



Special Solari Report

William M. Diefenderfer:

The Financial Hit Man of Student Loans

by **Catherine Austin Fitts**

*As through this world I've wandered, I've seen lots of funny men;
Some will rob you with a gun, and some with a fountain pen.
- Woody Guthrie*

William M. Diefenderfer III

Bill Diefenderfer was Dick Darman's Deputy at the White House Office of Management and Budget (OMB) when I served as Assistant Secretary of Housing – Federal Housing Commissioner during the first Bush Administration.

I liked the people at OMB. While many other players in Washington were pontificating and spinning platitudes while engineering insider transactions and legal and tax compromises that were good for their group and bad for the country, the people at OMB were some of the few that were grounded in reality and concerned about the whole.

I saw them in action as I assumed the responsibility to manage the largest mortgage insurance operation in the world. We dealt with the day-to-day reality of the money – with budget assumptions, credit-scoring, reserves for losses and other arcane details that others pay no heed to. We put together budgets that reflected the plan of what would translate into operations in the world as it was. We understood that this was different than what political visions promised it to be.

I did not deal with Bill a lot during my time serving in the Administration. However, both as a result of my few dealings with him and through favorable references to his work by a variety of the OMB staff whom we both knew, I left government in 1990 with a high opinion of Bill Diefenderfer's capabilities.



*Here's your graduation present...
have a nice future.*

Four years later, my company, The Hamilton Securities Group, was making quite a name for itself in re-engineering financial government programs as the lead financial advisor to the Federal Housing Administration. I wanted to add an outsider to our board of directors who could help us build even more significant intellectual capacity as regards the nuts and bolts of re-engineering government financial programs. Bill, or “Dief” as we affectionately called him, seemed a perfect choice to play this role. A lawyer by training, he had served in a number of Congressional staff roles, including chief of staff and counsel to the Senate Finance Committee and as the Deputy Director of OMB. ([More information on William Diefenderfer’s Bio...](#))

William Diefenderfer's Bio

Born: May 3, 1945
Native of Wayne, PA
Current residence: Northern Virginia
Party Affiliation: Republican
Military service: US Army (1970-72)
University: BA, Dickinson College, Carlisle, PA (1967)
Law School: JD, Duquesne University School of Law, Pittsburgh, PA (1973)
Law School: LLM, Kings College, University of London (1974)

I remember when I first met with Bill in his law office to discuss his joining our board. He was busy, he said, representing the telecommunications industry as a lobbyist on the passage of the Telecommunications Act of 1996.

A review of the public filings and articles on Bill and his law firm, Pittsburgh firm Diefenderfer, Hoover & Wood, and predecessor firms, indicates his bread and butter business was as a lobbyist. To date, Bill and his firm have represented clients such as buyout and private equity firm KKR, Marriott, Hilton Hotels and the National Association of REITS. As described in the sidebar, the reported lobbying revenues have been significant. (Lobbying Income from [OpenSecrets.org](#); [More information on Federal Lobbying Income...](#))

Federal Lobbying Income

Reported lobbying revenues for William M. Diefenderfer III from [OpenSecrets.org](#):

- 1998: \$705,000
- 1999: \$730,000
- 2000: \$1,020,000
- 2001: \$240,000
- 2002: \$280,000

While I knew him as a Hamilton board member during the period 1995-1997, Bill continued to be active in Republican politics, advising the Republicans on the economy prior to the 1996 convention and during the presidential campaign. I remember his saying that one of the responsibilities he most enjoyed as Deputy Director of OMB was overseeing the CIA and intelligence agency budgets. He said the job he most wanted in a future Republican administration was DCI – Director of the CIA. In hindsight, I wonder to what extent his relationships with members of the intelligence community influenced his actions. Bill’s contributions to federal candidates have been significant [see sidebar]: not surprising for an active lobbyist dealing with complex financial laws and regulations and a board member of a corporation, Sallie Mae/SLM, with operations that have a profound impact on public policy

and with a Political Action Committee targeted to serve an aggressive Congressional agenda. Because Dief was involved in ongoing planning sessions and discussions at the Hamilton board, one of the things I know best about him is that he had a serious understanding of the global economic, political and demographic shifts under way that would greatly impact the American people. For example, during the period of welfare reform and the adoption of the Uruguay round of GATT and creation of the World Trade Organization, as portfolio strategist for the FHA we were dealing with the potential impact on the federal credit and the federally insured or subsidized mortgage portfolios of significantly reduced household income. (or more, see [*Dillon, Read & Co. Inc. and the Aristocracy of Stock Profits.*](#))

We incorporated into Hamilton’s business planning scenarios assumptions that manufacturing jobs and capital were being shifted into the emerging markets. Much of Hamilton’s profits were reinvested in building business opportunities by identifying ways to help Americans and our pension funds adjust to this change, including the anticipated drops in employment and income. What later emerged as a component of the “Solari Model” recognized that key components of the changes needed to meet the challenges of the future were transparency, the availability of educational opportunities for those supported by expensive entitlement programs and the availability of local investment opportunities that would offer a positive return on investment – both to the investor and the wider community. We were focused on reengineering government investment to ensure that America met these challenges and did so in a way that our pension funds would benefit. These were regular topics for discussion at the Hamilton board and other meetings Bill attended. ([View all Reported Federal Contributions...](#))

Reported Federal Contributions	
Total Contribution: \$126,250	
•	03/03/06 \$5,000 – Sallie Mae PAC
•	05/11/05 \$5,000 – Sallie Mae PAC
•	09/15/04 \$25,000 – Republican National Cmte
•	03/11/04 \$5,000 – Sallie Mae PAC
•	03/03/03 \$5,000 – Sallie Mae PAC
•	02/10/02 \$5,000 – Sallie Mae PAC
•	04/09/01 \$5,000 – Sallie Mae PAC

One thing was quite clear to us at that time: Americans could not afford their debt levels as they existed in 1996. Times called for paying down debt. I have written extensively elsewhere about Hamilton’s work and interest in this vein and the extent to which we knew that Americans could not afford to take on more debt and the importance of re-engineering our economy and government investment to protect both middle class productivity and American retirement plans and assets. (See, [*Dillon, Read & the Aristocracy of Stock Profits*](#) and [*Sir James Goldsmith's 1994 Globalization Warning*](#))

My Sallie Mae Board Experience

In 1991, then Secretary of the Treasury Nicholas F. Brady invited me to join the Board of Governors of the Federal Reserve. I had started Hamilton Securities and, among other things, felt I would be leaving my colleagues in the lurch if I were to accept that position.

When I declined, then White House Chief of Staff John Sununu had me appointed to the board of Sallie Mae, the government sponsored enterprise that securitized student loans, because this was something I could do while running and building Hamilton.



I served on the Sallie Mae board until March 1994. The board had some extraordinary people on it – appointees from the banking industry who were in the student loan business, appointees from the universities who were committed to educating students and political appointees like me. After Bill Clinton won the

Presidential election and our terms were up, I and the other Republican appointees cycled off.

Despite the generally high quality of the independent directors, I found serving on the board to be an uncomfortable experience. The senior management seemed quite bitter about having to serve a public purpose and the strictures that carried. They expressed a goal of making money and were interested in shifting from a government sponsored enterprise structure that conferred public benefits and responsibilities on a private, publicly traded corporation to a fully privatized corporation.

Management’s point of view – which I found to be emotional - did not make sense to me, given the profits they were generating from arbitraging their government sponsored enterprise (GSE) status. They were enjoying the extraordinary profits of financially sound financial institutions at that time. In order to keep afloat Citibank and the other banks with significant write-downs from the burst of the housing bubble in 1989-90, the Fed had engineered a sharply upward sloping yield curve. Sallie Mae, like the large banks, could borrow money at interest rates at or near, and even below, Treasury bill rates in the short-term markets, use the funds to

Sallie Mae's Lead Investors

Here are the beneficial owners of more than 5% of the shares of Sallie Mae common stock.

buy long-term Treasuries and hedge their positions with interest rate swaps in the growing derivatives market. At the time, this was a relatively risk free strategy that was part of the ballooning of the federal balance sheet that debased the value of the savings of the average American. ([More information about Sallie Mae's Lead Investors...](#))

By ballooning their balance sheet with this kind of trading operation, Sallie Mae was effectively printing profits for shareholders without benefit to students. I even remember one bank vice-chairman on the board pointing out that it did not make sense for Congress to continue to confer such GSE benefits on Sallie Mae if the profits simply benefited the shareholders and not students. He said that he was amazed that what we were doing was legal. Indeed, this arbitrage of the federal credit was and is legal and has resulted in the transfer of trillions in wealth from the general economy to the large banks and financial

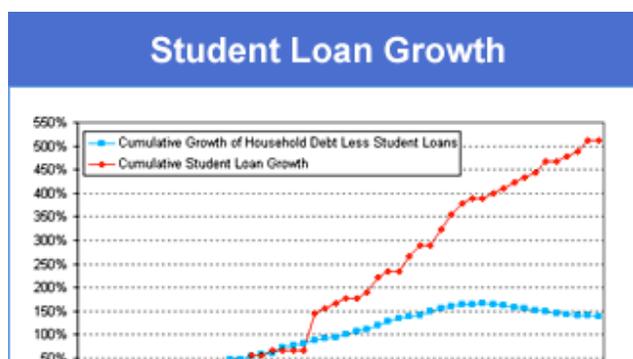
institutions that enjoy access to the federal credit, including GSE status and FDIC bank deposit insurance.

While attending an all day board strategic planning session, I could contain my discomfort no longer. I had been silent all day – not able to think of anything productive to say. The CEO said that it was important for each person to speak and invited me to say what was on my mind. I said something like this:

“I apologize for my silence. I have not had anything to say that would be useful. I find the stated goal of making money to be something that I cannot understand or relate to as a strategic mission. I think great companies have a mission. I think Henry Ford’s mission was to make great cars. I think Steve Jobs goal for Apple has been to make great software and great tools. I think making money was one of the performance metrics of whether or not they were accomplishing their mission.

“I don’t know how to build a company that has a mission of making money. If I were to say to my employees, “I want you to go make money” they would not know what to do. If I told them I wanted them to help children get a great education and I wanted them to do it on a financial profitably basis, they would know what to do.

“You are saying to us that our goal as a company is to “make money” and the reality is that I can not relate to that as a goal and so I feel challenged to contribute anything of value.”



Source: NY Fed, Bureau of Economic Research
[View full chart](#)

The CEO responded by biting my head off, followed by the Chief Financial Officer Al Lord [later CEO of the privatized Sallie Mae], jumping in essentially to finish me off as someone quite beyond stupid and clearly flunking the “real man” test.

To my surprise and amazement, a bank board member whom I greatly respected responded by saying:

“Gentlemen, what Austin just told you in a more direct way is something that I and many of the board members have been trying to communicate to you all day in a more subtle fashion. I believe that many of us are grateful for her courage in finally getting through.”

You can imagine my astonishment at support from the most accomplished financial person in the room. Needless to say, my impression was that Al Lord, later to lead the privatization of Sallie Mae, and I did not see the world in the same way, and he was more than glad to see me go. I look back now and wonder what was the source of anger and hatred towards public

purpose that I saw in the senior management and their seeming indifference to young people and education.

It is now commonly felt that the large banks are evil – a reputation that they have clearly earned over the last few decades. However, that is not what I experienced on the board of Sallie Mae. I listened to and worked briefly with seven bank vice-chairmen. I found them to be thoughtful and committed to public purpose and at odds philosophically with a senior management that found the challenges of managing a hybrid public-private structure to be overly complex and frustrating and measured their own worth by how much money they made. Quietly, I believe many of these bank board members were concerned with the trend and direction of unregulated markets, including the derivatives markets, and the impact on the health of the system of the “too big to fail” policies.

To this day I wonder who or what was working the Sallie Mae management’s ego behind the scenes. All I know is that as the stock market rose, so did their anger and greed.



Source: Yahoo Finance
[View full chart](#)

Diefenderfer and Sallie Mae

After he joined the Hamilton Securities board of directors, Bill started asking me questions about Sallie Mae. I was relieved to be off the board and was focused on running and building Hamilton. In addition, I sensed a conflict of sorts in that one of Hamilton’s vendors, the accounting firm of Coopers & Lybrand, had hired Christine Lord, Al Lord’s daughter, to work on the loan sales Hamilton was helping to run for FHA. All

in all, I had little to say to Bill or anyone about about Sallie Mae. Nevertheless, I remember how keenly interested and persistent he was about the company. Looking back, I wonder whether and how Sallie Mae had engaged Bill to help them engineer the privatization from the beginning. Given the complexity of student loans and Bill’s brilliance at the nuts and bolts of legislatively engineering complex financial matters, I can certainly understand why Sallie Mae would have wanted Bill involved in such a Herculean task.

In 1997, on the heels of the enactment of the Sallie Mae Privatization Act of 1996, Bill was appointed to the Sallie Mae board, where he has served ever since in various capacities, including as chair of the audit committee. According to publicly-available documents filed with the Securities Exchange Commission, Bill’s compensation for that board service appears to have been in excess of \$1.6MM during the thirteen-year period from 1999 to 2010, most of it earned after full Sallie Mae privatization. His reported annual income (adjusted for the value of compensation in the form of Sallie Mae stock) jumped from a relatively modest \$17,333 before privatization in 1999 to a high of \$363,122 in 2006. During

roughly this same period, Sallie Mae share value more than tripled. See the sidebar for a complete breakdown of his Sallie Mae compensation.

To understand who ultimately blessed and paid this compensation, see the sidebar earlier in the article for a description of the lead Sallie Mae/SLM investors from 1997 to date.

The Student Loan Scam

Much has been written about the predatory practices of the student loan industry. In a recent Solari Special Report, Carolyn Betts and I wrote, [“A Review of](#)

[The Student Loan Scam: The Most](#)

[Oppressive Debt in U.S. History – and How We Can Fight Back by Alan Michael Collinge”](#).

Members of the financial media had tried to warn me about how bad the student loan industry has become. However, I did not focus on these issues until recently when helping clients who were grappling with how to help their children manage their student loan debt. Once I started to research what had happened, I was appalled at what I found. ([More information about Sallie Mae PAC Contributions to Federal Candidates.](#))

As described in the review, certain bankruptcy and debt collection regulation issues were added to the law after Bill joined the Sallie Mae board, presumably as the result of student loan industry lobbying of Congress. These provisions legally and operationally created a situation in which Sallie Mae could make more money from students’ defaulting on their educational loans than from the loans being paid off according to their terms. The changes included tightening the provisions that ensure that student loans cannot be extinguished in a bankruptcy filing. ([View Sallie Mae Compensation Chart.](#))

It is important to understand that when this happened, Bill was quite conscious of the fact that many students would not be able to pay these loans. His participation on the Hamilton Securities board ensured his understanding of the outlook for the middle class and falling incomes in America. Consequently, the effort to encourage students to take on this debt raises profound questions as to whether origination of loans during this period could be construed as fraudulent inducement on the part of Sallie Mae, the Department of Education or the educational institutions whose tuitions could be raised almost without limit in an environment in which everyone could borrow to finance their fees.

Given Bill’s knowledge, the re-engineering of public policies to allow Sallie Mae to profit from students’ financial failure was financially logical. Since many students could be expected to not afford the debt, Sallie Mae would have needed a model in which it could nevertheless profit. This profit goal could be achieved by instituting a system that encourages the origination of debt that students could not afford and packaging it in securities for

Sallie Mae PAC Contributions

View Sallie Mae PAC Contributions to federal candidates in both the House and Senate (1998 - 2012).

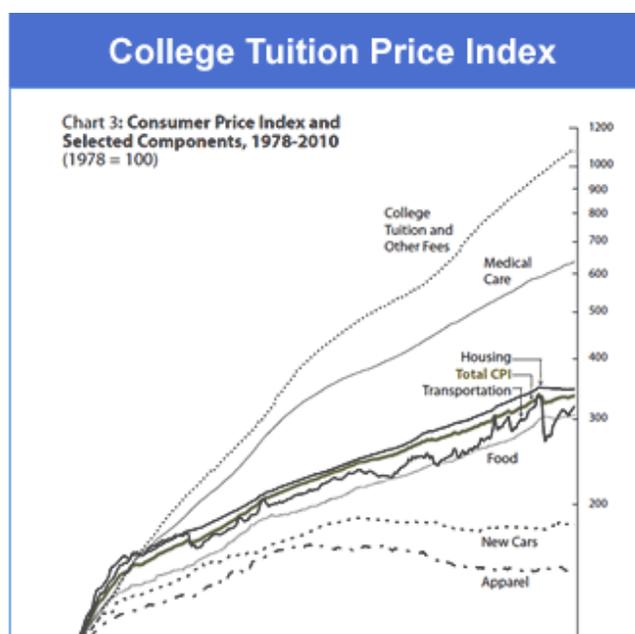
Sallie Mae Compensation

Sallie Mae Compensation for William M. Diefenderfer III: 1999 - 2010.

institutional investors, including pension funds, making it possible for middle class beneficiaries to help finance their children's debt servitude.

Worse Than Mortgage Fraud

I have spent much of my professional career cleaning up mortgage fraud, trying to prevent mortgage fraud or protecting my subscribers and clients from the financial and economic ramifications of mortgage, federal credit and related securities fraud. Before that, I spent my childhood watching mortgage fraud destroy the equity of my neighbors' homes. I have watched the cancer of mortgage fraud spread to thousands of communities and, eventually, the whole country. I thought I had seen the worst that financial fraud could do to America. I was wrong. What has happened in the student loan industry over the last fifteen years is worse than anything I have seen before.



Source: [American Institute for Economic Research](#)
[View full chart](#)

What has happened is that portions of the financial sector and academia have teamed up to target children with predatory lending. Rather than provide them with the knowledge and tools necessary for them to be successful in a rapidly changing world, they have loaded them up with expensive education that often is not economic or relevant and that, for all but the wealthiest among us, is being funded with debt. This is debt that many cannot afford. To those who insist “but they knew!” I include the following story given in response to our Student Loan Scam review by a *Solari Report* subscriber who is a university professor:

teach about them and warned them to try to avoid them. I always ask students if they have heard this information or if someone, anyone, at a university financial aid office, told them to at least look into the potential problems of student loans. I've NEVER had a student tell me that they have been warned. NEVER. The plain fact is that the university system, the entire system, is financially predatory upon our students.

“But I think the situation is far worse. Since I've found out about the problem with student loans (which I only did two years ago) I've spoken to every class I teach about them and warned them to try to avoid them. I always ask students if they have heard this information or if someone, anyone, at a university financial aid office, told them to at least look into the potential problems of student loans. I've NEVER had a student tell me that they have been warned. NEVER. The plain fact is that the university system, the entire system, is financially predatory upon our students.

“And the situation is made worse by requirements coming from accrediting agencies to basically adopt ‘no child left behind’ modes of evaluation and the increasing number of class offerings that are pure fraud. We require a speech class as part of our curriculum. We now offer that speech class online. Yes, you read that right - online. It's a speech class now

where you can never speak in public, you just read and type -- and as with all online classes -- there's nothing to ensure that the person getting the credit for the class is the person actually typing on the computer.

“So the university system is putting young people into financial situations that are good for the university but very bad for the students themselves and with some frequency providing them with courses that cannot deliver the goods or value for their money. A lot of us, all over the country, are getting the feeling that we're working for ENRON U.”

It is important to understand that this is not all children. This is the children of people who cannot afford to pay for university. The children of the rich are fine.

Student loan debt, under current law and national economic circumstances, is a way of handicapping the children of working people and ensuring that they become dependent on corporations, corporate law and accounting firms and the military to service their student loans.

This is the end of entrepreneurship, the end of innovation, the end of meritocracy. Instead of the best and the brightest reinventing and reinvigorating our culture and our economy, they will be entrapped early to serve old, vested interests.

Peter Drucker once said that the GI Bill had the highest return on investment of any public investment by the United States because it ensured a quality education for millions of young people who had served their country. This was an investment in intellectual capital that invigorated our economy.

The student loan policies of the last fifteen years are, instead, engineering a return to class society. This is how you doom an economy.

Sallie Mae/SLM SEC documents report \$284,800 in charitable contributions by the corporation as directed by William M.

Diefenderfer, III ([view compensation chart](#)). Duquesne University in Pittsburg, where Bill attended law school, appears to be one of the beneficiaries. ([More information on Diefenderfer Donation to Duquesne University.](#))

Donation to Duquesne University

Sallie Mae/SLM SEC documents report \$284,800 in charitable contributions by the corporation as directed by William M. Diefenderfer, III ([view compensation chart](#)). Duquesne University in Pittsburg, where Bill attended law school, appears to be one of the beneficiaries.

Why did Diefenderfer Do It?

I have watched for the last fifteen years, while former colleagues and friends have engaged in unspeakable financial engineering and fraud. I have asked this question many times. Why would someone I thought was an intelligent, responsible human being profit from

systematically engineering harm to others? Why work hard to destroy the very society that had given him or her a chance, a leg up and at a better life?

I now have seen so many people participate in harmful activities, it is hard to fathom that I can be shocked by one more instance. And yet Bill's role in the student loan industry shocks me and raises serious questions about what his role was in the targeting of Hamilton Securities, the theft of our software and the facilitation of the housing bubble (see, "Hamilton Securities Litigation" at <http://www.dunwalke.com/gideon/>). It seems that if Bill is part of an industry that fraudulently induces thousands, if not millions, of young Americans, it is easy to imagine that he might support other officially sanctioned criminality.

Why would someone like Bill Diefenderfer seek to systematically destroy the futures of thousands of young people? I cannot look into Bill's heart – clearly, whoever I once thought I knew and respected never was or is no more.

However, I can outline some of the possible explanations.

One explanation is that influential people like Bill Diefenderfer often have "control files." You made a mistake once upon a time. Or your spouse did. And there is a file with compromising pictures or documentation. That means you must do what you are told or your career is finished. The resulting scandal would mean you would lose your reputation and family. You could go to jail. In some cases, there is no need for an actual control file -- even the threat of a smear campaign and false accusations is enough.

Two, people like Bill often come to believe that this is "the way things are." You have to go along with the system and as long as the system supports this trend and direction, it is okay to go along to get along. You have no choice if you want your children to go to expensive private schools and you want to live in a nice neighborhood and have sufficient resources to retire.

Three, people like Bill may believe if he does not go along that bad things could happen to his family. At a minimum, your children could be kept from the right schools and starting jobs. Then they would be at the mercy of predatory student loan lenders to get an education. Or, in some instances, your children can and are harmed.

Fourth, people in Bill's position often conclude that if he goes along with the plan, things can be quite nice. You can have a modicum of power and privilege. Indeed, you are respected for your prestigious positions, your wealth and charitable contributions and the community service that your spouse can afford to contribute because he or she does not need paid employment to put your children through college. You and your family are respected by the surrounding society because you are a "winner."

Fifth, people in Bill's position cannot envision another way. You have no faith that you could achieve worldly success in a way that is positive for your wider community. I could, but then I did not have a spouse and children to support as Bill did. In fact, the reason I did not have

children was that I could never figure out a way to make them safe in this society without helping to perpetrate genocide – something I would not and could not do.

The answer to the question of why Bill Diefenderfer participated as he did is of supreme importance to the future of our society. Once upon a time I imagined a world where Bill's talents were dedicated to creating a much better world. The key to helping the American people and their pension funds adapt to a world of globalization was to reengineer government investment – this involved delicate surgery involving thousands of laws, regulations and budgets. This was the task that I had in mind when I sought out Bill's help.

Instead, it appears that one of the most capable men in the area of reengineering government that I have known has spent the last two decades using his formidable intelligence, training and skills to help destroy our society for what – in the scheme of things – is a relatively small financial profit and a limited amount of social prestige.

If you look around America, as we survey the shambles of our financial and environmental ecosystem, it is important to appreciate that evil is not some mysterious thing being engineered from far, far away. It is being engineered by family members, friends and colleagues – numerous people of great talent who once had hopes and dream who are instead making money by destroying the hopes and dreams of the next generations.

Bill Diefenderfer is not alone.

Introducing Sandra Diefenderfer

One of the great mysteries in these kinds of situations is the family. Why does the spouse go along? I don't know Bill's wife, Sandra Diefenderfer. From what few public accounts there are of her, she sounds like a nice person.

I can only ask myself the same question I have asked hundreds of times in similar situations. Why does the spouse not take responsibility to understand where the family's money is coming from? ([More information on Sandra Diefenderfer's Property Assessment Questions.](#))

The spouse typically lives in a nice house; they send their children to expensive private schools. Many go to church. Yet, they think they have no moral or spiritual responsibility for the source of their funding. If the spouses are engineering predatory lending, or fraud, or narcotics trafficking or genocide or disaster capitalism, they do not need to know. It is all part of the economic and financial version of the “don't ask, don't tell” policy played out in many American households.

Sandra Diefenderfer's Property Assessment Questions

Last year, Sandra Diefenderfer's home assessment jumped by 125 percent. She appealed the decision to the county's Board of Equalization of Real Estate Assessments, but the board found that the house had been undervalued for the last 15 years.

Real solutions begin when the Sandra Diefenderfers of this world begin to take moral responsibility for where their money comes from. It's one of many steps we all need to take in a wider conversation about how we really turn our economic ship around.

Real Solutions

One of the most important books I have ever read to inform solutions to our current dilemma was *The Evolution of Cooperation* by Robert Axelrod. It describes Axelrod's research to determine whether or not it is possible to build an economic model in which cooperation is more profitable than other forms of competition. The book's promotional description says:

Sandra Diefenderfer's Go Local Award

Sandra Diefenderfer was presented with a gift basket she won in the Great Falls Business and Professional Association's first 'Shop Local' campaign.

"The Evolution of Cooperation provides valuable insights into the age-old question of whether unforced cooperation is ever possible. Widely praised and much discussed, this classic book explores how cooperation can emerge in a world of self-seeking egoists -- whether superpowers, businesses, or individuals -- when there is no central authority to police their actions. The problem of cooperation is central to many different fields. Robert Axelrod recounts the famous computer tournaments in which the 'cooperative' program Tit for Tat recorded its stunning victories, explains its application to a broad spectrum of subjects, and suggests how readers can both apply cooperative principles to their own lives and teach cooperative principles to others."

In a series of computer simulations, Axelrod discovered that a player adopting a "Tit for Tat" strategy emerged the winner. In a "Tit for Tat" strategy, a player always cooperated unless aggressed upon, at which point he or she would counter aggressively. However, if given the option to cooperate, the player would return to cooperating. The reason that the "tit for tat" player won over time was that he or she attracted the highest quality players as potential partners. ([More on Sandra Diefenderfer's Go Local Award.](#))

A necessary condition to the success of this practice of cooperation was transparency. The general society or market had to be able to clearly identify the various players. They needed to be able to understand the historical record of the players – those who cooperated productively and those who did not. In other words, the market needed information to be able to sort the ethical, competent players from the pack.

Which brings me to the point of writing this article. If Bill and Sandra Diefenderfer can be socially acceptable given the source of their wealth, then there are no solutions. Whether moral or legal - crime pays and crime that pays is crime that stays.

If the dirty players are consistently presented to the market as ethical, competent players, as "winners," then the market cannot choose.

Ultimately, the enforcement that counts in our society is who is honored, who is accepted and who is shunned. This is why transparency of government money, credit and regulations that impact the general economy is essential.

The Intimacy of Evil

Anyone who is successful in the investment world has an ongoing practice of looking at decisions that did not work out to ensure that insight grows through experience and mistakes are not repeated. Looking back, the decisions I most regret were personnel decisions. I trusted people who were not trustworthy. They turned out to be unethical or incompetent, and often they were playing for the opposing team in the great game of economic warfare and that team was above the law.

I made a mistake. I asked Bill Diefenderfer to join my board. In retrospect, it was one of the worst personnel decisions I have ever made.

Facing that fact while learning what is happening to the young people of America is part of facing the intimacy of the evil with which we are all struggling -- as neighbors, family and friends continue to believe that it is socially acceptable to create financial wealth for themselves by poisoning our food system, originating debt bubbles, destroying our ecosystems and building a global surveillance and war machine.

As a professional investment advisor, I find it challenging to invest in an economy in which so many powerful people are financially dependent upon human failure. Worst among them are those who are financially vested in the failure of our young people, for that is ultimately the failure of the future itself.

Letter to the Editor of Lafayette Magazine

"The fall issue was lovely as always. However, I find it disheartening that in focusing on millennials, no mention is made of alumni actively serving in the military, including Jeffrey Werrell 02 and Barret Diefenderfer 02, who are with the United States Marine Corps. There are most certainly others. Wouldn't you agree that serving in the military makes a difference?"

Sandra J. Diefenderfer
Great Falls, Va.
Lafayette Alum, Class of '02

Additional Links:

[Buyouts: The LBO Lobby Makes Its Move on Washington](#)

by Max Holland and Viveca Novak

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Catherine Austin Fitts is the president of [Solari Inc.](#) and managing member of [Sea Lane Advisory, LLC](#) and [Solari Investment Advisory Services, LLC](#).

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