that one of the major things happening here is the prototyping of a universal digital currency, and particularly a cryptocurrency, that will then be put into effect by governments. They ultimately will want the monopoly on this.

Fitts: Here is the issue: The monopoly is delivered by force. So let's talk about what happens to the banks. When Goldman Sachs came out a couple of weeks ago and said that they were going into retail lending off a website, I thought, "What is that about?" Yet as I dug deeper into Bitcoin and blockchain, what I realized is the only banks that are going to be left standing are the ones that, basically, have the government monopoly delivered by force, and, of course, access to $21 trillion and all of the other benefits of the Federal credit.

So if you look at the New York Fed member banks that were bailed out during the bailouts and the San Francisco banks that were bailed out: take big San Francisco and big New York (East Coast and West Coast) for example, those guys on the bailouts came out smelling like a rose. They significantly increased their market share, they significantly increased their power, and the bailouts were great for them and they won.

They are also the ones implementing the illegal transactions. The $21 trillion had to go out through their train tracks, although some could be assets stolen. However, to the extent that it is cash or securities, they would be the ones to implement all those illegal transactions.

If you look at the size and extent, it's not as if they don't know. They continue to sell government securities despite the fact that they know that the government is in violation of Constitution and financial management laws.

So those banks are going to double down on their bailouts and their win on the missing money.

Now they're going to be able to use this technology to put out of business 8,000 community banks and 5,000 community credit unions, which is going to shut down all liquidity locally in America. It is the last blow delivered to destroy local economies.

Blazer: That's right. If you have a centralized transaction medium that allows you to transfer money or securities incredibly cheaply around the world and it's controlled by a few key players – a few bankers and the central bank – then it becomes much more cost-ineffective to do business locally.

I want to discuss a couple of other things that you have said in the past that are very relevant here. You talked about analog force being a major factor, and that is how they get their way and control centralized power. You also have talked about how that is expensive, and is the other reason so much investment has gone into other methods of control – mind control, entrainment, and all of those other things – which, in fact, you are addressing head-on in your next Solari Quarterly.

Fitts: What we saw at the conference were many wonderful young people who are lost in virtual reality and are consuming massive amounts of entrainment and subliminal programming and other mind control techniques. That is what makes people addicted to pornography, addicted to online gambling and all of these other things.

The cell tower network that they constructed by August 2001 and the smartphone propagation is what has really delivered this type of control.

When you add that to a rising price, it drives people into a state of fever. It's as if they lose their mind and don't know it.

Blazer: Two important points here that we both came to the same conclusion: When you have a front door like a smartphone, you don't need a back door nearly as much. The other thing that you said was that a portion of that $21 trillion has been spent to lay down train tracks of mind control and the entire analog network that includes some towers and other things that have the ability to enact these mind control technologies. Basically, those train tracks are also in place to make this thing happen.

The other thing that I want to add is that, like any other revolutionary movement, these people will let this run long enough so that there will be enough currencies involved and enough chaos and enough problems that people will be asking the government to step in for further regulation and further centralization. They love to do that.

Fitts: If you read *The Master Switch*, what you understand is that when it centralizes, the government is bringing 'best practices' and the same standards of securities regulation that we have in securities. It's all, "Don't worry. You can go to your brokerage account and click to buy some of this."

So when they are ready to centralize, they will be there.

It was really odd because everybody kept saying that this was a grassroots revolution, and I kept telling the story –

which I've told on The Solari Report several times – of being in Basel to interview the wonderful Thomas Meyer, and then driving to the train station in Basel, Switzerland. I drove by the Bank of International Settlements, the central bank of central banks and then to the Swiss Federal Railway Station, where I was presented with the option to buy my ticket in Bitcoin. Not only that, but I had the option to buy the Bitcoin from the Swiss Federal Railway Station to top up my wallet on the idea, of course, that the BIS couldn't stop that if they didn't want it to be happening!

Blazer: So if I was a detective or a forensic accountant, that one piece of evidence might solve the problem for me. This is an op!

Fitts: Let's turn to politics. One thing that did come up at the conference was the political implications of this and what it meant. You and I were in the audience for a presentation, and we both asked questions and participated in the discussion. If I hadn't been there, I wouldn't have believed it. I've described it to various subscribers who just can't believe that it was really that bad.

Let me give the history and point out that you can go to the person's website and read their platform. It really is that bad because it's up there on the web.

Blazer: I will also bear witness.

Fitts: I think that the presentation was Saturday morning. The conference lasted three days – Thursday, Friday, and Saturday. One of the first panels that I was on was in the Koch Brothers' building.

So here we are in a building named after the Koch brothers, and the room that we're in is Booz Allen Hamilton, which is one of the biggest government contractors, and I think one of the biggest for the CIA. We were listening to people talk about how we are all part of a 'grassroots revolution' and I'm thinking, "How can that be if we're sitting in the Booz Allen Hamilton room in the Koch Building at the Aspen Institute?

Every time you walked to the facilities, you were looking at $25 to $50 million houses lined up above you on the mountain. I'm thinking, "How is this a grassroots revolution?"

Saturday morning, we went to see a presentation by an Iraqi vet who is running for, what he calls 'not for President', but he is running for President. He is receiving all of his donations anonymously on Bitcoin. I've checked, and I don't understand how that is legal, but let's put that aside for now.

Here is a person who is being financed privately – anonymously – and he can say that he doesn't know where his money is coming from. Apparently he has a new RV, which is rather expensive, and he's driving it around the country.

His platform is as follows: 1) You win the Presidency, and on the first day shut down the government. 2) You take the remaining assets and operations, and put them into a trust fund, and privatize them.

I stood up and said, "It's interesting that you propose this because this is the plan that the US intelligence agencies used to implode Russia." It was called the 'Rape of Russia' and it was documented by Anne Williamson.

We have several Solari Reports on that. If you do a search for 'Anne Williamson' and 'The Rape of Russia' you can read her Congressional testimony of what happened.

I continued and pointed out that during that period, the population dropped by 10-25 million people because, when you implode 50% or more of the household incomes, people die off rather quickly. It takes two to five years to build an orchard and a garden and livestock to eat. If you're going to stop approximately 50% of the household incomes in any community in America overnight, at this point-if they have one to three weeks of food and one to three weeks of cash and can live one to three weeks without food, maybe they can live three to nine weeks-they start to die off rapidly.

At this juncture, he mentioned that we should be 'less materialistic'. If I hadn't been there, I wouldn't have believed it. I checked him out and he was Adam Kokesh. He has a website with his platform on it. He was busted in Virginia in 2013 for drugs and guns, but managed to somehow cop a plea where he admitted guilt without being indicted or convicted of a felony. How he got that deal I do not know, but it makes you wonder who has his leash now.

I listened to it, and if you hadn't been there to affirm it was that crazy, I believe what it says it they are either organizing the young people to believe this kind of ya-ya, or they are really planning on trying it. Of course, everybody was all excited because, "Yes, with blockchain we can implode the US government," and they didn't seem to understand they were talking about wiping out their family – their parents' and their grandparents' family wealth and all the wealth that they would inherit. They didn't seem to notice or understand that.

Maybe you could talk a little about what it appeared to you and what it sounded to you and what happens. I need a witness to document that this really did happen.

Blazer: You've never said anything in the history of me knowing you that wasn't immaculately accurate. I would say that you were, maybe, even a bit kind. When I said to the person, "Wait a minute. By doing this, you are basically wiping out the liability, the $21 trillion that has been lost, or any hope of recovering it," and he said, "I can't make promises that you would get that back. You have to realize that you might not. You just have to get used to living with less money."

That is basically what he said. I didn't go back at him, but thought, "Are you serious?" The point is that because you and I brought up a couple of these things, there were people who came up afterwards and said, "There was something fishy about this guy."

One person even said, "My roommate said that this guy is probably a CIA front. Now I believe it."

Even young people were coming up to say, "Boy, I'm glad that you said that because it woke me up from belief in this guy."

What I would say is that there is the prototyping about the best way to convince people that we need to shred the Constitution and is being done in many different ways with many different flavors. There are many different recipes all around us now.

Fitts: We have the 'Baskin Robbins' version of how to tear up the Constitution. So you are watching – and I think that Bitcoin is instrumental to this – the financing of all these different 'marketings' of, "Let's tear up the Constitution."

One thing that he said was, "Oh, the Constitution is old. It's passé. It's out of date."

So this is Goldman Sachs' 'wet dream'. I'm sorry to pick on Goldman Sachs; I used to work there, so I feel free to pick on them. Basically, they've stolen $24 to $27 trillion in the bailouts. Now they've stolen $21 trillion in missing money. They made the money on the pump and dump of the tax, and made the money on the housing bubble, so they're rolling in dough. Now, how do they tear up the obligations? Now that they've stolen what they can steal so far, they need to tear up all the obligations. They need to tear up the military pension funds and the social security slush fund. They have all sorts of obligations of mortgage insurance and flood insurance and all the different insurance programs. How do they tear that up? They get the young people to say that it's a 'revolution' and want to tear it up, and then they say, "It's not our fault; that's what the young people want. They wanted to tear it up; it's not our idea."

You can't launder the Federal land. You can't launder the national forest out with the missing money. You can build a lot of planes and jets and arms, and can steal those, but you can't steal Yellowstone.

This idea of, "We have to auction that off so that we can pay the debt," doesn't make sense. If you auction it after you implode the economy, the price will be one percent of what it would be today if you auctioned it.

What is the most beautiful Federal land in Montana?

Blazer: Glacier National Park.

Fitts: So if I auctioned off Glacier National Park today, I would get one price. If I auctioned it after I had abruptly cancelled 50% of household income in America, what am I going to pay if I auctioned it then?

Blazer: Remember, too, that Goldman Sachs made money a third way – by having a $19 trillion debt. To this process, not only did we lose the recovery of assets that were stolen, but we also got burdened with this $19 trillion, and we continue to be burdened by it.

He didn't give any plan about how we were going to get rid of that except, "We're going to cinch our waistlines and we're going to use resources to basically pay off our debt."

Fitts: They own your property because your property is collateral for the debt.

Blazer: Glacier Park certainly is.

Fitts: Here is what I'm saying: Somebody will tell me, "We can't get back the $21 trillion missing."

First of all, I disagree. I think that there are ways of getting it back. Secondly, it's a very different discussion if it's on the table. So if Goldman Sachs says, "We want to auction off this land because we need to do it," it's a different discussion that says, "Wait a minute. You just stole $21 trillion. We're not auctioning anything until you put that $21 trillion back in the till."

So even making it transparent and holding people publicly accountable in the court of popular opinion radically changes the policy discussion.

Blazer: I have mentioned to you that I feel the door is closing, and I feel many different ops are coming to the froth here. They are frothing up and coming to the forefront in many different directions, including trying to take your guns away with this massacre, and social security numbers now being declared – even by the Executive branch – as obsolete after the breech at Equifax.

Instead of saying, "Hey, you guys are a bunch of slobs, and maybe we shouldn't have this gigantic data pool," they say, "The social security number and its vulnerability are to blame, so we need to chip everybody."

It's coming everywhere at once. From my perspective, it's almost designed to overwhelm the system's ability to cope and the citizen's ability to comprehend and cope.

Fitts: If you look at Charlottesville and Bitcoin and Las Vegas, you're trying to create so much incoherence that people aren't coherent enough to say, "Wait a minute. You're not taking my gun away. I understand what my legal rights are, and I'm going to act on them."

Blazer: You're not going to vaccinate my kids, and on and on.

Fitts: We're coming to a point, and if you look at accelerating false flags, what I would say is that they have tried intensely to get gun control for quite sometime, and they've failed consistently. Somebody is getting very frustrated and pushing very hard.

The s-curve is accelerating, and we're coming to, what I call 'nut-cutting' time, faster than expected. One interesting thing about Las Vegas is that it was rather sloppy. If you look at some of the earlier ones, this one was relatively sloppy.

Charlottesville was sloppy. CNN had six citizens on, and they were trying to push whatever the line was. They had this very charming black woman in the front row that clearly looked like somebody who was a Democrat. The host said, "The conservatives were the ones who did the killing," and this woman said, "No. That happened because the police stood down." It wasn't working.

Anyway, all that I'm saying is it's coming to a head. That is why I've always said that you don't need everybody; you need five to ten percent. The thing that concerns me the most is not the false flags or the different kinds of spin. The thing that concerns me the most is the entrainment technology.

If you look at people being tricked, they don't understand that with artificial intelligence and database software, they can take that five to ten percent who might stand up, and work them through the phones and computers one by one.

In other words, the niche marketing, when tearing up the Constitution, is one by one. They are using very intimate and invasive technology to do it, and they have that capacity.

Blazer: You have always talked about the railroad tracks going to those thousands of communities on an individual level. I told you my story that I always understood what was possible, but it didn't hit home until this very small Montana town that had almost nothing happening and half of the buildings vacated, but there was a Masonic lodge. Now you have it hyper-charged through technology. Now you can get down to the individual level at any time using technologies that aren't even understood or admitted that they exist.

You have a very important message to deliver regarding this namely that you can't succumb to hopelessness. This is a very important message and it's a very important message to deliver at this time.

With things closing down, with all of these ops happening, and with the heat being turned up, we need to stay focused on our principles and what we stand for. You have other important messages here, so you should deliver those now.

Fitts: One thing I did want to point out is I think one of the most powerful attractions of blockchain technology and cryptocurrency is that, first and foremost, within the population there is a very powerful desire to create money and create currencies. The greatest desire is local currencies.

One interesting thing about this prototype is that Mr. Global is encouraging and allowing the prototyping of virtual currencies, but Mr. Global is not allowing the prototyping of local currencies. That is very important because what we all need is a currency – whether it's virtual or not – that can operate analog in our place. That is number one.

Blazer: That is a very key point.

Fitts: The second thing is that in a time where you're going through this much change, the single most important asset that you have is your time. One thing that has happened over the last week is that every time I turned around, I was getting questions about another one of Mr. Global's distractions or pumps and dumps. I'm being asked about Charlottesville, I'm being asked about Las Vegas and I'm being asked about Bitcoin. It's almost as though, when it comes to the investment of your time, Mr. Global is commanding your attention.

The big one, as you said, is hopelessness, which is another op. My favorite quote from Jon Rappoport is, "Hopelessness is an op, and it's planet-wide." So I should add 'hopelessness' to the list.

People are investing their time in response to the distractions and the pumps and dumps and the games that Mr. Global is playing. Instead of sitting down and saying, "Okay, in this environment we're going up the s-curve between Global 2.0 and 3.0, my most precious asset is my time and resources. How do I invest my time and resources in a way where, not only am I and my family safe and coherent and sane, but how do I do it in a way that helps shift the system?"

If we don't all contribute to shifting this in a more positive direction- every person who stopped gun control over the last ten years, if they hadn't done that, do you know where you and I would be today?

Blazer: I live in Montana. I think that it is part of the state constitution that they never can confiscate your guns.

Fitts: So the first two things driving this are local currencies and distractions. The third thing that is driving blockchain value is that right now, I can domestically transact very efficiently through banks and at a very low cost. It's certainly a much lower cost and much faster and easier than Bitcoin. However, internationally, it's very uncomfortable and very expensive. There is no doubt that the markets dramatically, dramatically, dramatically want much faster cross-border payments at much lower costs. We have seven billion people, and if you look at the fees that are being charged on credit cards or PayPal or any of the other money services, it's much higher than the emerging markets and the frontier markets can afford.

There is no doubt that one thing we saw at the conference that was the most interesting was applications of blockchain that would help do that or would help optimize the allocation of assets so you could leave the financial people out. That is my dream. Let's cut out the financial system and the financial guys. Their share of economic value is steadily increasing, and we've turned everything into a financial product. Blockchain has the opportunity, not only to be much more efficient cross-border, but to allow businesses to reorganize and optimize through asset management of databases and to cut the finance people out altogether.

The reality is there are certain market hungers here that are real, and we need to acknowledge that before I just say the whole thing is an op.

Blazer: My concern for blockchain is that it will be viewed as a very efficient way to store all kinds of information and it will be warped by the central intelligence to, basically, make it so that more private things are made public of this citizenry, and more of the things that should be public of governmental matters will be made even harder to find.

Fitts: Let me bring us to the final point, which is universal basic income. One thing that happened in different conversations at Aspen was the senior people in the tech industry confirmed the same thing that I've seen before. These are people who have been remarkably successful in tech or software and who are generally not aware that most of their success comes from the subsidy of government-provided low-cost capital and government-provided technology. The reason they are being subsidized is because they are helping to centralize things.

Blazer: It is government-subsidized, high-cost-to-taxpayer money.

Fitts: So if you look at them ecosystem-wide, they're not productive, but they don't know that. They have tremendous confidence in their ability to centralize. They have the wind in their sails. Their vision is, "We can do everything with artificial intelligence and software, and if you take 100% of the jobs currently in the economy, we can do all of those with AI and software, and don't need humans; we can do everything without them. They should just go away and paint and read and play."

One thing they don't realize is the reason that works is because the technology, the force, and the capital is being sent to them on a subsidized basis, and their success is not one of performance within the marketplace; it's, basically, the richly-subsidized versus the people being drained to provide that subsidy. It's being engineered through the government. I wouldn't know this if I hadn't spent the last 30 years trying to unpack it; it was very complicated to figure out. It's not intuitively obvious unless you've really unpacked and studied it.

They don't know; they're ignorant. They won't know until the day comes that they are either dead, or have to look in the mirror and say, "I'm the Patsy." Once they've finished centralizing, you don't need them.

Right now they are the 'masters of the universe' and they have the bit in their teeth.

Yesterday, according to *Bloomberg*, the White House said that because of the Equifax hack, we know that social security numbers don't work, so we need to place them on blockchain. Forget the fact that that doesn't work – period – you put that on blockchain, you have your cryptocurrencies on blockchain, and now you have Mark Zuckerberg and a whole world of people saying, "Let's promote a universal basic income."

One activist published a new article on the universal basic income and sent it to me. I wrote back and said – their point was that we don't need to run this through the budget; we can print the money – so I said "If that is the case, why don't we just cancel taxes? We don't need to send the money to Washington and do a very paperful process back and forth. Let's stop them from harvesting us through taxes and covert means, and then we don't need a universal basic income."

Of course, that is not the goal. We know that their goal is control. What this says – between the push for universal basic income, the vision of 'we the techies can take control of everything and run it with software and AI' and the White House saying, 'Let's put the blockchain idea out there' – you are basically putting together as you said the different pieces to create the 'mark of the beast'.

Blazer: That's right, and then you add transhumanism to this, and you understand that they want to re-engineer all life on earth, and they want to re-engineer human beings anyway, so the whole thing seems to be reinforcing.

Fitts: Here is the question. If I were listening to this, I would say, "Where is this going?" Since control is implemented by force, not by digital means, what this is coming down to is gun control.

Blazer: However, the 2nd Amendment was never designed to overthrow the government; it was designed to have militia that could fundamentally be used to suppress insurrections in the state and the troubles of people (sarcasm)! That was the latest one that I saw from Richard Parry

Fitts: The thing that concerns me most from Aspen was, if you and I brought up these issues, then it would bust the spin. The spin wasn't true, but what surprised me was how completely gullible many of the people in the audience were.

How do we get this information communicated out? If you're listening to this, what do you do?

Blazer: We did it and this has been a fun-filled Solari Report that is very dense. So now what do people do? They keep going back to the fundamentals – the fundamentals that you have essentially preached about: You have to live a principled life, you have to associate with people you can trust, you have to have a good source of food, shut off your TV, bank local, and if you're clever and use your imagination, maybe you can use some of this information to make communities stronger rather than centralizing authorities stronger.

Fitts: Right, but whatever you do, if you decide to play with this, understand that this is a speculative investment, and you can get burned and can get on the wrong list.

Before we close, one thing that you and I did, which I also did with Court is make a very detailed list of the differences between dealing with cryptocurrency versus the bank deposit. I want to touch on that because, for the people who decide that they are willing to dabble in the demonic here, I want to make sure that they understand the specifics.

Blazer: You're going to have that comparison online also, correct?

Fitts: Yes, I'm going to put it online, but let me quickly run through it. If you look at database integrity, the blockchain is supposed to have integrity, but we're not sure. One thing that I'm sure is that your bank deposits have integrity in the sense that if your money gets stolen, the bank and the FDIC is there to help. The bank capitalization is there to help in many instances. Clearly, in terms of intelligence agencies, there is no privacy.

From a regulatory standpoint, the bank deposit is highly developed and crypto is not developed. It was interesting. You and I sat in on a panel on the tax treatment. The IRS said that it was property, but the central bank said that it was money. There is conflict, and the regulatory treatment is not developed. You literally had people in the audience saying, "My profits on Bitcoin are not taxable." Well, good luck with that.

Blazer: Even more so, what this means is that any time you have appreciation in Bitcoin and then you convert it to dollars to make a purchase, you have a taxable event. That is where we stand right now. So stick that in your pipe and smoke it.

Fitts: Right, but I'm amazed at how many people I run into that think it's not taxable.

[SEE SOLARI SPECIAL REPORT ON TAX TREATMENT OF CRYPTOCURRENCY AT https://solari.com/blog/solari-special-report-how-the-u-s-federal-government-handles-taxation-for-cryptocurrency/ }

Of course, the money laundering rules are not developed. I will tell you that I was in the process of talking to one person who was working on a project with someone who was receiving anonymous donations in Bitcoin. I said, "Are you out of your mind? You can't be involved in that at all because what is going to stop the Feds from saying, 'Money laundered in from a terrorist group, and you knew it?'"

I can't tell you how many people could be framed for this. If you look at what they tried to do to Hamilton Securities and what they succeeded in doing to Ross Ulbricht and the speed at which you can get framed for the most ridiculous things in a system like this, you do not want to take anonymous donations.

Blazer: I would also add this: There is no evidentiary integrity anymore – given Photoshop and all of these other technologies. They can make you say anything and be anywhere that they want you to. This only makes it that much easier as a way to frame you.

Fitts: That's why I want money collected in a way that I can confirm redundantly, and humans are always hovering. It's one of the reasons I'm alive. We would never let them get 100% control of the digital records that Hamilton and I had.

My CFO, who was fabulous, used to complain about this. We would get to the end of the year, and he would say, "Why can't we cut this budget?" I had a budget of $250,000 a year, which I called 'White guys in ties', and they were all very prominent accounting or law firms who would review and affirm all these different steps of how we were running the company or how we were running big transactions. So on any one of those issues, you couldn't frame me without framing one of the 'white guys in ties', and it turned out to be an excellent investment.

We talked about the time expense that it takes to understand and learn how to transact. If you're a busy person and going to learn how to participate in cryptocurrencies, right now, the way that it is set up, if you do this securely, it's a very high learning process.

I've put recommended links up, and I'll put them up again in this Solari Report, but I strongly recommend you do proper due diligence before you get involved with it.

I can't confirm that there is no back door. I'm sure that on the banks there is a back door, but then you have the FDIC insurance protecting you and bank capitalization, as well.

I want to discuss bank deposit insurance because I think that one of the reasons Mr. Global wants to promote cryptocurrencies is because Mr. Global is looking for a way to get out of deposit insurance. Again and again deposit insurance has stopped much of the really horrible fraud from turning into something like the Rape of Russia. If you can persuade people that they don't want or need deposit insurance, then you're getting into solving your 'too big to fail' and can stick it to everybody. That is a very big change.

Blazer: It's as I keep saying: "There is nobody else who has the ability and the will to bring these very, very important points to the surface".

Fitts: The next issue is that domestic banks are very efficient, low-cost, and international. They are not, and I think that is part of the desire for Bitcoin. You have young people who are very eager to make low transaction costs with international transfers.

The wallet expense – if you're going to do this securely – is very expensive. I can open a bank account without spending $100 to $300 on a wallet.

Liquidity - bank deposits are phenomenally liquid in size anywhere in the world. Yes, your currency is being debased, but if you look at the security issues, I would say that the liquidity on Bitcoin is very low unless you're travelling the Swiss Federal Railway System.

Let's review some of the risks. The risk of an exchange failure is very high on cryptocurrencies and low on bank deposits. The loss from user error is very high on cryptocurrencies and low on bank deposits. The chances of forged checks, identity theft, and fraudulent ACH are relatively small in the bank, but they do exist. There is no risk of this for cryptocurrencies. The chances of hackers are very high on cryptocurrencies and low on banks. You also have the bank capitalization and the FDIC protecting you.

Also, no one is quantum resistant, which is why one of my concerns is that when quantum computers are produced in significant size; you're going to see a big gap in inequality. That is what it appears to me.

Finally, on network collapse, with an EMP attack, good luck getting your Bitcoin liquefied. But then on the bank deposit you're dealing with a long-term fall of dollars and debasement, which is part of the hunger of people thinking that Bitcoin can't be debased. It's a way to get out of something that is debased.

The chances of a new regulation hitting the value of your bank deposit is very low. It's extremely high for any particular cryptocurrency. One of my concerns is that if you ride one particular cryptocurrency in the pump, the pump may keep on going, but your particular cryptocurrency could get taken down to zero.

Given the volatility, one of the reasons it's not a currency is because the store of value is very poor. Yes, the dollar is getting debased, but it's not dropping 40% in two weeks. So you're dealing with very wide swings if you have to pay your expenses in a different currency and have to go back and forth.

I think that the piracy issue is very huge on cryptocurrencies. The FDIC or the credit union insurance protects you, and in cryptocurrencies you are in the Wild West. If you lose your money through user error or hacking or a hacking of the exchange, good luck with finding a human being that you can talk to.

Finally, we have the issue of 'contribution of freedom'. If you consider the preserving of what we have left of the local economies, it's the local banks and credit unions that are making that go. This is only going to put more power into the people who did the bailout and the missing money. I noticed that Goldman Sachs came out this week and said that they are probably going to start trading Bitcoin. If anything, we need local currencies, and we need them analog.

The one thing that I will say is that you can put a gold coin in your pocket and walk away, and it's analog. It can be analog or digital, and that is what we need.

My bottom line is that this is Mr. Global's 'wet dream'. The reason I wanted to walk through this versus a bank deposit is because, if you need cash, if you need currency, or if you need to transact with a currency, for God's sakes, use dollars, use Swiss francs, or use something that is highly liquid and has mature, regulatory treatment. Do not use Bitcoin, and do not think that you are going to be anonymous or secretive and that you're not going to have to pay taxes.

If you do this, it's a speculative investment, and you're doing it to learn about what is happening and to understand the technology and because you think Mr. Global is going to take the pump much higher. Understand what your risks are and understand why you're doing this.

Blazer: I would summarize by using your protocol – the 1.0, 2.0, and 3.0. We came from a world of 1.0 where you basically had physical things that you used as an exchange medium, whether it was gold, cash, paper, coins, sticks, or whatever it was.

Then you went to a 2.0 that involved fiat currencies, and the ultimate conclusion of fiat currencies is actually where we are now. We have a digital currency in the dollar, but so little of it is in cash. Essentially everything is a digital entry or an electronic entry. That is how things are done. Now we're moving to 3.0, which is involving crypto, and I can't help but think that this will be making what little is left that's private more public, and what should be public more private.

Fitts: That is a very good point to underscore. What you're doing is taking that which should be public, which is the government money, and making it more secret.

Blazer: Yes, those in control can use this to make secret what they want to and to force into the open what part of the transaction they want to.

Fitts: Let's return to the Constitution because the reason I keep coming back to the Constitution is because there are certain issues. One is whether or not we have the right to own property, and other issues are: whether or not we have the right to have free speech, whether or not any war has to be approved by Congress, whether or not we are supposed to have honest voting systems, and on and on. We have a right to get that $21 trillion back and hold the parties responsible who affected those illegal transactions, including the banks and the contractors.

If the Constitution is maintained and enforced as we move to Global 3.0, I think that is an exceptionally different world than if it's not.

Blazer: I think that you've made this point repeatedly, and it's so important. We need to live a principled life, eat good food, support your local farmer and banks, shut off the TV, and we need to add, "Let's enforce the Constitution." I think that needs to become one of the four principle points of the Solari doctrine.

Fitts: Right, but how do you communicate the fact that 3.0 with the Constitution is a very different picture than without it? If you look at the parties who want to control in 3.0, they are being richly subsidized by illegal monies through the Federal government, and they don't even know it. If you look at the economics of that, the Constitution is the only vehicle that can legally turn that around.

Blazer: I don't know how you do it more emphatically than you've done by fundamentally reducing it to money and what economic impact that has for the network and for individuals.

I think you've done it, done it dramatically and keep doing it dramatically. You've done it repeatedly, and need to keep doing it repeatedly. In the end, it is going to wipe out wealth, as we know it, wipe out money, as we know it, and is going to wipe out freedom, as we know it.

Fitts: I wouldn't miss money, but I would certainly miss freedom. I guess what I'm saying is: "We have a mechanism that allows a small group of people to steal as much money as they want, and they're using that money to finance a complete takeover of us."

We've talked about the financial aspects, but if we want to discuss the other analog aspects, such as spraying heavy metals over our head, feeding us GMO food, destroying the soil, or poisoning our children with vaccines, they are using this vehicle of theft to essentially engineer a total central control. We either stop it now or, if you look at where they want to go, and I'm always debating with you and other people, they will say to me, "Oh, it's hopeless," and I say, "No. It's not hopeless."

There are two doors that we can walk through: One is where we enforce now and for the next two years, and one is where we don't. If you look at where the door that says, "We don't; it's hopeless" leads, that is not a plan and you cannot survive.

People will ask me, "Should I buy gold or should I buy Bitcoin or should I buy securities or stocks or bonds? What should I buy?"

I say, "If we walk through that door of no enforcement, it doesn't matter because you will be stripped of everything. You will have no individual sovereignty. So it doesn't matter what you have because it will be ultimately worthless."

I'm not saying that you can't run away to Costa Rica and delay it for a while, but that door has no hope behind it. My attitude is, "I can figure out how to enforce the Constitution because it's the only hope that I have. It's the only pathway."

If that is the only pathway by which I survive, then I can figure it out. There is a way.

Blazer: You've used the parasitic analogy for a number of years, and that is what we have. We have a parasitic situation on steroids. While we're waiting around for the Midianite thing to happen – where they all kill each other, and may, unfortunately, take us with them – I think that we need to come up with some rather good anti-parasitic medicine here.

Fitts: One of the reasons I'm so confident that we can enforce the Constitution and can come out of this in a better way is because I believe, ultimately, that if you look at how perverted their culture is and how out of alignment with the natural world and science it is, eventually I do think they will kill each other because it's such a negative, perverted culture. That is why I think it is contingent on the rest of us – the five to ten percent – to come up with a picture and a vision for how we can make this transition with new technology so that things result in a human world instead of an inhuman world.

I do believe that one of our greatest tactics is that the Midianites will kill each other, but we can't depend only on that. We have to create an alternative vision.

It's similar to what happened at the conference. The Midianite story sounded great until people heard the alternative story, and then suddenly were scratching their heads, saying, "Wait. That's right. I don't want to go there."

The truth resonated, even in the middle of the fever and I was very pleased to see that.

To wind things up, if you hadn't been there, it would have been a very unpleasant and painful experience. The fact that I had somebody with a major Ferrari brain sitting there laughing and figuring it out with me really turned it into one of the great events of the year.

Blazer: It's always a pleasure to be with you and it's an honor to be associated with you. It's also an honor for you to have asked me to do this because this is obviously not in my area of expertise, but you've helped me create a map that makes me see things in some ways that other people don't see as quickly. I'm very grateful for you, I'm grateful for this opportunity, and I'm grateful for the opportunity to have attended that seminar and to have spent the time to figure a little more about 'Bitcoin the op'.

Fitts: Harry, you have a wonderful day and thank you again for joining us on The Solari Report.

Blazer: Hopefully this was helpful to your subscribers.

Fitts: It was very helpful.

Blazer: Thank you.

MODIFICATION

Transcripts are not always verbatim. Modifications are sometimes made to improve clarity, usefulness and readability, while staying true to the original intent.

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