



The Solari Report

March 23, 2017

Unpacking Your Financial Ecosystem With Catherine Austin Fitts





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C. Austin Fitts: Ladies and gentlemen, welcome to tonight's Solari Report, Unpacking Your Financial Ecosystem. We're so delighted you could join us live. Dr. Allison Bingham has joined us and has agreed to serve as our knowledge manager this evening.

This is a topic where you want the best knowledge management possible, and it's really a thrill to have her help me on this.

Allison, are you with us? I want to introduce you.

Dr. Allison Bingham: Thank you, Catherine, and thank you, everyone. I'm glad to be joining the group this evening. I'm a Solari subscriber myself, so I have a passionate interest in this topic as well. I'll be putting myself on you, Catherine, and we'll be harvesting questions as they come up.

C. Austin Fitts: You can find Allison's full bio at the commentary links and resources, *Unpacking Your Financial Ecosystem*. It's the commentary right below this evening's commentary, and it's extremely important that you're logged into Solari and into that commentary because we have many links I'm going to use in the



discussion tonight. It's where we would like you to pose questions – unless you want to ask the question live.

Remember, if you ask live, you're being recorded. Your voice will be on the recording, and I want to make sure that we have your permission. If you don't want to be recorded, just post your question at that commentary.

Again, it's *Unpacking Your Financial Ecosystem* links and resources. It's the commentary immediately underneath *Unpacking Your Financial Resources*.

Tonight we have about an hour of content, and then an hour reserved for questions and answers. I'm going to stop along the way and take questions, so it's not going to be one hour of straight content and one hour of straight Q&A; we're going to mix it.

If your questions don't get answered within the two-hour period, I will make every effort to answer them by text on the commentary. Allison is going to make sure that we collect and have everything in the commentary. Feel free to post comments if you have something to say and want to get it out.

If you want to pose questions by phone, hit *2. This is described in the instructions, which are in both commentaries –the one for The Solari Report tonight and then in the links and resources commentary. Just hit *2 and it will raise your hand, and I will go through and unmute you.



Our goal tonight is to give a summary overview that will help inspire you to start to learn about your local area and look for opportunities. Clearly, if you watch the news or if you've been listening to Money & Markets and see the elections in the US and Europe, there is a tremendous pushback against central control. In combination with the end of the debt growth model, both are going to be pushing more responsibility and more change back to the local level. That means that we're in a period of change, and there is an opportunity to do things locally.

If you've been a Solari Report subscriber for a while, you know that I always encourage people to start with the *Coming Clean* article where I say that if we want change, start by changing yourself. Very soon after you go through all the different *Coming Clean* things that you can do for yourself and your family and work outwards, ultimately you get to your neighborhood, your community, etc.

There is a tremendous opportunity here. Before we dive into our example tonight, I'm going to use one example and go through one place to give you a sense of how to start to map out and access information for your local financial ecosystem.

I want to talk about where the opportunities are. I want to discuss them in seven categories because I think it's important before you start to do something like this that you, in fact, have a picture and a vision of where the opportunities are. You've often heard me say that I think our current existing financial wealth is 1% of what it could be. So the question is: Where is the opportunity to take it from 1% to 100% of what it could be?



The first is to **improve and support local leadership**. If you are a good local leader, you've been under tremendous stress and pressure as things have centralized. We tend to support and be interested in our national leadership, not as much in our local leadership. There is immense opportunity if people organize and try to make sure that they have the best local leadership possible.

One story that I always use is about the election of my local sheriff about five years ago. We had a sheriff that we were not happy with. All of the high-performance productive people throughout the county came together and went through a tremendous food fight to get a good sheriff elected. In that case, it got very, very dirty, but everyone fought through.

It was interesting because there was remarkably little conversation; it was people just wanting to get a good person. We have a great Solari Report called *Who's Your Sheriff*, and if you've listened to it, you know that the sheriff is one of the most important positions within any jurisdiction because the sheriff has supreme jurisdiction within a place, and the Federal government cannot enforce within that jurisdiction if the sheriff says "No".

Having the right sheriff is extremely important, particularly in a very rural area. It's especially significant in an area like that.

So the first one is improving or supporting local leadership. The second is **human and intellectual capital investment**. The biggest investment we make in our communities is to raise and educate our young people. Then, for many years, they all split and go to the central places – the big cities – and we have an incredible drain of human and intellectual capital.



One of the opportunities is, if you can make it attractive for the young people to stay on Main Street and do well there, subsequently it is a real economy builder. A second one is where we have human and intellectual capital issues that we're trying to solve centrally and they can't be solved centrally. They're too complicated and there are too many tradeoffs and, in fact, each place is very different. So what you do in Brooklyn is totally different from what you do in Lewiston, Idaho, which we chose as the city we are going to use for our example this evening.

It's very propitious that I should bring up this opportunity because the Republicans recently held back and canceled the vote on the healthcare bill because they could not get agreement within the Republicans, let alone the Democrats. Healthcare is a perfect example where many of the tradeoffs and choices are better made locally. That is an excellent case of why it is very difficult for the centralized team to get anything done; there is much we can do locally.

A third thing is **safety**. You've seen the new Administration talk much about safety, whether it's the President or someone else. Ben Carson has now been sworn in as Secretary of HUD. He is talking about the importance of safety, which brings me back to my old friend, the Popsicle Index. You get the Popsicle Index up in a community, and capital gains on real estate are enormous. Education improves capital gains on real estate and it can be tremendous. Safety of the human capital in a place is very tied into wealth.



Improve and support local leadership, and then human intellectual capital investment. A third area is privacy. I'm very grateful for the current brouhaha in Washington because one thing it's forcing is a discussion that our digital systems and our communication systems don't have integrity. One opportunity is: Where can a local community pull together and ensure the kind of talent and expertise they need so that the last couple of miles have integrity? Back the listeners out because we're being financially harvested as a result of not having that privacy.

The fourth area is **Cost of Equity Capital**. Right now it's remarkable because we think we have free markets. Of course, we don't, but the cost of equity capital to the big guys versus the little guys is extraordinary. I had a great subscriber email me a question and say, "How do we do local investment? Everything that is being organized here requires accredited investors, and we're not accredited investors."

That is because it's really designed to keep the little guys out from getting together and organizing. There are opportunities to bring the cost of equity capital down locally.

I live in Hickory Valley, Tennessee, and I always say, "I can go down to the Hickory Valley grocery store and spend my entire net worth on lottery tickets, or with remarkable little time and effort I can drive – within a reasonable period– and spend my net worth on illegal drugs. But if I try to invest in the stock of the Hickory Valley grocery store, the owner and I will probably both go to jail."



This is an area of tremendous opportunity, but it takes a fair amount of legal and complex work to do something about it. We have a couple of Solari Reports that delves into it and many articles that I've had my attorney write.

So the Cost of Equity Capital is very important. How do we circulate equity locally in a way that makes money for us?

The fifth is **Community Strategy**. I've talked a lot on The Solari Report about moving from Global 2.0 to Global 3.0, but clearly we have exceptional new technology coming. With efficiency and the price of renewable energy; efficiency is skyrocketing and the price is coming down.

One of my favorite stories on our website is a German community that got together, put together their own renewable energy, and now everybody in the town gets energy for almost free, and they are selling energy outside of the town.

How can we bring our costs down by introducing and integrating new technology? That is a big area of opportunity.

Number six is **Reengineering Government Flows**. One of my favorite examples – and many of you have probably heard me use it – is a wonderful woman named Michelle Brown. She lived in Florida. She lost her job and was having trouble getting a new one and had to go on food stamps. She was having a problem with her food stamps and called tech support or customer service, and got someone in India working for JP Morgan Chase



doing a job that she could do. She would be delighted to do it, and then wouldn't need food stamps.

She thought, "This is crazy. The American government is paying me not to work at the same time they're paying JP Morgan Chase a mark-up to ship this job to India."

If you study the food stamp program, in Tennessee, there are 1.3 million people on food stamps in that state. That is 20% of the people who live in Tennessee. If they could do all the servicing jobs on the food stamp program, they wouldn't need food stamps; they would be doing a job, and we wouldn't need to be paying a mark-up to JP Morgan Chase.

The other thing is that the food safety rules have shut down many small farms that could be economic and be productive economically. We would have fresh food, which is good for healthcare, and we would have a lot more jobs and income in the community.

So it's a very bazaar system organized through the Federal government where we have people who are doing jobs that could be providing the services on Federal contracting for lower net costs to the government and could be using local food if not for a whole series of regulations that calls for Federal regulatory relief. That is the kind of thing that you find when investigating and looking at the numbers on an integrated basis across the government – when you look at agriculture and when you look at healthcare.



The initial budget blueprint for the Trump Administration is indicating that they may cut or even cancel farm subsidies, which means that suddenly selling local is going to become a lot more attractive.

I would note that in Idaho the number of people on food stamps is lower than Tennessee; it's 13%. That is still \$300 million for food stamps. Imagine if you could instead re-engineer that into a local farm business that would circulate and create far more jobs there. That is one example of re-engineering government flows.

Another example that I regularly give is contracting that local businesses could do. I live in a community with many truckers, and it makes sense if you are in a community with truckers to start looking at all of the trucking contracts that the state and local government are putting out. Where is it that the local companies can compete effectively if they organize to do so, and dig in and look at the numbers on the contracts?

The contracts are always an amazing experience when you analyze and look at Federal, state, and local levels. I've seen many communities where the Federal government is paying \$150 an hour to do something that could be teleported in locally, and somebody would be very happy to do it for \$25 per hour plus healthcare.

Two other ideas under re-engineering government flows, just to give you an example, were in the Reagan Administration – and I tried to have it in the Bush Administration. We used to have something called 'jumbo waivers' where the government would say, "Okay, within this jurisdiction and within these conditions, we give you freedom to move all this money back and forth between areas."



That is where, between healthcare, food stamps and housing, if you could get a jumbo waiver in a plan to re-optimize within a place, that kind of thing might be able to happen in the next four years under the current group.

Finally, there is something called the ‘anti-plan’ and is a form of regulatory relief. I used to tell all of the regional officers who worked for me when I was Assistant Secretary to make a list of all the things that they wanted me to give permission to not do, and I would write a plan that says, “Okay, you don’t have to do those.”

If you look at what regulatory relief could do for small business and state and local government, it is absolutely phenomenal. In fact, one of the reasons we are seeing a positive uptick in the equity market since the election and in the general economy is because the small business is feeling somewhat protected from the heaviness of the wave of rules that have come down on them in the last 20 years.

The seventh is **Shifting Bank Deposits and Other Flows Local**. The example I want to use here is about one community where I was asked questions about how to re-engineer the economy locally. They had an excellent local bank that was publicly traded and the stock was trading at the time at a very low PE. I said, “Look, everybody go out and buy the stock. You can buy it in your IRA. It’s publicly traded, and then do a campaign to shift very significant deposits.” They had a couple of very big banks, and a large number of people who should have known better who were banking at these banks. Of course, during the bailouts, a lot of people got angry.



I said, “Shift all those deposits after you buy the stock and you’ll generate a big stock profit.” So that’s an example where there is a vehicle that allows you to realize gains on shifting the flows.

Those are the seven areas. There are more, but let me read these seven again:

1. Improve and support local leadership
2. Human and intellectual capital investment, particularly getting those young people motivated and finding great opportunities to rebuild Main Street
3. Creating privacy
4. Arbitraging the cost of capital and getting the little guy back in the game
5. Helping the community take advantage of the shift from Global 2.0 to 3.0
6. Re-engineering the government flows
7. Shifting bank deposits and other local flows

Here is a word of advice. When you start to understand and appreciate your local financial ecosystem, it’s a journey. You never know what you’re going to find; you never know where the opportunity is going to be. Every place is different and every person is different. It’s quite quirky.



I very much liken it to gardening. It takes a lot of work to go from planting your first seed to building Versailles. This is a journey. If you're not financially literate about your local area, this is a journey that could take a long time. That is why it's incredibly important that it is essential to enjoy the journey. Don't have a vested interest in how it's going to turn out. It's always surprising what works and what doesn't.

Our subscribers range from people who have no interest in numbers and financial statements to people who are very financially sophisticated. It's an extremely wide range.

If you find numbers and financial statements overwhelming, it's very important that if you decide to do this that you go at it in tiny bites and not let it get overwhelming. There are many different ways to do it.

People say, "I don't have time to learn about how the money works around me in my neighborhood."

I say, "Wait a minute. You just spent 100 hours paying attention to the Presidential campaign, but you have no time to learn how the money works around you? You can just spend two hours a week or two hours a month."



What it comes down to is that they find paying attention to the Presidential campaign fascinating and entertaining, but every time they pick up the financial statements for their county or their city, they hit the force field and they feel overwhelmed.

So what you need to do is find a way to make it entertaining. I placed in the Commentary a link to a superb group from Vermont who has programs called Questing. They are treasure hunts to help you learn the natural resources and the history and other aspects of your place. So Questing is a way to do it.

Participatory budgeting. A group in Brazil, when Brazil really hit the wall, literally went their government and said, “Okay, we’re going to help do the budget. We’re going to help participate.”

There has been a real effort throughout the United States in encouraging people to participate, and there are different groups who are organizing this. You can find their websites to get different citizens involved in participatory budgeting. In fact, if you go to the Related Reading, I posted a book from the American Institute for Economic Research, which I really recommend, called *Follow the Money: A Citizen’s Guide to Local Government*. That really lays out for you what the local government process is. If you do want to get involved, it shows you how to do that in a way that is energizing.



One of the members of our team is a retired City Manager, Gary Heckman. I put up two of his articles, *Want to Have a Real Impact? Shift Your Time to State and Local Politics* and *Helping Your Local Community*. It's advice about good ways to get involved.

There are many different pathways to do it. If you're an entrepreneur businessperson interested in raising capital or increasing income, it's a very different pathway than if you are a parent and you're interested in better education for children and a higher Popsicle Index or you're a person who is looking to move and wanting to do due diligence. So there are many different pathways, and I would encourage you to simply follow those things that you are most interested in. Again, I think you have to make this entertaining and interesting for you.

Just hold out that suspense. What I found is if you stick to it and keep turtling through and learning about how the money works around you, there are so many opportunities or surprises that you never know which way it's going to lead. It's like gardening; you never know what is going to work and what's not.

Let me turn to tonight's example; it's Lewiston, Idaho. One of the reasons I chose a place in Idaho is because if people say to me, "If you were going to move, where would you go?" Idaho is one of my favorite states. I think it's really a very marvelous place.

One of the reasons I chose Lewiston is because it is completely new to me; it's a blank. I've been to Idaho, and I've been to many places in Idaho, but I haven't been to Lewiston.



I wanted to pick a place where I didn't have a lot of knowledge about it and it was new to me. Allison did know it, and it was good to have a little knowledge on the team. It's a city, but it's still small. It's about 25,000 or 26,000 people, so it's manageable. It's also the county seat, which is a very important role in the US economy. Much of the money and a lot of organization – legal and financial – works around counties.

America has 3,100 counties, so the county seat is the capital of the county as opposed to the capital of the state or of the country. So Lewiston, Idaho is the Washington, DC of Nez Perce County, which is the name of the county which it's in.

It's right across the river from Clarkston, Washington. In fact, if we were going to do a serious due diligence on Lewiston, we would include Clarkston, but we're not going to do that tonight. We're just going to go through Lewiston. Keep that in mind. You always want to be looking at the cluster and the region that you are a part of.

Before I walk through the links, I want to stop and make sure that you pull up the Commentary: Unpacking Your Financial Ecosystem – links and resources. Make sure you are logged in because there are many dense links there. Allison did a wonderful job of pulling them together.

Ensure that they are pulled up because I want to give you an opportunity before we dive into the links to ask questions. So remember, you can hit *2 on your phone if you want to ask a question on the seminar itself, or you can post a question in the Commentary under Unpacking Your Financial Resources.



Let me determine if there are any questions. Oh, Joan says, “Logged in, dialed, in, and listening to Bach music.”

I didn’t realize that Bach was playing and I thought it was not playing, but that’s good. We love Bach here, as you know.

So reviewing the first set of links: When I look at a place, I look at it as a living system. At the root of the opportunity is getting our financial systems aligned and having a win-win relationship with our living systems – whether it’s people or the environment natural resources.

Lewiston, as you can see from the map and the picture, is clearly a very beautiful place. It’s at the intersection of the Snake River and the Clearwater River. The Clearwater comes down from the Bitterroot Mountains, right, Allison?

Dr. Allison Bingham: Yes, it’s the Clearwater River that comes from the Bitterroot. It’s a beautiful, beautiful river.

C. Austin Fitts: I’ll never forget when I had the smartest person in the leadership at HUD when I was there. She was my guru on real estate. I called her once after I left HUD and I said, “What is the single most important thing that drives the equity value of real estate in a place?”

She didn’t even blink an eye. She said, “Water.”



So this is a place with extraordinary water resources. Those rivers are very important, as well, for transportation and there is a port located there.

So I like to start with the physical natural resources and the geography of the place. Geography is a major driver of economy, and what is very interesting is that I find Americans are very place-blind in terms of their interests. We've gone through a period where we've been making a lot of money on invisible digital assets, and have gotten a bit disassociated from places.

So start with the natural resources. The first group of links takes and gives you links on all of those different aspects.

Then I like to look at the people and the history. For those of you who know what I mean when I say *The Field*, I have a link to Lynne McTaggart's book *The Field* under 'Related Reading'. I believe that there is a shared intelligence that gets created by the living people and other living things within a place, and that field includes, not only what is happening currently, but also the history. It's what Chief Seattle said, "The dead are not powerless."

There are things going on, and it pays to understand the history and the culture of a place before you try to understand the economy because the economy comes out from all of that.

One of my favorite stories about economic development is when Hewlett Packard went out and decided that they were going to hire all the smartest guys in Europe for their strategic planning group. They made a list of all the geniuses in Europe, and went out and tried to recruit a whole group of them.



They succeeded, and were in a small town in the UK. I was having dinner with one of these geniuses one night. He said, “I was sitting in our office, and I realized that the local paper came in and said that the unemployment rate was 25% in the town. I said, ‘Wait a minute. If we’re such geniuses, then why can’t we figure out how to do something about that?’”

So they did a mapping, and the first question they asked was: What do we love to do here and of the things we love to do here, what can we do that is really competitive in a global economy?

What he discovered was one guy who was a photographer and loved to photograph animals in the wild. There is some name for it – some big fancy name which I don’t remember. He just loved doing it, and he built a business and started training people in his business.

As time went by, people spun out of that business and started competing firms. They now have four highly competitive firms. They had a cluster of the world’s greatest talent taking pictures of animals in the wild.

He and his group at Hewlett Packard said, “Okay, that’s what we’re great at. Let’s put some resources behind growing that. We’ll put resources behind having conferences about that and we’ll do all sorts of things to market our world class talent at this thing. We will try to draw in more children to teach them how to do this.”



Sure enough, that is exactly what they did. It was a real intellectual capital development strategy. When they were through – part of it could have been the economy turning around – the unemployment was 2%.

So it's very important to ask the question, "Who are we? What do we know about what we love to do? And what is it that we do that is competitive?"

If you survey Lewiston, there are some unbelievably interesting features. One is an Indian tribal reservation, which I believe is a sovereign nation in and of itself. Also, the first white people who came to Lewiston were Lewis & Clark on the Lewis & Clark expedition and there is a state college named Lewis & Clark.

Obviously, because Idaho is so beautiful and has the rivers, it's an area of incredible recreation and parks. One issue you want to always look at – and we'll get to it when we get in the governance structure – is when you are in the West, the Federal government and the states own large amounts of land. That can be a very defining feature. Issues of land management and land rights become very important.

One thing I always do is look within a place at where the institutions are whose business is actually about building up human capital, human character, and supporting people. I always consider the churches, the temples, the synagogues, the mosques, and the schools. You may have other civic institutions as well, but what you're looking for is to map out who is in the business of helping us become and be excellent human beings.



Let's review governance structure. When you try to map out the financial ecosystem of a place as opposed to living systems, finance is a man-made system and has just been invented. We've invented financial systems to help us manage and allocate resources. They all operate within a governance structure, which is created by the law.

Before you really understand a financial structure, you have to understand the legal structure that it's part of. I'm sure if you've listened to me on The Solari Report, you've heard me say many times, "I have no idea how to reform the financial system because it's only part of a governance system."

You have to be clear about the governance structure and who is in charge and why they're doing what they're doing before you try to tinker with a financial system. That's why I keep struggling with 'Who is Mr. Global?' It can be very dangerous to meddle with a financial system if you don't know who's in charge and where they want to go.

If we're going to consider Lewiston and its finances, you want to start by saying: What is the jurisdiction. If you're a citizen of Lewiston, you are in the city of Lewiston. That is your first jurisdiction, so that is your municipality. You're in a county, so you want to say: "What is my county? It is Nez Perce County. What is my state and you want to examine the state."

We've put a series of different links to the different governance structures, including the state constitution because the state constitution will govern how counties and cities and municipalities can do things within that jurisdiction. Then it's also important to understand a little about how judiciary and law enforcement works.



So if you want to map out the financial ecosystem, the first thing that I would do – interestingly enough – is look at the legal ecosystem, which is: What are the main jurisdictions that I’m in? There are many, many jurisdictions. You could be part of an energy regional compact. We are all part of the GATT or NAFTA compacts or covenants. You want to map out the key jurisdictions and certainly look at the state constitution and understand it and also, the Federal Constitution because those two documents set out the laws of how your different jurisdictions work. The state constitution will set out the laws on the books and records and how the finances of a municipality and a county are going to work.

Again, land management, particularly when you’re in the West, is important. There are enormous amounts of land that is Federal land. Allison has put some of the links here, which helps you outline the governance structure.

We don’t necessarily have them here, but all states and local areas have public benefit corporations – state and local housing agencies or educational facility or economic development. There will be many different pools of capital and activities that are done in these public benefit corporations, but you really shouldn’t start there unless you’re interested in the school board. I would get a basic understanding of the state and local government that you’re dealing with.

Before we go to the next set of links, I put up a chart that I encourage people to review. I want you to click on it to make it bigger. This is from the Pew website, and the link is in the list of links. It shows you the unfunded pension costs and unfunded retiree healthcare and debt as a percent of state income for the 50 states. The title is at the top, *Debt and Unfunded Retirement Costs as a Share State Personal Income 2013*.



You can see a very, very wide discrepancy. I keep using the example of someone I know from the Chicago area calling me and telling me about a friend's house that was appraised at \$3 million. A year and a half later, it's appraised at \$1.5 million because his property taxes got raised to \$55,000 a year.

If you study the states at the top, all of them are in danger of underfunded pension and healthcare costs coming through the municipal budgets and hitting a wide variety of local taxes. If you're moving to a place, it's certainly one of the things you want to consider – due diligence.

As you can see, one of the reasons I moved to Tennessee is because Tennessee is the second-best in the country. We have the second least unfunded pension costs. Tennessee is very, very conservatively managed; only South Dakota is ahead.

This is something you want to be cognizant of because you – as a citizen – are liable for these costs. One thing that is going to happen, if you look at the states where the costs are high, there is going to be a real tense process of whether or not you cut pension benefits, or the municipalities have to cough it up. It's going to be a very difficult process.

As you can see, Idaho is relatively conservative. On the left it says *Fifty States* where you hit the median, and Idaho is well below the median.

Tennessee is number two, South Dakota is one, and then it's Nebraska, Wisconsin, and Idaho. So Idaho is in very good shape. Those are things that don't necessarily pop out at you when you start to look at the financials. Some of them can be off balance sheets, so you want to be cognizant of those kinds of surprises.



The next set of links is always my favorite. (I love to get into the money!) It's called *Unpacking the Local Economic Engine and Finance Flows in Lewiston, Idaho*. One thing that we talk about on The Solari Report is the comprehensive annual financial reports. Those are reports that are required by all state and local government, and they are quite comprehensive. They not only document budgets and finances, but they also document a lot of the pools and reserves that have built up at the state and local government and the public benefit corporation level.

I never start with the Comprehensive Annual Financial Report. I usually start by looking at the budgets and the financial statements for the key jurisdictions. So in this case, if I were due diligencing Lewiston, I would first look at the budget and then the financial statements for the city. I would probably look at the school board if it was separate, which, in this case, it is. Then I would look at the county and the interaction between those entities within the state government and the Federal government.

Then I would review the Comprehensive Annual Financial Report, called the CAFR. Usually these organizations have strategic plans or economic development plans if the city has an economic development division or agency. Allison has put up a link to their economic development strategy and I would look at that.

All of these documents are going to tell you much about what is going on in the economy, who the top employers are, what they think their strategic advantages with their natural resource for talents and skills are.



As you go through them, it's important to remember that the budget is what you say you're going to do, and the financial statement is what actually happens. Frequently the budget has – depending on the jurisdiction – much more interesting information about what is going on and what they want to do and the financial statement is much dryer, and the CPA says, “Here is what really happened, and we're willing to certify.”

It's important to see whether or not they have a reputable CPA certifying that everything is fine.

After you go through the budgets and the financial statements and the Comprehensive Annual Financial Report, the next thing that I delve into is one of my favorite things, and that is the bond statements. State and local government issue municipal bonds. Some people call them tax-exempt bonds. They issue bonds, not just to finance their purposes, but they can also issue bonds to finance activities for public agencies or even for private companies who are bonding as a result of going through government for economic development purposes. The municipal securities rulemaking board maintains a website with a system called EMMA which makes available to the public copies of the municipal filings for state and local governments and public agencies and authorities.

If you access EMMA, there is a large map that you can click on the state you want and do searches. One of the reasons that I love diving into the bonds is, first of all, it is a criminal violation to say something in a municipal prospectus that is not true. There is a much higher standard of disclosure than there are on typical municipal documents, and you have different CPAs and lawyers who have to check and attest and affirm. It's a very high standard, and that is very useful.



The other thing is that many, many times different issuers will put appendices in the prospectus that describe the general economy and tries to make things understandable about that place. They can be invaluable disclosure packages.

When I worked on Wall Street, I knew the person at New York State whose entire life was updating the economic appendix for the New York State official statement. It's unusual because I knew his voice for years, and was at a cocktail party in Manhattan and heard the voice. I turned around and said, "Bruce, oh my God! Is that you?"

There was nobody in New York, I think, who knew more about the New York economy than this person. The appendix was fantastic and he yearned to make it better.

Occasionally you will find things in the bond prospectus that are quite interesting. The other thing is that you will get outraged at how much money is being wasted paying interest to underwriters when, in fact, there are many different ways to finance it with equity or crowdfund or pull in your belt and do it locally. So sometimes you can get very frustrated going through the bonds as well, but I always find it to be very juicy.

The second thing is the link below the bonds is the link to the SEC system for equities and securities for private companies that are publicly traded or securities publicly traded. You may have a private company that has bonds that are publicly traded. Even though its stock is not public or listed, they will be in the EDGAR system. So the municipal bond is EMMA and the SEC stock and securities is EDGAR.



Why would you want to look at private company stocks if you're looking at the financial ecosystem of the place? Well, in fact, today Allison and I were studying Lewiston and realized that there is a large paper plant owned by a company that, in fact, is publicly traded. I believe it's Clearwater Paper, and I put a link to their proxy, which I found at the EDGAR site. You can also find it by going to their website.

What I have found is if a private company is a very important employer or part of the life in a place, it can be very influential in a variety of ways. If you have one big plant in a place and that company decides to shut it down and move to Mexico – this is part of what you've been seeing big headlines about – it can make a huge difference.

Frequently people I know will work for a franchise that is owned by a big publicly traded company or a subsidiary that is owned by a big publicly traded company and then complain to me and say, "I have no idea why those guys are behaving the way they're behaving."

I have them sit down and learn and read all the SEC filings for their companies. Once they understand the incentives and the concerns of the managers and what they are worried about and why, then what is happening to them at the local level makes much more sense. I always find that it is extremely important to understand the public companies in an area.

The public companies are trying to make their stock go up, and whether it's pulling cheap natural resources out of the area or getting the labor to be cheaper, the pressure is always on them. So if you want to understand the ecosystem and have a publicly traded company, it helps to understand that little ecosystem is part of the greater ecosystem.



The next three links are ones that occasionally I spend much time on. These sites are two private ones – the Center for Responsible Politics, which provides information on donations to Federal campaigns, and the bottom one, Follow the Money, which provides information on state and local campaigns. The middle one is the government, which provides campaign finance data by individual contributor.

One thing, if I'm thoroughly searching into – and it depends on the situation – I love to investigate and see who is financing the campaigns. What you will often find is that the number one source of campaign funding is capital gains. Somebody buys a piece of real estate and get it to go up in value – that is a capital gain. They buy a company and try to make the stock go up by getting government contracts. So there is a very tight relationship between where the government purchases goods and services or awards government contracts and the capital gains and how it relates to the funding of the political campaigns.

One thing that you will always want if you can get it – and I find it fascinating – is the contracting budgets of state and local government and the Federal government related to your jurisdiction. There used to be an excellent website that would let you map out all the Federal government contracts related to your state. Not surprisingly, somebody bought it and made it private. Of course, it went dark.

You will see a lot and learn a great deal if you can look at all the local contracting. Of course, what is going to happen if we should bring transparency to Federal, state, and local contracts by place, you will discover that there are absolutely many areas where small business can organize and locally bring it in at a better performance and at a better price.



Beneath the political contributions we have the Urban Renewal Agency, which is one of the economic development types of agencies that you will see.

I started to map out a lot of the different private retail and other activities in a place. One of the classic tools I use to map out a place is the Yellow Pages. You scrutinize and see where the clusters are. If there are too many lawyers or law firms listed, I tend to avoid that place.

You can see an abundance of information. We didn't map out Lewiston here because I think you're going to be much more interested in what is going on in your own area. It always pays to see what the flow is.

Two places you can usually learn much about the private retail and professional flow is to go to the Rotary or the Chamber. Most communities, particularly in the United States and throughout the developed world, have a Chamber of Commerce with many members from all the different enterprises in the community. Then there is the Rotary, which is more civic-oriented, but there is plenty of leadership in these areas that come together and meet at the Rotary at least once a week to conspire. It's another way to learn and get information on your place.

I want to talk about unpacking the local food system. That is the last set of links. Before I do that, let me see if we have any questions:



Catherine, those seven points you talked about, are those on a previous Solari Report?

They are spread out on different reports. We did one on entrepreneurship and starting companies. At various times Franklin and I have talked about opportunities locally. I could certainly do one that goes into all of them in great detail if that would be of interest and if it would be helpful for you to go through them in detail in one place. Make a note if you think that is something we ought to do and I'll be happy to do that. It is spread around in many different places, but I can pull them together in links and go through them in detail.

Somebody said that safety was in there, also: Yes, safety was under 'Human and Intellectual Capital'. Maybe you could not that, Allison, and make sure that is there.

Why the security to read the EMMA stuff? You must acknowledge having read this and accept the terms and conditions of the EMMA website including restrictions on the use of third party data.

Oh, I see who is asking that question and why am I not surprised? Why the security? Because it's basically a great quantity of products by lawyers for lawyers and run by lawyers.

I heard a speech where they did a comparison between how many lawyers there are in the U.S. versus how many they had in Japan, and you realized, "Can we please put the engineers back in charge?"



Let's go back to the Lewiston charts. The first set, *Unpacking the Physical Environment*, is on the natural resources. Look at the title on each small box. At the end of the text, the first box is *Unpacking the Physical Environment*, which are links on natural resources. Then the next are focused on the culture, the people, and the history. The next set of links are *Understanding the Governance Structure* – basically what legal structure is set up and which resources are allocated within.

Sometimes I liken a community to an irrigation system where you have flows and reservoirs. The flows and reservoirs are organized within the different legal jurisdictions.

Then we have the chart on the unfunded retirement costs. The next group is where I get into all the different financial information – the budgets, the financial statements, the Comprehensive Annual Financial Report, or what we call the CAFRs, and the bond and stock information and the political contributions. Then all the different areas of different enterprises in the community.

I am listening Blanco, Texas, are you there?

Blanco, Texas caller: I am.

C. Austin Fitts: Fantastic!

Blanco, Texas caller: The analogy between a Versailles and the whole concept of gardening is a most unique thing. Versailles was developed by a landscape architect that worked for the treasurer, or whatever he was, for Louis XIV who had stolen from the treasury, and that is how they created Versailles.



C. Austin Fitts: Really?

Blanco, Texas caller: I think this is a perfect analogy for where we are now economically.

C. Austin Fitts: Right. Imagine if we had stolen that money and spent it on making our places wonderful instead of going into space.

Blanco, Texas caller: We have stolen that money, and we've created what? That has been your point for a long time.

C. Austin Fitts: Right. That has been my point all along.

Blanco, Texas caller: The point is: When we are looking at our local economies, we are almost as if a mini-guy, hoping that we're not going to be Fouquet, who was the treasurer at the time. We don't want to be the Fouquet who comes into our local county and tries to straighten it out and not have them observe us as if we are building a monument to ourselves.

It's really hard when you're someone who has something that you want to contribute to your county and you're possibly looked at from that point of view.

C. Austin Fitts: One thing I suggest – and it depends on where you are and what is there – is it helps to do this with other people. If there is a group of people who are interested in doing it, it's much more fun in numbers. It is also easier to get local resources to help you and to educate you if you're doing it in numbers. That is why, if you're going to try to lobby for change, you want to pick off an area that is not going to have you step on a wasp's nest, so to speak.



There are things going on in the pools, and a large amount of money has been siphoned off through the back door to finance Versailles. So you want to be careful.

Blanco, Texas caller: And remember that Fouquet, who was the treasurer at the time, was put into prison by Louis. It was in an apartment in Paris, but we don't really want to go into the apartment in Paris. At the same time, we want to make sure that we don't irritate the local Louis while we're trying to move our counties ahead.

That is something that you have encountered, obviously, times ten.

C. Austin Fitts: Here is what I find: What you want to do is find the local Titanic Turners and support them. So what you want to do is make life easier for the great local leaders as opposed to making life difficult for them. There may be opportunities to make life difficult for the scorpions in a way that protect the local leaders and relieves them of responsibility for taking them on head-on.

These are all conspiracies. You have to find the opportunity and do it, but the way to avoid that mess is to find the local Titanic Turner and fundamentally say, "How can I help?"

There is also one thing that you can always do if you have a critical mass of people. Transparency can stop a lot of shenanigans in a way that is safe for everybody. As a public official, I can't say, "I can do this for a dollar, but I'm going to spend \$10." That is not legal.



Blanco, Texas caller: I don't think that I'm unique in that I consider a lot of people who are going to respond to this are going to say that they've looked at their counties, and to be a Titanic Turner means going to the Titanic Turners who are total jerks. I don't want to pull blackmail on them, but we have to wake them up to realize that we want to be the Titanic Turners.

C. Austin Fitts: Right.

Blanco, Texas caller: You've pointed this out more than once. The Federal government is no different than is the local government. We can only win this thing by working from the local.

C. Austin Fitts: Right, but you have to start. The way you build community wealth is by building family wealth. You have to start, just like that guy in the UK started with, "What is here that is working?" You have to find the local people who are working and who are trustworthy, and have to support them.

What you don't want to do, and what you see a lot of people doing, is going in and making life more difficult and complicated and risky for the Titanic Turners. That is not what you want to do.

Blanco, Texas caller: What you're saying, too, is that the Titanic Turners may not necessarily be the people on your side at the time, but you can make them Titanic Turners by encouraging them to become the people who are now doing the right thing. As a result, you as a person in your community have pulled enough initiative from fellow people in your community to suddenly turn the tide, even though that wasn't something that turned up in the last election or something else. It's something



that you have personally put forth in your community, and now this person who has the ability to make the change is now the Titanic Turner, and he actually is the winner as a result of it.

C. Austin Fitts: Right. So the winning strategy has been to be a Piggy or to team up with the Scorpions.

Blanco, Texas caller: I know about the Scorpions!

C. Austin Fitts: I know you do! People can tell that we know each other.

So what you have to do is swing the Piggies over and say, “Look, you can make money if you play ball and support the Titanic Turners. If you don’t, we’re going to make your life hell.”

Blanco, Texas caller: Exactly.

C. Austin Fitts: Ideally what you’re looking for is to peel the Piggies away from the Scorpions. I’ll be honest. The reasons many people are Piggies is because that is the strategy that has worked.

Blanco, Texas caller: Precisely. Until somebody is in your community – like it could be me or it could be you or it could be someone who is listening – says, “I’m going to be the person who won’t allow that Piggy to continue on his thing.” He now needs to become the Titanic Turner based on my input into the system.



C. Austin Fitts: Right. I think it's very important to get something positive done. That is why you want to be looking for the people who are worthy of support, and how do I support them to get something done? Where is that opportunity?

To do that, it pays to have a good map of how the money works in the place so that you don't step on it.

Blanco, Texas caller: The map. It's the plan. It's the understanding of the matrix.

If you want to look at it from a matrix standpoint, that is certainly a way of viewing the map. You are absolutely right about the map. Most people don't understand how to go to their community and look at the map.

C. Austin Fitts: What you're doing is trying to figure out all the ways we can make the pie bigger here. If we can create a vision of how to make the pie bigger, then we can find a way to attract all the Piggies into helping us make the pie bigger.

Blanco, Texas caller: Consider architects, for example. That is what I was. You sit and create a matrix and put the same number of columns on the left that you do on the right. You say, "Light equals such and such," and do that, and find that when things start matching up, you start seeing the map.



I think that more people should understand the matrix – and we always talk about the matrix. Jon Rappoport certainly talks about the matrix. Maybe if we understand what the matrix really is, then people could map that matrix out and could understand better how to map where they are going.

C. Austin Fitts: Right.

Blanco, Texas caller: It's just a thought.

C. Austin Fitts: If we do a Solari Report on the Seven Areas of Opportunity, then one thing that I should talk about is where the matrix barriers are that stop the opportunities from happening.

Blanco, Texas caller: I think I've taken up enough of your time. You and I could talk for a week! I thought there was a gap, and I was hoping that people would sign on. I hope they have questions.

I'm one of those people who, when you're sitting with a group and everybody is talking, and all of a sudden there is that lull, I'm that person who fills in the gap. I just can't help it.

C. Austin Fitts: Okay, Blanco, Texas, I'm muting you out. Thanks again. I agree. Landscape architecture is a perfect metaphor for what we're talking about here because it's definitely a living system.

Dr. Allison Bingham: Catherine, we have a few more comments.

C. Austin Fitts: I have one more person who has their hand up. Walnut Creek, California, do you still have a question?



Walnut Creek, California caller: Yes. Can you hear me?

C. Austin Fitts: Yes. We've emailed many times, but I've never heard your voice.

Walnut Creek, California caller: Yes we have, and it's lovely to reach you directly. I'm going to have to hurry because somebody is going to be picking me up shortly. I'm looking out the window as we speak for my ride.

I met with the senior staff for my state assemblywoman. It's her first term. As I talked, using some of your language and concepts, and I presented her with the Wikipedia page on the participatory budget and I was really pleased. She took it, said it was great, and said that she could talk to her congresswoman about it.

I told her about the webinar, and as I talked about some of these things, I got the distinct impression that they didn't even understand it. This is complicated and I look at my congress people and hear them speak, and get the sense that most of them just don't have your level of sophistication.

I'm fairly hopeful that we might find many people who don't get it as well as they might and would like to be more effective with this 'guidance', if you will.

I've been trying to use your chart to construct something so that I can then do some homework, fill in the boxes where you have information about Lewiston, and go back to her. It's not working very well.



C. Austin Fitts: What will be very helpful is if you know more about how things work around her.

What you're talking about is finding opportunities to integrate. One thing I wanted to mention is our Top Picks editor, Brad, is on tonight. I'm very excited because he is moving over and spending more time looking for stories of local innovation. I think one thing that will help you when you meet with your local leadership is, if we can find stories of what is working and what people are doing in other places, there is nothing that helps a municipal official more than examples of other places doing other things. That is what we hope to provide more of.

One thing I'll think of is: How can we provide resources to you when you do talk to your local officials? I really appreciate your doing that and the feedback.

Walnut Creek, California caller: I love your charts. I printed them, thinking, "I'll just White-out the blank spaces and go back in," but that's not going to work. I'll play with it. If I develop something, I'll shoot it off to you.

It's a great outline, but it obviously has to be tweaked for a fairly large city in the East Bay Area. That's overwhelming! But I will pick what I can discuss and meet with her and hope to mobilize some other people.

Thank you, Catherine.

C. Austin Fitts: Have a great evening.

So are there any other questions before I move on to food?



Dr. Allison Bingham: Catherine, we had a few questions listed in the commentary. We had one gentleman ask:

What things are you looking for in the CAFR?

C. Austin Fitts: It's odd. When I examine the CAFRs, I never know what I'm looking for. What I do is think of the flows and pools in a place as you're looking to see where the water goes and how much is there. So I investigate trying to build a basic map of what are the flows and what are the pools. That tells me about what is going on economically in the place and how much of it is running through state and local government, and how much is the Federal government involved.

I never know what I'm going to find. I'm always surprised and amazed. But I'm also looking to see where there is an opportunity where something is not economic or could be changed. So I'm usually thinking of Federal re-engineering or thinking of where the entrepreneurship and innovation is that could happen.

Actually, when I dive into the CAFRs, I never know. I'm just trying to map the whole thing out and then think about, "Where is the opportunity?"

That is why it takes a lot of faith to do this. Many is the time I will do a due diligence on a place, I will research the CAFRs, and may feel after a couple of hours of plowing through everything and the budgets, "Oh, there is nothing here."

Then I'll sleep on it and come to it a week later, and do this a couple of times. Then all of a sudden – bang! It hits me, and I find it.



That's why it's like gardening. You try things, you muck around in the mud, and some things work and some things don't. You prune, you develop, and you never know what you're going to find. It just takes time to understand a place and to see the opportunity. It takes a critical mass. That's why, for me, it's much more fun to do it with other people, particularly people who have different backgrounds and ways of looking at things.

Somebody else said:

My county has great GIS data posted online. Any tips on which maps I should overlay in order to illuminate a local ecosystem? I see great categories of maps for demographic population density and zoning, but I don't understand why five of the seven subsidized housing units in my county are located within a mile radius of my downtown. It's like gentrification never happened.

How can I see through the shiny, pretty maps to the city's strategic plan?

If you have the time, I would definitely look for the different planning documents that the Planning Department or the Economic Development Agency produces because that may tell you something. If that doesn't tell you something, going to the Planning Board Meetings and asking questions of the staff during breaks and things like that will help you.



Usually the subsidized housing units are placed in a way related to who is looking to sell real estate or they are looking to cluster them in a certain area for strategic reasons, and you would really need to talk with the planning staff. Sometimes they will tell you, and sometimes they won't.

I think it's very difficult when you're first researching. First, I would want to look at the land and how the land is managed. Then I would want to look at the demographics – where the people are and why. Then, yes, I would get into the development, including the government finance development.

Somebody said:

This woman is right. The local governments don't know what this is about. Rhode Island knows about creative economy, but honestly that only holds up so long so that there is money to be spent on the arts.

Many of the people who have been successful in local government have been successful because they were willing to work and stay within the stovepipes. What we're talking about is much greater integration between the different functional areas.

Remember: The accounting has been divided up by functional areas and not integrated in a more dynamic way, which the software tools make very easy to do now. The other thing is that there is not a lot of integration between public and private.



You're watching the Federal government in a state of shock because you have a private guy who talks price instead of rules. They've just had several decades of rule people, and now suddenly they've got a guy talking price and they're in a state of shock. Part of what is going to happen now with the debt growth model being over is government is going to have to start thinking dynamically about price in much more integrated ways with the private economy and private sector.

Next is:

Then I have an employee friend who graduated from Lewis & Clark who is semi-retired and lives in Boise. The Idaho Department of Labor makes our association onerous for a few bucks a year, so don't think you would be escaping bureaucracy.

Fun facts: I do know all the words to *Hot Rod Lincoln* which Wikipedia said was set in Lewiston, Idaho.

What is *Hot Rod Lincoln*? I'm going to have to look that up.

“Meriwether Lewis allegedly met an untimely end for publicizing his findings about Indians who were eight feet tall and had red hair or something repugnant,” says the Smithsonian's Institution.



I have several books on this matter. One of my favorite communities in America is Hohenwald, Tennessee where Meriwether Lewis is buried. I would mention that if you have never read the story of the Lewis & Clark expedition, it is absolutely fascinating. It's a very interesting comment on America.

Now I'll move on to food, and then will take the rest of the questions.

I spent 2005 working with Harry Blazer in Kalispell, Montana, mapping out the local food systems and working with Harry on how we could do a venture pool to finance and develop a local food system. Less than one percent of the food in Kalispell at the time was coming from local farmers; it was minute.

It was a fascinating experience, but I have found that it is very important when you start to map out your local financial ecosystems or get involved locally that you want to get involved in something that is positive. What you will find is that many of the foodies are very positive people and great fun to work with.

One thing I've listed here is Weston A. Price, which is a foundation in Washington. They have a wonderful network and have done much to build clubs locally. One thing I always tell people is to find the Weston Price club. Check out the Rotary, check out the Chamber, but check out the local Weston Price club, and then check out the farmer's markets. There is a great deal that organizes around the farmer's markets or if you have Community-Supported Agriculture – CSA's. Sometimes you'll see associations.



It used to be in Kalispell that Farm Hands was the group that put out the bumper sticker, “Who’s Your Farmer? Where’s Your Money?”

They are terrific people. They made a map of all the local farms and all the local restaurants who bought from the local farms. So it’s a matter of networking a bit. If there is an *Edible Communities* magazine in your area, that is another group that pulls together a lot of resources that helps you understand your local food system.

I’m very concerned. If you looked at the Annual Wrap Up, we focused on food and global food production and what it meant to investors. One of the reasons I did that is because food has been off the radar screen of many people. Generally, food prices have not been as volatile as energy or other prices. For most Americans, food as a percent of their budget has come down. I think much of that is because they have lowered the quality of the food. Anybody who has been buying high quality food knows it hasn’t been coming down; it’s been going up.

I think there is real reason to be concerned about ensuring high quality food. I think investing time and energy and even money in finding and accessing your local food system is an excellent way of participating with the local economy. You will by and large run into some really great people if you do it. I would encourage you at a minimum to start to map out the local food system.

I should mention, because the hunting and fishing and wildlife in Idaho is so great, we have a link for the portion on the state website for hunting, fishing, and wildlife, which is highly regulated in that area as are all areas in the United States.



We had two related Solari Reports that I wanted to point out. One was my interview recently with Jon Rappoport, *Can We Make America Great?* We were more focused on the Federal budget, but I think over the next four to eight years the opportunities are going to be rolling down as the Federal government re-engineers.

The second was *Agenda 21* with Rosa Koire. One thing that state and local government has been dealing with is way too much regulation and rules. One of the problems of working with local officials is they are really overdone and overburdened and over-complexified with rules.

There is a great new book that I reviewed on the website, *Technocracy Rising* by Patrick Wood. It describes the fact that this is not an accident; this is very purposeful to entangle us all in the cobwebs of rules. Part of the problem is we're trying to run the economy with rules instead of price, and it doesn't work. That is part of what got battled out in the last election. The reason small business is so hopeful is that they are dying. Essentially we have seen across this country tens of thousands of small farms that have been put out of business or are being put out of business by regulation that is not creating a healthier food system.

It's in fact economic warfare, and *Agenda 21* – which I think has a new name now because I think the UN has upgraded to a new version – is about some of the rule-making that has come down that has really affected communities, particularly rural communities. Lewiston is not quite rural, but Idaho has a lot of rural areas.



Related reading, as I said, and described the first three links. These are two of the articles from Gary Heckman. Then there is a great book from the American Institute of Economic Research that will help you understand governmental budgeting and the process.

Also there is the Wikipedia entry on the participatory budgeting. If you do a search for ‘participatory budgeting’ there are many groups working on that.

‘Who is responsible to make America great again’ is my description of the four profiles – the Titanic Turner, the Piggies, the Scaredy-Cats, and the Scorpions, which is my way of oversimplifying the politics within any governmental structure or place, and just to think a little more clearly.

The key thing we need is to support great leaders. I always despair every four years when we all spend a lot of time on the Presidential campaign, but we don’t begin to spend that kind of time understanding and sleuthing out and supporting the local leaders who can make an enormous difference.

When we were able to get a good guy elected Sheriff, what a fantastic difference it made to all of us. As mentioned, the sheriff jurisdiction is very important.

I didn’t put up The Solari Report *Who’s Your Sheriff* but if our producer listening to this could add that, I would appreciate it.



Economics 101: Many, many years ago my pastor asked me if I would write a curriculum for his 10th grade class on how to learn economics. I had no idea how to do it, but I just sat down and did it. It's not a bad list of different ideas. I focus on learning about economics by looking at your place. There are some ideas there. For those of you particularly who home school, you might find it interesting.

Then there is a piece called 'Living History' where I talk about why it's so important to understand history. If you're going to understand the economy and the politics of a place, you have to know the history.

It's very interesting. When I first moved to Tennessee, I was trying to understand why all the investment firms did business with firms from different cities. There were very peculiar networks of how the investment flows worked. Finally, I realized after somebody pulled out an old railroad map and had me study them: "Oh, all this grew up around the railroad lines. Then the railroad lines went away, but the investment relationships continued." If you understand history, things make a lot more sense.

The next two links relate to this idea of the spiritual nature and reality of a place. Lynne McTaggart's book *The Field* is a great introduction to what Rupert Sheldrake describes as morphogenic fields.

I was amazed so I went to Wikipedia today to get the link for morphogenic fields, and it's gone. It's been censored.

I absolutely believe that one of the most important things to the health and well-being of a place is its morphogenic field. Consider that the 'shared intelligence'. Think of all of us as having brains that are computer processes, but our databases are out in the field and it's shared.



Once upon a time I didn't know what to think of Sheldrake's theory. Then when we built Community Wizard and databases and mapped out how money worked by place, I discovered is that everything I had learned in business school was not true. Money didn't flow according to return on investment; it flowed around clusters of what people know. Knowledge management was a real driver of what happened in markets, not necessarily return on investment.

I used to just marvel when I was Assistant Secretary because everybody would lobby me to get the government to rig profits for what they knew. If the market changed, they didn't want to learn something new. It was quite amazing.

This concept of shared intelligence and shared values and shared culture is very, very important. I think it's important to understand because one of my greatest concerns about turning the economy healthy in a place is I think there is too much psychic garbage and spiritual harm that's been built up in a place. That's why I include the link to my favorite story that I tell all the time about the woman who murdered her best friend's husband called *Karma Means You Don't Get Away with Anything*. It's a link to a story from Jung.

I think we have a lot of negativity that has built up in the field. Part of making places wonderful is clearing that out and turning that to a positive. Part of that is getting – as I was talking about with my friend from Texas earlier on this discussion – the Titanic Turners back in charge and getting the scorpions out of having any real power, and getting the Piggies to help the Titanic Turners instead of helping the Scorpions.



There is an old article from the bailout period, *Can Communities Serve as Financial Safe Havens in Troubled Times?* Some of you, from the comments I've been getting today, are entrepreneurs. I will make an effort to get all of our links on the venture capital and community development issues up as well.

Finally, last year the little Solari Group that I have, asked me to write a letter to my congresswoman and say, "Tell all the webmasters at all the agencies to get all the data and put the data up."

We'll get the data and figure this out ourselves, but we could make the re-engineering of the Federal budget process much easier because the wealth that we create with the different opportunities when we start to discuss and integrate is very, very explosive.

Anyway, those are links that may be of interest and may help you. We're happy to go back and provide a tremendous number of links and other things that we've done.

That takes us through all the links. With that, the content section is over. So now we go to any more questions and answers. What do we have?

Dr. Allison Bingham: Catherine, we do have one individual who has asked about what happened to the venture pool for local food.

Restaurants will lie about having local food because the demand far outstrips supply.



C. Austin Fitts: What happened to the venture pool for local food? Remember, this was 2005 so it was a very different time. As you went through the economy, the farmers, the grocers, and every aspect of the economy, everyone was incentivized. Part of it was the agricultural subsidies and government money to play ball centrally. Very few people were interested locally.

What had to happen was we had to go through a period where the demand for organic food grew and grew and grew. Watch a DVD called *The Real Dirt on Farmer John*; it's listed in the Annual Report under the food documentaries that we recommend. It's the story of a farmer who shifts from traditional agriculture to organic, and he starts a CSA and then runs out of land.

A large number of his customers get together and, as investors, buy land that they can lease to him. It's an example of growing organically, but what has to happen is that enough people have to demand the food, and now enough people are going to have to start thinking about, "How do I lock up land? How do I lock up water?"

We're starting to see investment vehicles available. For example, there is one now where they are raising money. As they raise money, they buy land and convert it to organic. So it's almost like they're taking land back one investment round after another.

It's starting to happen, but nowhere near as much as if a critical mass of people in a place said, "Strategically, this is not a matter of price, and this is not a matter of what dividend we are going to get; we need to lock up the strategic resources. We need to make sure we have a local food supply that is safe and healthy for us."



As we go through the kind of change we're experiencing, both in the equity markets and in Washington, we are going to see real entrepreneurial talent and real money start to break out to do that. That is my theory.

What we did is walked into every obstacle that the matrix could confront. It wasn't long before people realized that they had a reason to strategically want or need a local food system.

So which one should we take next, Allison?

Dr. Allison Bingham: We could have a couple of nice comments here. We have one gentleman who says that the Central Texas Solari Circle proposed to do this analysis for that metro area:

It obviously takes a commitment of time. This outline and instruction provides a great deal of momentum to find the most interesting steps to start with. Yahoo!

C. Austin Fitts: One comment I would make because you guys have a Circle – let's say you have five people – call up a bank or an economic development agency and say, “We are citizens interested in understanding how we can do more in our place. Would you give us an hour for a presentation?” If you are a group of people, they will often do it. You don't have to do this alone. You can get participation.



Another thing, which I should mention, is that many small business people in a place have angel networks. Some of the most interesting people you know, a lot of the local venture is done very conspiratorially and quiet. But if you can plug into those angel networks, they have a phenomenal amount of understanding and interest and are clearly doing things. They are essentially financing entrepreneurs. That's what we need.

What I would love to see – and one of my favorite ideas – is getting the local community colleges or universities to team up with the small business people and create internship programs that will allow kids to float and learn many different kinds of businesses. If they make it through the internship program, it results in a local shark tank.

You're seeing more and more local communities do local shark tanks where the student knows, if they make it through the internship program, they're going to have an opportunity to get capital for whatever their idea is. They're a great resource of bringing in the 3.0 technology. But it takes a cluster of angel networks and business people and leaders in the local university. As we were saying before, you have to get everybody out of their silo or stovepipe and talk about, "What could happen to the economy here if we could have a much higher retention rate of the local young people?"

What do we have next?

Dr. Allison Bingham: We have another comment that is related to that. One subscriber notes:



I'm starting to see ways I can engineer collaborative relationships between college students, faculty, and local decision makers.

C. Austin Fitts: Oh yes, it's the young people. Part of this is a generational thing. You have three generations: The young people, the people on the line running the different enterprises – business and government – and the older generation. The older generation has a lot of experience and capital, and it's a matter of helping them get behind the young talent coming up in a way that is energizing for the middle management. An abundance of that middle management, interestingly enough, are Baby Boomers who are ready to sell their business but they have nobody to sell their business to because we haven't brought up that next generation of young people.

If you can get the older people who have the board and capital behind the young people in a way that gives a buyout to the middle management or is supportive of them and the local economy, that is when things really start to click. You have to get those generations aligned.

What do we have next?

I'm interested in helping college kids find ways to successfully navigate their future. This training is inspiring me to see additional ways I can engineer collaboration.

That's the one you were talking about, Allison.



Dr. Allison Bingham: We have an elected official and businessman who has made several comments. He actually raises a very interesting point, Catherine. He says:

In addition to my business I'm a local elected official, and I have to note that the unionization of municipal labor does make costs quite high. Electors don't seem to understand that most of them are on the opposite side of the table from unionized government workers. How do we undo this?

The end result of all the grabby union negotiating is exactly what California has – insolvent state employee pension funds, etc.

C. Austin Fitts: That's a very good question because I know which state this subscriber is from, and it's a very recalcitrant problem in that state. I don't know enough about the state to answer the question.

I think one thing that has to happen is more transparency around the issue to get local citizens galvanized to do something. I think, as the pension funds are insolvent and benefits are cut but municipalities are asked to pay more money, somehow it's going to come to a head.

I don't know what happened in Detroit and Michigan. My impression is they passed legislation to override the unions. I don't know enough about what is happening in that particular state, but this absolutely has to come to a head.



It's one of the reasons an effort was made to globalize all the manufacturing, because part of that strategy was that if you could move everything abroad, then you could bust the unions. So there is no doubt about it, it was a union-busting strategy.

The other thing that I would say is that the unions in many respects have stood in the way of productivity, and at the same time the union movement in America is what supported a much more human economy. So the question is: How do we get out of this trap? We don't want to go to a strictly oligarch society, and that's much of what the unions stopped. So it's a tricky question.

You're going to see this at the Federal government level and the state government level because government workers are being paid significantly more than the taxpayers' incomes. The taxpayers' incomes are going down, and they are being loaded with shadow work whereas the government workers are being protected.

It's interesting. If you set up an incentive system that said that government workers get paid x times the Popsicle Index; so if the Popsicle Index is not 100% and only 50%, then they get 50% of their pay, and you gave them two years to increase it to 100%, you would be amazed to see the change in America. And that's the problem. The procentralization team has designed the incentive systems so the central control continues to happen and you don't get the innovation you need.

To do more on this, I would have to look into that particular state and I would have to know more about the particular situation. What I will tell you is that if you see the level of change that's coming and the financial pressure of what the end of the debt growth model means in the next



ten years, all these things can be addressed and changed because the financial stress will become unbearable.

Anything else?

Dr. Allison Bingham: Catherine, we have a couple of additional comments. One is:

Charts are great as always. We are listening, and Steve and I are going through it with some of our local information on the county seat we live in.

Great resource. This is very exciting and an excellent framework. Are other subscribers also following up?

She has definitely got her thinking cap on in helping college students and outlines a number of goals and action steps.

Requesting some feedback on whether she is in the right direction. I don't know if you want to tackle that now or a later follow-up.

C. Austin Fitts: Here is another one:

How do you find the local angel funding?



I think by doing searches and networking. If I couldn't find any from general internet searches and the local newspaper- it depends on where you are- I would talk to the local newspaper and then go to the Rotary and the Chamber of Commerce and say, "I'm interested. Here's why. Is there anybody you can put me in touch with?"

I would go through the Chamber and Rotary or the local community paper – whoever you're comfortable with. It's simply a matter of networking.

I come back to this: This is like growing a garden, and you just have to start. It's always very quirky where the opportunity will come for you, but if you just keep at it; that is why I say to budget two hours a week or two hours a month and keep at it. Slowly your intention to be involved in a positive way in the area that interests you could be local angel financing or it could be venture. It could be food or it could be whatever. If you keep putting that intention out, you're going to start to network with people who have the same interests.

You want to make sure you're finding Titanic Turners. The Scorpions will always show up and say, "How can we help you get involved?" You don't want to do that. You want to be exceptionally discerning about the quality of people that you do anything with other than networking. Be very careful about who you get involved with because your success will come from being with people of integrity.



Whenever you get together locally with a group of people who have high integrity, miracles happen. So you want to be very, very careful about who you finally take action with or who you group up with.

If you can find a group of people who want to conspire, that is when the fun really begins.

Dr. Allison Bingham: Catherine, we have one caller who wants to know if this is being recorded. Perhaps we could also talk about transcription.

C. Austin Fitts: Yes, we record every Solari Report and make a transcript. So the raw recording will go up tonight, and the edited recording will be up by Monday. Then we will have a transcript that we try to complete within two weeks, and the transcript will be up, so everything will be there.

Of course, this commentary will be here, and you are free to keep posting questions. If I get enough direction and people want to have another Solari Report on one aspect or if we want to look at another place, we will do that.

For many of these areas, to answer your question intelligently, I would need to research and look at that place. So the more feedback I can get, the better.



Someone else is saying:

Can you remember offhand what resources are posted for navigating the legal landscape of small scale investments and local businesses?

We have a large amount of information on that. What I will do before tomorrow is post the links here for all that information; we will get that posted right here.

Dr. Allison Bingham: There is another question regarding:

Are there ways to connect with Solari subscribers in my area?

C. Austin Fitts: That's why we try to do lunches. Lunches are a way for you to meet.

For example, in May we're having a luncheon in Louisville. The reason we're having a luncheon is it's the crowdfund lunch for donors to the crowdfund for Joseph Farrell. The reason it's in Louisville is because a wonderful woman from Louisville wrote me at Christmas and said, "I've moved to Louisville, and I'm really having trouble finding people who resonate with my way of thinking. Could you have a lunch in Louisville?" So we are.

That was so that she and some other people could meet each other. So if you express interest, we will make an effort to try to do that.



I have tried to get people to meet each other online, and I would say there was too much trouble doing that. The lunches have been much more successful.

We will make every effort to try to get you together locally. If we can do it through a lunch, we prefer to do so.

Dr. Allison Bingham: Catherine, I had one other question for the audience. As you and I had mentioned earlier, the tables and charts that we've put together are really a comprehensive first cut. I have no doubt that our subscribers may have other suggestions for data points. I've seen a few already posted. We can be updating those tables to include other data points that people would find relevant and of interest that we hadn't thought of. Is that something that we can do on the commentary line?

C. Austin Fitts: Yes. We can absolutely do it on the commentary line. Also, if people have other things that we haven't said that we were planning on doing, go ahead and comment.

Someone said:

Let's have lunch in the San Francisco Bay Area.

That's interesting. That is the second request I've gotten for the San Francisco Bay Area this week.



That's interesting. That is the second request I've gotten for the San Francisco Bay Area this week.

If there are links or areas you would like us to address, please post them here. Give Allison and me feedback of other things you would like us to put together.

Did the producer put *Who's Your Sheriff* on the website? If not, we'll get it up and all the different things we've had on local investments. I will look around for things where I have addressed more of these local ideas.

So give us your feedback on what else you would like, and we will make every effort to do it.

Did any more hands go up? We have some profoundly knowledgeable people on this call. Are there any more questions that you see in the commentary?

Oh, there is a hand up. San Mateo, you're up.

San Mateo caller: Hi. I'm listening to this, and everyone is very quiet, which is fine. I'm just taking in a lot of information.

Being from the San Mateo/San Francisco Bay Area and doing a lot involved with local politics since 2008, I think we are at a point in this area where we feel like there is no hope. It's also such a huge area that it's hard to know where to start.



The county that we are in is a massive county, and it's such a high population. Do you have any feedback for people who are not in rural, small towns but in big city areas on where to begin?

C. Austin Fitts: It's coincidental, because one of my dearest friends in the world lives in Palo Alto, and I stay with him and his wife when I'm out there. He was Chairman of the Planning Board for many years and is very active in a couple of different not-for-profits and schools there. He struggles with exactly the same thing you're describing because the intensity of the size of the population and the density and the intensity.

Here is what I've seen work. I go back to picking out one local leader who you can support or one organization. What he does that seems to be very successful is focuses his effort on one thing that is working, and then helps them do better and supports them.

You're not responsible for the whole thing. If everybody just picked up one thing that was in their interest and did that, then you get a critical mass of people doing that.

What you have to do when things are that dense and intense is to break it down. The thing that I think he has gotten the most joy over is helping one of the local private schools that gives many scholarships and offers a lot of opportunity in East Palo Alto. It's really wonderful and it was one of our Christmas donations one year.



I would find something that is very much in your heart and find somebody doing it. He had somebody running the local school that is really excellent and admirable and they just needed some help.

So you have some great theatre groups and some great schools. Where is the one that you resonate with? I wouldn't worry about the entire big picture. If I were you, I would keep learning about the money.

I continue to learn about the money, but I would be very happy to find one local enterprise that is really making a difference and help them.

San Mateo caller: I like that idea. That's a good way to do it. We have a group that meets for coffee once or twice a month, and we just talk about what is going on and we support one another. I think that would be a good place to start for that group because all those people have such different interests. It's way more fun if you're working on something that you're more interested in rather than trying to learn a whole new business.

C. Austin Fitts: That's one of the reasons I focus on food. Everybody is involved in food and everybody has to shop, and is going to get pinched by quality issues or cost. You are in a place that has heavenly farmer's markets.

San Mateo caller: Yes. I am working in the food industry, which is my other passion, but I like that idea. I think I'm going to suggest that to our group. Everybody is at that point. I don't want to say it's everyone in California, but a lot of people are just exhausted.



C. Austin Fitts: What you need to do is find your local Titanic Turners and just support them.

San Mateo caller: I'm hard pressed to find somebody who is doing good here.

C. Austin Fitts: Just email me because I can put you in touch with many local Titanic Turners. It's a little more north, but I can do that.

San Mateo caller: That would be great!

C. Austin Fitts: Thank you very much. There is one other question I want to take from a particularly favorite place of mine, Morgantown, West Virginia. Morgantown, you're live.

Morgantown caller: Good evening, Catherine.

C. Austin Fitts: Hello.

Morgantown caller: It's a pleasure to talk to you. I just wanted to say quickly to you and your team thank you for all the great work you do. I'm a new subscriber, and I've loved everything so far.

C. Austin Fitts: That's great!

Morgantown caller: It's really awesome to be able to get on the phone and talk to you.



C. Austin Fitts: I'm glad to have you here. I always tell my subscribers that I used to work for people I didn't like, and now I work for people I like. It's great!

Morgantown caller: Thanks again.

C. Austin Fitts: Thank you.

Okay, ladies and gentlemen. We will get those links up, get the recordings up, and get the transcript up. As you sleep and digest and turn this over in your mind, please let us know how we can follow up and continue to be useful as you learn to unpack your local financial ecosystems.

Allison, thank you very much. Thank you very much to Brad and some of the other team who came in, and thank you very much to our producer who is doing yeoman work behind the scenes.

All of you have a great evening.



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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