



"COMPANIES, EMPLOYEES, SHAREHOLDERS COME AND GO.
IT'S PART OF THE GENIUS OF CAPITALISM."

TONY AUTH

DA: According to Senators Kerry and Brown's report to the Committee on Foreign Relations on the BCCI scandal, the BCCI "was made up of multiple layers of entities related to one another through an impenetrable series of holding companies, affiliates, subsidiaries, banks-within-banks, insider dealings and nominee relationships." If you change that to 'corporations-within-corporations', would that also be an accurate description of what Enron had become?

CAF: I feel like I'm watching the same exact syndicates of investors and the same process — Iran/Contra, BCCI, whatever you call it — except this time it is not real estate financed by S&Ls; they have used stocks and derivatives financed by public and private pension funds. Meaning, the consequences will be far more devastating to the health and safety of average Americans. I believe our money is being stolen. Whether it's our tax dollars, whether it's our pension fund money, whether it's the jobs that are being lost or the countless other ways this kind of "pump and dump" fraud drains our resources and the faith and trust that are the basis of democracy in the United States.

The story of Enron has a meaning. The meaning is that the federal government, the national media, the large banks and Wall Street, accounting and law firms cannot be trusted to live by the standards of transparency, laws and ethics necessary to support free markets or a democratic republic.

DA: The present Bush Administration is honeycombed with Enron/Andersen connections. U.S. Trade Representative Robert Zoellick and recently released Presidential economic advisor Lawrence Lindsay were on Enron's advisory council. Secretary of the Army Thomas White is a former Enron executive, who reportedly made \$50 million on Enron stock sales and was overseer to Enron electricity trading operations at the time of the California energy market manipulation. Republican Party Chairman Marc Racicot was Enron's chief lobbyist at Bracewell & Patterson. Recently resigned Securities & Exchange Commission Chairman Harvey Pitt came to Washington from the law firm that represented Arthur Andersen. In his short tenure at the SEC, he almost single-handedly stalled Congressional legislation to reform the accounting industry with inactivity and his controversial choice of William Webster to head the new accounting oversight board. Comptroller General David Walker, lead man for Congress' financial investigation, was partner, board member and global managing director for Arthur Andersen until 1998. Enron CEO Ken Lay is (was) a close friend of the President's father and played an as yet undisclosed part in Vice President Dick Cheney's National Energy Policy. Enron's also made large political contributions to President George W. Bush and Attorney General John Ashcroft. In light of all that you said about the S&L connections and the possibility of a DOJ coverup, what do you make of the Bush/Enron/Andersen management fraternity? Can we, in any way, imagine that these relationships are incidental?

CAF: No, Virginia, there is no Santa Claus; but there is a syndicate. I dare say that if Tony Soprano was the chairman of Enron's finance committee and his cousin worked for the Senator lobbying easy questions to the Soprano family members in front of the camera, we would all instantly have a sense of how the business model worked.

There was a syndicate or "families" that profited from Iran/Contra. As they profited, they bought political power. How many members of the last and current Presidential administrations were implicated or indicted, even convicted, on Iran/Contra related charges? The number is simply astonishing. Syndicate members go in and out of syndicate operations, whether it is laundering money generated by operations like Mena Arkansas or pump and dump frauds like Harken and Enron. As long as crime pays, the various syndicate cartels and their members will be funding or leading in government. Organized crime today is a public-private partnership. It generates the large cash flows that help determine who owns what and who funds the campaigns. Ultimately, this is the process that determines who is elected and appointed.

What is happening is obvious; the hard part is accepting that it has been going on in front of us and we have not seen it or failed to pay attention to the symptoms. What's happening is in part a function of the power of digital computer tools and relational database technology combined with telecommunications and satellite technology. Most Americans who are not involved with advanced technology do not understand what is possible in terms of insider trading and financial fraud with intelligence and surveillance tools like PROMIS and Echelon. The hardest part to understand for most people is that by taking care of our own business, being honest, paying our taxes, trusting in the system, believing a false media, and avoiding the hard questions, we have played the patsy — even been the beneficiary of and complicit in this worldwide organization.

DA: This is very disturbing and sad. Especially because of how many people throughout the country got burned by the Enron collapse. But I know from talking to you that even after seven very tough years of DOJ hassles you remain very positive, and that you feel you have found a way to surmount these problems. Solari Inc., your investment advisory firm is

really your answer to all of this. Perhaps, to sum up our discussion, could you explain how the Solari concept might help us?

CAF: Enron, the dot.com fraud, the S&L scandals, HUD, BCCI — these financial frauds are symptoms of a deeper problem. In the Old Testament in the Bible there is a passage that says, essentially, we have to take of the land, we have to take care of each other, and we have to take care of ourselves. What folks mean when they say we have a "non-sustainable economy" is that we are not taking care of the land, we are not taking care of each other and we are not taking care of ourselves. It's that simple. Another way to describe it is that we are destroying our natural resources and environment and stealing from taxpayers to support corporate growth and wealth in a manner that is increasingly wasteful — it shrinks the pie. At the heart of the matter is the fact that the current corporate and bank model has a negative return on investment and so does the American economy. We have kept the game going by persuading the rest of the world to shift to dollars as their reserve currency and to finance our continued and ever-growing borrowing. This necessitates coercion — and more and more of it. I suspect much of our foreign policy in Latin America, the Middle East and Eurasia is not just the importance of controlling global oil reserves as the production curves peak, but to ensure that oil and other key markets are traded in U.S. dollars. If the Middle East were to shift to trading oil in Euro dollars, America would be in quite a pickle. Ultimately, we will have to confront the inevitable. Rather than satisfying our "habit" for more capital consumption, we will be forced to reengineer our fundamental economy to a much higher level of productivity.

So what do we do? Essentially, we have to reengineer our economy from a negative return on investment. At the heart of that is reengineering government investment, credit and regulation by place. If every neighborhood in America took a look at the sources and uses of all federal, state and local government resources and started to reengineer those resources place by place, we could leverage our current capital base by many multiples. During the 1990s I prototyped approximately \$12 billion of transactions that gave me the detailed pricing information needed to build a conceptual framework of how to do this by financing communities with equity in a way that makes money for all the parties involved including business, investors and community. This is what Hamilton Securities prototyped at Edgewood Terrace with our software *Community Wizard*. This is my Solari model, a win-win alignment between people, environment and money. Such an alignment can unleash astonishing amounts of new wealth. So now that a few have used new technology to steal all of America's retirement savings while the rest of us let it happen, it is time for the natural leaders among us to use new technology to reengineer our concrete economy and create new wealth to reduce our addiction for more borrowing and debt and to fulfill our financial obligations to each other.

I published a two-part series with Sanders Research Associates in London a few months ago that describes what I learned from the prototyping effort about where opportunities lie — *The Myth of the Rule of Law or How the Money Works: The Destruction of Hamilton Securities Group*; and my vision of how we are going to capture that value as investors and entrepreneurs — *Solari & the Rise of the Rule of Law*. For those who are interested in profitable transformation that can make our neighborhoods safe again, create new jobs or replace our retirement and pension losses, you can link to both articles from my website at www.solari.com.

After many years and many billions of transactions and investments, my childhood intuition has been affirmed. The honest folks can make more money healing a community than the powers that be made by destroying it. As this was true for West Philadelphia where I grew up, it's true for all of America today.

EPILOGUE

It is important for all of us to understand the Enron bankruptcy as well as we can. It affected a huge portion of the nation. Thousands of jobs were lost. Enron employee 401K plans



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were stripped. Many large investment portfolios, nearly every state pension plan and all variety of special retirement packages public and private were laced with the failing Enron stock. Investment brokerages continued to tout Enron even as they knew the tides had turned — and a sudden insider sell-off would drop a \$90 stock to pennies. Literally hundreds of thousands of Americans suffered grave hits on nest eggs they had put a life's work into, sending in some cases retired folk back to the streets looking for jobs. One of the world's largest accounting services Arthur Andersen came tumbling down for its part in the disaster. The entire California energy grid was manipulated for iniquitous levels of profit. Lies were told to the public and the government about the whys and wherefores of rolling brownouts. It wasn't just greedy Enron managers stealing money. It wasn't just stock market fraud. It was the abuse of immense public trust and responsibility. And for what we have seen in news reports, it resulted from the collusion of Enron executives and board members, lawyers, several influential banks, regulatory officers, and an unknown quantity of political compliance. For all of us, it demands an explanation.

I spoke to Catherine Austin Fitts for the expressed purpose of trying to find this explanation. In the end, she told me more than I was really prepared to accept. More than Enron, more than Arthur Andersen, the entire U.S. government was riddled with fraud, incomplete balance sheets and syndicated operations. It was too much to comprehend. In the days after the interview, however, I tried to sort it out. That is, put the entire Enron fiasco in a perspective that fit with my worldview. The following was my assessment:

Superficially, the Enron bankruptcy looks pretty much like a passing pump and dump scheme, orchestrated by a handful of inside managers. A little closer look, and we see the part played by outside investors, stock brokerage hypes, accounting firms, and a fair measure of bank compliance. Indeed, it's not such a far stretch to say this little energy market con game was manipulated from the outside through a small group of patsy insiders, with Ken Lay at the top. While those Enron managers and accountants take the rap, and perhaps lose their illegal profits, the real money will be going to a tight clique of enlightened investors, benefactors watching from three or four shells deeper within the game, selling really big numbers of stock at precisely the right time.

But it's not until you put this scandal in the context of other major scandals since the Reagan Presidency — I hesitate to venture any further back than that — do you see something even larger maneuvering in the background, influencing politicians, pulling legislative strings — like the deregulation of the energy market — and producing glowing business reports from Ivy League colleges. As hard as it is to believe, or maybe as much as we don't want to believe it, the same corporate relationships appear over and over again in various combinations through the S&L crisis, the HUD robberies, the BCCI scandal, the Iran/Contra arms for drugs heist, and this bankruptcy in Houston — and always with the acquiescence of America's biggest banks. So it's military contractors, it's oilmen/energy traders, and it's the information technology industry, all roiled together with a few staunch and formal pin-striped suits from Wall Street and the banking industry. The United States Treasury sits in the background like the Sphinx — a giant obscuring financial slush fund — with a federal accounting system that makes Enron/Andersen's books look as clear as crystal. Three trillion missing government dollars at last count. How could anyone think a system this loose could be honest?

Now let's take a step back from here. Let's take yet another look at this thing, this network of bankers, defense contractors, energy-trading oilmen and greased politicians that Ms. Fitts describes. Dwight Eisenhower had a name for it: the Military Industrial Complex. It almost sounds like a joke it's so overused. But unfortunately, it's not a joke. Ms. Fitts has drawn a picture of it for us, or at least in broad strokes one tentacle of the ever-changing creature. A loose affiliation of millionaires and billionaires all interlocked and sustaining the military-weapons industry and dictating foreign policy both overt through Congress and covert through operational fraud profits.

I know I fight the cliché, but the truth is there is a network of good old boy weapons makers and communications experts whose contracts are the richest in the world. Lockheed-Martin, DynCorp, Raytheon-Hughes, McDonnell Douglas-Boeing. They go through the biggest banks. Citigroup, Morgan-Chase, the Bank of New York. Their books are cooked by the biggest accountants. Arthur Andersen, PriceWaterhouse. They are assisted by the intelligence community. They own big pieces of the media, and they build the world's most powerful military. They represent the muscle end of the equation of control of the planet, and especially since 9/11, they exercise huge sway over the U.S. government. Like the 800-pound gorilla, they do pretty much whatever they please. The Military Industrial Complex, or the "Iron Triangle" as it is also called, is real and its powerful; and as evidenced by action of this one tentacle — the Enron bankruptcy — it is full of corruption and fraud. It might more accurately be called a criminal syndicate than a complex of common business interests. This is my opinion.

Of course, there are some who would say this industrial syndicate is what makes America strong. And it surely does. Some would say it is simply good business. Businessmen networking for success. And there are some who would say this syndicate protects the manifold freedoms of the United States. And perhaps, in a strained way, it does. But there are others who would say this syndicate acts as a shadow government, sucks up our taxes, sustains itself by making war anywhere on the globe, and prevents the possibility of worldwide peace and equality. We all must come to our own conclusion whether the Military Industrial Complex is friend or foe. In any case, Catherine Austin Fitts' commentary reveals that, at the very least, the people behind it are dangerous and criminally ambitious. The Enron scandal suggests that the creature has also heavily infiltrated the present Presidential administration and that the very highest powers in the United States are orchestrating a coverup because of that.

Four decades after Ike's first warning it is clear the checks are out of balance. If we really live in a democracy that is free and run by the people for the people, it's time we hold our leaders and ourselves accountable. It won't be easy. Catherine Austin Fitts' story demonstrates what happens to people who do. Though Catherine Austin Fitts has made it through the gauntlet with her credibility stronger than ever and has a shot at recovering her fortune, most do not. Perhaps the time has come to support the people who do and try restructuring our world from the inside out.

Dan Armstrong, formerly of Astoria, lives in Eugene and is a semi-regular contributor to the NCTE. His most recent article "The Back Door to Fort Knox," appeared in the Octo/Novo 2002 issue.