

Catherine Interviews Franklin Sanders
Precious Metals Market Report
The Solari Report: 13 October 2011



Catherine Austin Fitts: I'm back home in Tennessee. And so I'm over at the Shoe. I just had a wonderful dinner with Franklin and his wife, Susan. And I'm back in Tennessee. And Franklin, it's wonderful to see you. Are you with us?

Franklin Sanders: I'm here. Yes.

Catherine: Okay.

Franklin: Wonderful to have you.



Catherine: So I want to know what in the world happened in September.

Franklin: Somebody pulled the plug, didn't they?

Catherine: Yeah, they sure did.

Franklin: Well, you know the silver and gold prices just collapsed in a few days beginning on the twenty-third. And it looked a lot like what happened in 2008 in that there was a, if you can think of a mountain peak and the top of that mountain peak is nineteen hundred twenty dollars and the bottom of the peak top is about seventeen hundred, seventeen hundred and twenty-five dollars. Once it came down off of that peak it just, you know it sort of pulled the plug. And the low – the overnight low, we never saw this in the United States, but the overnight low about fifteen hundred and thirty-five dollars.

And since then it's traded up, gotten over sixteen hundred dollars. And now it's trading in the sort of a range between about sixteen fifty and sixteen eighty. Not able to get through that fifteen eighty resistance, but not falling down below sixteen eighty. And not able to fall down below that sixteen fifty support. So it's just tied in. Silver dropped from over \$40 down to \$26.35 at the low. But again, that was one of those spike lows that happened overnight. We didn't see it. We didn't trade at that level. Lost about a dollar today. It was down back about \$31.75. So it's sort of trapped between \$33 and \$31. And when you get a market that trades in a range that way, you know you're just sitting waiting for a breakout one way or the other.

Catherine: I wonder how much of what happened, including the change in the margin requirements – if you like, you know most investment reports performance quarterly. And if you look at what the performance was going to be for the quarter and for the year to date on gold versus equities and any other part of the market, you know one of the things I wonder is if that performance was just too unbearable and it needed to be brought back into line.

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Franklin: Well, that's a very astute point. I frankly hadn't thought about that. But that's a very astute point. You know it happened on the twenty-third. That was before options expiry as well. So there were a lot of people who had an interest in keeping it – in seeing it go down. But it would have been extremely embarrassing for stocks, especially after they had been a decline that started in August. It would have been very embarrassing.

Catherine: We saw, you know the equities were down, the US markets were down about 12 to 14 percent. And then emerging markets were down 23 percent. And even with the September drop gold was up 8 percent for the quarter.

Franklin: Right.



Catherine: And so you had bonds up, say 3 percent. The US dollar index up by a lot more. And then you had gold up by 8 percent after the trouncing. And so – and with equity markets down, the spread between performance on gold and the equity markets would have been horrific if it hadn't had been for the dust up or dust down, I should say.

Franklin: Right. And I guess maybe, you know maybe I'm at fault for pressing too much the pattern of 2008 on this. Because clearly this crisis, the European crisis is unfolding much more slowly than that crisis was. But, you know there are only two questions really that remain in my mind about the outcome. And it'll be one of two things. Both of them involve higher gold and silver prices later. The only question in my mind now is have we seen the bottom in silver and gold? Or will we see one more slightly lower

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dip before they take off? And if we have seen the bottom, than that means that you're going to end the year somewhere probably over \$2,000. Because remember, in the last seven out of ten years the high for the year has fallen in December.

Catherine: Right.

Franklin: So that's a very strong seasonal pattern. If we have not seen the bottom already, if there are lower prices to come still, then you might have a correction that could last into February or March. You know six month correction in silver and gold. But either way it doesn't make any difference. Either way, you know the fundamental causes of this bull market have not changed. And if anything, the European crisis only reinforces my conclusion, the conclusion I came to ten years ago, that no matter what happened they were going to print more money. They don't have any choice. Either they don't have any choice or they don't have enough imagination to do anything else. And I think they've reached a stage where they don't really have a choice anymore. You know they're not going to let the banks go down. They're not going to let any of the banks go down. They're hardly going to let anybody fail who has friends in Washington or Brussels. And the European banks, you know we think of the European banks and then the American banks. And our minds put a categorical wall between them. There's no wall between them.

Catherine: Right.

Franklin: You know they –

Catherine: - would say. There's no wall.

Franklin: Yeah. They trade in each other's paper. And so if one group goes, the other group goes. There's no question about that. So there's never been any question in my mind that Bernanke and the Fed were working with the European Central Bank and other central banks, actually the same old colonial bunch from the last 150 years. But they've all been working together to try and engineer some kind of solution.

So, you know the thing that's scary about this is that the Europeans have been so slow, even to come up with a cosmetic solution. And there's been so much opposition in Germany to bailing out the banks, to the German taxpayer picking up the tab really is what it is. They've all stumbled around Sarkozy and Merkel and have just, you know they've piddled around and had their pictures taken together a whole lot. But nobody's come up with anything. And it's only recently when they started strong-arming everybody, strong-arming these 17 countries into agreeing to the European bailout fund, which I call the bucket, where they can put all their awful – it's only recently that they've come up with anything that even promised to have a real effect. So that part of it is scary.

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But silver and gold are going to come back. You're living through a deflation scare. You're going to hear all of these people, all of these gurus say that, oh, well, a deflation is coming. And when it gets bad enough to drive that stock market back down to say 9,000, 8,600, Bernanke will push the panic button again and he'll start printing more money. It's not that they have not – it's just when I say more money, I mean relatively speaking. He'll start printing at a faster rate.

Catherine: Right. Well, I think they've been, behind the scenes I think they've been printing plenty of money. The only problem is if you look at, I know in the mortgage area if you look at the way they have print money covertly, you know that's kind of – it appears from the squabbling going on in FHA that that is tapped out.

Franklin: Mm hmm.

Catherine: So what was interesting this time around, because if you look at the drop. I put charts up on the blog. So once everybody logs in you can see the charts for gold and silver. If you look at sort of the largest drop this year, the recent one in September, it was basically 20 percent. Which is lower than it was in 2006, which was 23 percent. And then the single big drop, there were several in 2008, was 27 percent. But if you say – so on 2008 it dropped \$255. This time it's \$389. So in nominal dollars it's bigger and percentage terms it's significantly smaller. But what was interesting, Franklin, and would not surprise you, is anybody that I was talking to during this period who has lived through several of these big drops before, you know their attitude was, oh, thank heavens I'm in precious metals rather than dollars. Thank heavens I'm in something real. But remember, the drops are dropping – you know their unrealized gains are being cut, but they're not getting cut into principal. Cause they still have big unrealized gains. It's the guys who just bought who are saying, and it's so funny cause I'll work with somebody and I'll say, "Now, you know this is very volatile. This is very volatile. This is very volatile. You know and so don't be surprised and don't worry about it. You know bah, bah, bah, bah." And the, of course it does it and they're just, well should I sell and get out?

So there's something about it. The drop dipping into principal that I think makes it harder to keep your perspective.

Franklin: Well, that's true, but let me give you a little more perspective. I said today in my commentary, and it's true, when you get to the top of a market, you can't find a bear with a microscope, a telescope and a Geiger counter. You know everybody in the world is certain that that market that actually is peaking is going to go on forever. And that is not the backdrop against which this correction is playing out. It's just not. I mean what you hear is all of these people on TV saying, well, that's it, gold's career is over and silver is certainly finished. And I've seen that from analysts that I, whose judgment I really respect. But that is not the kind of talk you hear at the top of a market.

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Catherine: Right.

Franklin: It's just not. You know. And I was reading Ian McAvity last night. He writes *Deliberations*. And he said that he had heard people talking about selling their gold and silver positions and getting out, you know waiting for it to come down. That's not talk at a top. That's, you know that's a lack of confidence that says, this is an ongoing bull market, not this is a bull market that's ended.

So yeah, it's nerve-wracking, I know. But as you say, you know for people who bought in at 400, 600, 800 dollar gold, even 1,200 dollar gold, they're not too worried.

Catherine: Right. But you have to live through some of them. I wanted to, cause I want to go back and go through the whole history to give perspective. Because I think you've lived through a lot of these drops. I've lived through not quite as many you but a fair amount. It was in 2005 I had a friend who decided he was going to buy precious metals, you know. And I really briefed him on the, painfully I briefed him on the volatility. And he bought in I think at \$457. And literally the next day it just took a swan dive right down to \$400. And, you know for months he had friends telling him, you know that people like me were shysters and this was a scam and blah, blah, blah, blah. And, of course, then up it went, you know much higher and came back down. You know but kept trending up. And let's say his name was John Doe. He named it the John Doe effect. And literally to this day he will call me and say, do want the price of gold to go down cause I'm ready to buy some more? I can make it go down. It's the John Doe effect.

So, you know now he thinks it's funny. You know and I guess it is. But it certainly, if it's your first time, it's not funny.

Franklin: But, you know the thing is that could happen to you. Suppose you had bought stocks?

Catherine: Right. Right.

Franklin: You'd be in a lot worse shape. Because then you'd be in a declining market going down.

Catherine: Right. What if you bought Netflix?

Franklin: Oh, gosh, yeah.

Catherine: Anyway, so one of the things that I just wanted to mention was you, at the beginning of the year, you know I was so worried about a big crash and then it never came. So I kind of got persuaded into the next step up. But my prediction had been sixteen fifty high for the year. And

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maybe I should have stuck to it. Anyway, and then \$42 in silver. And I think you were seventeen twenty.

Franklin: Mm hmm.

Catherine: Somewhere around there. And \$50 on silver. And then I went up to \$2,011. I think you went up to \$2070.

Franklin: Yeah. That's it.

Catherine: On gold. And so where are we now? Cause it looks like we may not reach that this year.

Franklin: Well, you're going back to that same question I'm asking, and that is that, you know if we've already seen the bottoms in silver and gold, then the rest of this year will be – or let's say that we see another bottom in a week or two about the same place. Then the next of the year of there'll be in an uptrend. And you could see twenty-one hundred dollars by the end of the year. I mean that's perfectly possible.

On the other hand, if you go into protractive range trade and then it, you know erodes off and then finally does go down farther but it takes six months to do that, then you won't see it. But it's just hard to know. You'll know that there's one way that you can know that they have resumed their upward course. And that is if gold closes over eighteen and stays there. You can forget looking for lower prices.

Catherine: Well, you know I – the way I chose sixteen fifty is I sat down and I said, how much are they going to let gold go up this year? What's the maximum the central bankers will let it rise. And that was the highly analytical manner in which I came to sixteen fifty. You know so I think one of the questions here, Franklin, is how far will they let precious metals outperform the US equity index? That's the question to me.

Franklin: Well, I think maybe you've got – you're showing a little more faith in central bankers control than I have. You know it's hard for me to look at things that are unfolding now, especially the crisis in Europe and not say, well, somebody's overplayed his hand. They thought that they could scoop off a lot more than they actually could. And now they're paying for their mistake. And so, I don't know, maybe they have that much control. But I certainly think, you know gold, as gold and silver markets have proven that they don't control everything. Or if they do, they don't control it very well sine gold's gone from \$250 to 1,920 dollars in ten years, nine years.

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Catherine: Okay. Well my theory is that they want – in other words, once I’ve stolen everything with fiat currency, I want to go back to gold and silver because I want to keep what I stole.

Franklin: Oh, I don’t doubt that that’s ultimately what they’ll do. Yeah.

Catherine: So I think gold and silver is the, you know is the core tool to getting back to where they want to go.

Franklin: I think you’re probably right. But if for no other reason you’re right because they’ve already played the inflation game for over 100 years. And so, you know the only thing to do now is to reverse your field and go back the other way.

Catherine: Right. Right. You know if you go back and read our ten updates in the history of precious metals, that’s what you described.

Franklin: Right.

Catherine: Deflation and inflation. Back and forth.

Franklin: Exactly.

Catherine: You know it’s kind of part of the pump and dump. Well, let’s go back then to – so I just described 2005. Two thousand six I remember was the first time I heard you say, “I’ve been rode hard and put away wet.” Because remember the – I’m looking at both the gold and the silver charts. We’ve got a 37 percent drop in silver. And a 23 percent drop in gold. You know but it was quite a run up before that, you know that ratcheted back.

Franklin: Right. Well, I remember it was painful because it took that – it was from like March to October before gold finally bottomed. And, you know it’s hard for us to imagine that a drop from \$728 to \$561 would be that painful. But it certainly was. And it was early in the market. But, you know this is one place to point out that the silver is always more volatile than gold.

Catherine: Right.

Franklin: And so you have to be, if you expect to get the good part, the benefit on the upside of that greater volatility, then you have to be patient with the greater volatility on the drawback side. You know on the downside. So you just see these huge corrections unfold.

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Catherine: Right. And that's one of the issues. Cause, you know I think the chances of a major correction in equities in the next months is pretty high. And, you know to me, if that happens, then will silver go down with it? And will gold continue to hold its value or not.

Franklin: Well, let me just pick up your presupposition there. Your presupposition is that the well-known relationship between silver and stocks will continue. And that well known relationship is that whenever stocks are doing well, silver tends to outperform gold and vice versa.

Catherine: Right.

Franklin: And that's probably because the risk appetite is growing when stocks are rising. And silver obviously needs a bigger risk appetite than gold does.

Remember, we didn't see that this summer. And that may have been just an anomaly. But we didn't see that this summer. And we won't see that as the market progresses. Silver will respond less and less to the pull of stocks, I think, as times go on. And become more and more influenced by gold's behavior. That is it'll behave more and more like gold. But that certainly is, you know I mean that's certainly a consideration. I remember 2008 gold went from \$1,003 down to actually an intra day low of \$681 but a closing low of \$704.90. So you can do the math. That's over 30 – it's a little over 30 percent or right at 30 percent.

Gold or silver in the same time, went from – well, it lost 105 percent of its peak. So if you think it was –

Catherine: It lost 57 percent.

Franklin: Well, I mean that's the move that you've got on this chart. But what I'm saying is from the high all the way. Yeah. But it lost 105 percent. The high was like twenty sixty-eight as I remember. And then the low was eight eighty. And there again the bottom came in October. But that was really the most harrowing part of the whole thing. That's the most harrowing move that we've had in this bull market. So, you know you just have – I know we think about gold and silver as being volatile, but stocks can be just as volatile. Maybe the whole index, the indexes are not, but individual stocks certainly are.

Catherine: Well, here's the reality that you and I know. What I'm watching in all the commentators is many different people from many different walks of life and experience coming to grips with one simple fact. And that is where there is no law it's hard to maintain the value of anything.

Franklin: I'm sorry. I'm laughing because it's true not because it's funny. Well, exactly. And of course, I feel like that public opinion is sort of catching up to me in that respect, because already

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for 20 years it was obvious to me, it's been obvious to me that there is no rule of law in this country. And you know what as well as I do. As often as not, prosecutors are sociopaths who brag that they can indict a ham sandwich and put it in jail. And when you have that kind of attitude and when people lose their confidence that they can go into court and enforce their rights in a civil suit, then you've got chaos.

Catherine: Right.

Franklin: You know. And not only do you have chaos, but you do – you have an environment where business and free enterprise can't exist. Because they require that stability.

Catherine: Right. And, you know this is – you know for many years I counted on the appearance of the rule of law. In other words, to maintain the markets you needed an appearance of the rule of law. Which I think is why so many people assume, you know that there is the rule of law. And the big financial institutions are good at some things. So there's a whole lot of crime that you can run into with smaller businesses that you're not going to run into at Ameritrade. You're going to run into something that's far more sophisticated and subtle. But you're not going to run into, you know the secretary's not going to run off with your money kind of situation usually. So I think, you know it's hard for people who've never had to live in a third world kind of environment, but literally that's what we're having to learn how to do. We're all having to learn how to play economic warfare in a way that we haven't had to before.

Franklin: Well, you got the message on that in 2008. I mean you got the message when against the law and against common sense they bailed out the banks. And they didn't just bail out, you know 700 billion dollars worth of banks. Behind the scenes they were bailing out 16 trillion dollars worth of banks.

Catherine: Right. Around the world. Globally.

Franklin: Yeah. All around the world. Yeah.

Catherine: Right.

Franklin: So, you know if you didn't get the message then, you're not ever going to get the message that the law has been thrown out of the boat.

Catherine: Well, that gets me to my – well, I did want to mention one thing. I told you this during dinner. And I've said this on the Solari report many times before, I'm a subscriber to the Kiplinger newsletter. Because I find the Kiplinger newsletter to be the single best predictor of what the Scottish Rite Temple boys on 16th Street in Washington are saying and thinking. And for a long

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time Kiplinger, Knight Kiplinger, has been the single best predictor of how the slow burn would work and what it would do over the next year.

Franklin: Mm hmm.

Catherine: So imagine my horror a couple months ago, during the S&P downgrade when, and the budget squabbles when Kiplinger wrote, the United States government will not default this year. I thought, “This year?” You know uh, oh, we are really in for it. So then I open up my Kiplinger on – it comes out on Friday. It says, after the election – first of all, it says, inflation has been kept low before the election. Which tells me, of course, what I already knew - the boys at the Scottish Rite Temple don’t shop for their own groceries. John Williams of ShadowStats is right - inflation is 6 to 11 percent now. So then the Kiplinger Letter says, inflation is going to pick up very strongly after the election and continue for several years. And it’s really going to squeeze people. And I said, this is very bad news. So I think one of the issues on managing the precious metals market is coming into the election you don’t want a signal that inflation is out of control or we’re running into hyperinflation.

Franklin: Well, I imagine that’s true. You know in any event, probably people will take a sort of a holiday from panic in the course of the election, as the election draws nearer, in the hope that some change will take place and things might actually get better. A false hope. But I think they will.

Catherine: So let me ask you about volume. Because we saw various reports from a variety of different sources that physical demand was skyrocketing as the price dropped. Was that your experience?

Franklin: A lot – there was a lot of increase. It grew quite a bit. We did a huge amount of business. But here’s the reason why I don’t think that’s been the case in the measure it was in 2008. And that is premiums have not risen and delivery times have not stretched out. If there were that much demand that premiums on all forms of gold and silver would have risen more than they have and they haven’t. And not only that, they haven’t risen at all on gold. They’ve only risen in silver on the 90 percent silver.

Catherine: What’s the premium right now on the 90 percent silver?

Franklin: At wholesale it’s 50 cents over spot. And that’s up from about 60 or 80 cents over spot before we got this under spot. Excuse me. So that’s, you know \$1.20 swing upwards that the 90 percent has taken. But that’s really the only thing that we’re seeing much pressure on. Now the once ounce silver rounds are out, you know they’re two weeks or four weeks out. Something like that. But other than that, I don’t think there’s that much – there has been some extra buying but not enough to drive those premiums up. And the reason I look at that is because we have a very

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thin market. You understand that the physical gold and silver market is not like the market for stocks. It's very small. And so when you get a big rush into it, those premiums will go screaming higher.

Catherine: Right.

Franklin: Because dealers just won't turn loose of it if they don't know, at the old price, if they are not sure they can restock their supplies.

Catherine: Right. Well, I remember, I think it was in 2006, before the drop, you were just going crazy.

Franklin: It's gotten – listen, Catherine, it's reached proportions that are hard for me to understand already. I didn't ever – you and I spoke about this at supper. What we see happening in the world today is what we suspected was going to happen ten years ago. But it's worse.

Catherine: Right.

Franklin: So in my business I could say I'm seeing volumes that I maybe thought I'd see one day, but I didn't expect to see this soon or just this quantity. You know especially, and I may have mentioned this before, we're not talking about \$5,000 orders. We're talking about people who are making big commitments to silver and gold, both with their IRAs and in their personal holdings. So that's the character that's changed. That's the character of the market that's changed and shifted in the last three years I guess. Since –

Catherine: Right. Well, once somebody decides it's time to change, you know then it's – then you've got a change. And it's a big change.

Franklin: Well, but the problem with that is that a lot of people pitty-pat at change. You know they say, oh, well, I need to make a change, so I'm going to go buy \$3,000 worth of gold. Well, you didn't change anything if you're worth half a million dollars.

Catherine: Right.

Franklin: But what I have seen is a lot of determined people making big changes.

Catherine: Right. Well, let's talk about change. Because I, you know what you're seeing are two kind of fact patterns. We have people who have core positions in precious metals and yet are looking at things and saying, you know I've decided I want to move more in. And they can either buy now or buy later or buy some now and buy later. They can average in – you know you had a

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lot of people who just said, it spiked too high, I'm going to wait. So the question is, if you were in their shoes and you had your core position, would you buy now? Or would you wait and see how things work over the next three to six months?

Franklin: Well, of course that depends on whether you're spending \$30,000 or \$300,000. But I think I'd – we got a drop today. And if this continues, I'd start buying gold on a drop under \$1,650. And I'd start buying silver on a drop under \$31.

Catherine: Okay.

Franklin: And I really would start going in. I'm, frankly, getting – I'm getting nervous. But I know my own impatience too. But I'm beginning to feel like, you know this is not – it's not falling off as fast as it should have. So.

Catherine: Right. It surprised me how firmly it's held so far.

Franklin: Right. And again, I keep reminding myself, look here. What if it goes down 10%? That's not the end of the world. Because you're expecting it to triple or quadruple.

Catherine: Right.

Franklin: So if I look at those in comparison and in perspective, then it's not that big a threat.

Catherine: Well, I'll never forget, I have a wonderful client who – remember when it hit 714? I think it was 2006.

Franklin: Mm hmm.

Catherine: She called me and she said, "Oh, my god, oh, my god, it hit 714, we have to sell." I said, "What would we buy?" And there was a long silence. I used to have this conversation while I lived in New York. My husband would come home and he'd say, "Oh, my god, the apartment's worth X. We have to sell it." I said, "Where are we going to live?" So I said, "What are we going to buy?" And there was a long silence and she said, "Oh, right." So, you know now let's say you didn't have your core position. Let's say you had –

Franklin: I'd go in and get some now. And I'll tell you why. And I don't think you agree with me on this. But I'll just tell you exactly why. First of all, I'd get three months cash needs out of the bank in currency. And I'd do that tomorrow if I didn't have it already. And I would keep it in some place safer where I could get it to 24 hours a day. That's number one. And the second reason has to do with the same concern for the liquidity and dependability of banks. Because I

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remember back in 1985 where there was a crisis in the banks in Ohio and a crisis in the banks in Maryland and wham, they just shut the banks and they said, “Well, we’ll be open in a week. We’ll see you then.”

Catherine: Right.

Franklin: And then when they were open, they limited withdrawals to, I can’t remember if it was \$500 a week. Something like that. So that has me concerned. So the first thing I’d do is I’d just get some money out of the bank. Put it in a safe place. Three months expenses. So I don’t have to worry. The second this is, if I have big balances in the bank, I’d think about keeping them in gold rather than keeping them in dollars. Just for the simple reason that at least I’d have access to them. So, and I just don’t – I know too much about the history of the banking system not to be afraid of what they might do. And the truth is, they’ll do anything in the world and –

Catherine: They’ll do whatever they have to do to keep this afloat.

Franklin: Exactly right. You know they don’t care whether your children go hungry anymore than they care about squashing a bug. It just doesn’t mean anything to them.

Catherine: Well it’s funny, I finally concluded this week, and off and on I’ve thought a lot about whether or not I should do a Solari Report on slavery and slave trading. But I was trying to think this weekend, how do I communicate to people who haven’t had to think about this that we’re talking about people who believe in slavery?

Franklin: Oh, yes.

Catherine: They believe in slavery. They practice slavery. So I try and get everybody to watch *Eyes Wide Shut*. You know one of the weirdest movies on the planet.

Franklin: Well, the bad thing about their slavery now is it’s the Roman-style slavery.

Catherine: Right.

Franklin: It’s not the American-style slavery. This is the Roman-style slavery where you own the slave body and soul and you could kill him if you wanted to.

Catherine: Right.

Franklin: And did. And thought nothing of it.

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Catherine: Right.

Franklin: And so yeah, you're exactly right. That's the way they –

Catherine: Right. And what's worse is now the president is – I mean, in my experience, they've been killing people for years. But now the president is announcing. He's doing it publicly.

Franklin: Right. So what's to keep him from doing that – this guy he announces as a terrorist. What's to keep him from saying that Catherine Fitts is a financial terrorist, so we're going to send a drone over to blow up her house while she's in it.

Catherine: I think that would prove me right and they would never do that, Franklin.

Franklin: But you see what I'm saying. There's no difference in principle between those two decisions. And they've been doing that a long time. Again, you know that's the reason why the bottom line is, it's either me or them. I have to look after my own interest. Because there is no law. There is no justice. There is no limit on what they will do. And I know that that sounds crazy to a lot of people who are listening to us.

Catherine: Well, I do believe there's law. And this goes back to when I first asked you if I could start referring clients to you, which was – I said you understood that we had to be our own law. And the law was something we had to provide outside of the formal system. And it was essential to provide that law if anything was going to work. And so I needed somebody who was capable of doing that and understood the importance of doing it. And, you know and I believe it is possible for us to create our own law and to act lawfully. You know but that's going to be a huge cultural change.

Franklin: Well, you know that's what the common law is.

Catherine: Right.

Franklin: The common law was the law that was common to all the people. And so everybody more or less knew what it was. But you're talking about a different kind of law. I mean the state's law in what I said. But the kind of law that you're talking about is the sort that won't be broken. And that's the kind that you have to cultivate. And that's, again, I mean that's the importance of community. That's the importance of knowing who you're dealing with.

Catherine: I just got an announcement today that the judge in Wisconsin who said that people weren't free to grow their own food just got hired by one of Monsanto's law firms.

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Anyway, so let's turn to Occupy Wall Street. Because this kind of dovetails with the issues of law. You and I have been watching the Occupy Wall Street gather in New York and around the country. And I think it's been getting you very frustrated. Now I feel it's much more important to protect my spirit from the frustration of getting frustrated at the Tapeworm's manipulations. But maybe if you could just comment on some of your thoughts about Occupy Wall Street.

Franklin: Well, you know I've got to go back and start with the Arab Spring really. Because here's the thing, call me cynical. I don't believe in spontaneous democracy. Because it doesn't exist where the media and intelligence agencies are so active in controlling in propagandizing the public. I don't believe that Hosni Mubarak, who'd been operating firing squads for years and years, suddenly hit himself on the forehead and woke up one morning and said, "Oh, my gosh, I can't keep on shooting all these people." They don't do that. People, you know they just don't do that.

So I think that the whole Arab Spring, as well as you go back to the Orange Revolution in the Ukraine, I think that those were some intelligence agency's operation. And I think they were manipulated like – do you really believe in leaderless government?

Catherine: Well, here's what's interesting. Because I think, you know most of the kids out there are very sincere. And what's interesting is with people who've grown up in and around the internet, they are much more capable of coming together. Like when I'm out in Silicon Valley working with people in software industry, we are much more capable of self-organizing and sort of doing things in what I would call a swarm. The technology and training in that world, you know gives you the ability to swarm. And so I believe that you're talking about a generation who's much more capable of doing that. I went to the University of Pennsylvania Arts and Sciences undergrad and then Wharton grad. For a number of years I was very active in alumni groups. And whenever I got together with the Wharton guys they'd self-organize, allocate the tasks to each other, get it done and boom, get out the door. Arts and sciences it took a year and much less xgot done. So these are people who I think, these are kids who I think are pretty good at that kind of stuff.

But the reality is if you look at how Michael Bloomberg cleaned the streets of New York, you know if he wanted to use those tactics to stop this on the first day, it would have been stopped.

Franklin: They've got mounted police in New York.

Catherine: Oh, they've got more – I mean –

Franklin: Well, no, I mean –

Catherine: - clear the streets.

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Franklin: But you think about it. There's no group of unarmed people who are not on horseback who can stand up to 20 horses in a line.

Catherine: Right.

Franklin: And so you're exactly right. This is being – it's being coddled, first of all, by the authorities. They don't have any – they're not in any danger of being ousted by the police authorities or the municipal authorities. And secondly, the media, which always focuses selectively, is picking up the cause of these folks. Now why? Who told them to do that? Is that just because they're good natured and they think this is a good cause? Or do they have a – are they told what to do?

Catherine: Well, there's a he said, she said. You've got some who are against, some who are for. But here's what I would say, because I've seen it every – every time something starts to, my wonderful friend Thomas Hupp from The Farm who you know He says he calls it "the juice." Any time, you know you have a whole lot of young people who can't find employment or income are furious about what's been going on and want to find their counterparts, want to do something, you know they may not know what that is, you know they're very sincere. But they come together and it starts to create juice. Or the intelligence agencies encourage it. And they're just channeling something that's natural. The next thing you know, you've got something being channeled or used. You know we saw it happen with the Tea Party movement. We saw it happen, I mean with the Militia Movement. It was funny, I used to read things by people in the Militia Movement who'd say, you know I went to the meeting and 50 percent of the people there were from the FBI. You know it was pretty funny.

It's funny, because I was watching one coverage. You see a lot of kids who are pretty cool – there was one woman from New Orleans who just really caught my attention. A reporter asked her, "Why didn't you go on the bridge?" This was right after when they arrested all the kids on the bridge in Lower Manhattan. She said, "Oh, I'm from New Orleans. I know not to go over the bridge." And they said, "Why are you here?" And she said, "I've been waiting for this ever since Katrina." She said, "I thought it would take three years, but it took six." You could tell she saw a great many things that other people weren't seeing because she experienced what happened during Katrina and was just waiting for everybody else, you know to get hit by the smite button.

So I think you have this mixture of sincere and manipulation going on. And, of course, the thing I'm watching is where does this go. And as you know, I am most paranoid about those very dirty words, Constitutional Convention.

Franklin: Yes.

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Catherine: So, you know you and I say that there is no law, Franklin. But the Constitution is still a huge check on what's going on. And if you pull it down, imperfect though it may be, I think you've got a whole new situation.

Franklin: Oh, that's a horrible thought. I don't even want to go there. You're absolutely right. But, you know I think one of the things, if I can delve into these folks' motives. I think one of the problems that they're finding is that number one, they've been taken. And number two, they're expendable.

Catherine: Right.

Franklin: And the horror of that discovery, the horror that there's, let's call it a system, that treats you like, you know an orange to be sucked and then cast aside, certainly that motivates a lot of them. What I kind of don't understand is why they put their faith in that sort of mob or collective action instead of saying, well, like my grandfather used to say, fool me once, shame on you, fool me twice, shame on me. And just saying, "Look, I've had it with you. You know you can just take your student loans and hope you ever get repaid for them cause, you know you've tricked me into taking the loans. You've tricked me into thinking I could get a job. You've tricked me into believing the American dream. And that's it. I'm finished with you." I don't understand why they don't do that.

Catherine: Right. So to me, you've got solutions are you withdraw attention and energy from that which is not healthy and you shift it. So, you know to me most protests are giving attention to the guys who you want to draw attention away from. So you want to say –

Franklin: You're throwing more energy, you're pounding more energy down a rat hole that you'll never get it out of. You know. I mean it's like you or me, okay? We had a big long, both of us had big long fights with the government. Well, am I going to live the rest of life in terms of that and trying to get revenge for it and feeling sorry for myself? If I do that, they win. I lose.

Catherine: Right.

Franklin: I have no life. And by the same token, I can't understand why anybody believes that they will ever get economic justice out of a system that is set up to economically feed off of them.

Catherine: Right. So you can't ask the Titanic for a lifeboat. You have to go build an ark.

Franklin: Yeah. That's right.

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Catherine: So hopefully they will come to the idea of building arks. I also wanted to talk, Franklin, cause I've never – this week I saw more negative news and more predictions of the end of the world than I've ever seen. You know this is worse than Y2K. And one, you know the ultimate straw was the latest Half Past Human projection, which was just mind boggling in how frightening it was. You and I have lived with this for a long time. I mean we sit on the telephone and end up counseling lots of people who are afraid that the end of the world is coming.

Franklin: Mm.

Catherine: And I think, I just wanted to say a few things. Cause my favorite quote in situations like this is from Franklin Sanders, "What I try and impress on people who are contemplating the end of the world is that the morning after the end of the world somebody's going to wake up wanting breakfast and somebody's going to make money cooking it for them." You know it's, to me, the most important thing about the future that we need to understand is we build the future. So at some point we have to put aside other people's vision of the future and build the future we want. But you're the master of doing that. So I thought maybe you could comment on the unbelievable plethora of end of the world predictions.

Franklin: Well, you know one of the things I think all those people miss is that there have always been looming catastrophes. You know in all of human history there's always looming catastrophes. And if you succumb to every one of those fears, then you'll never do anything. I guess, Catherine, I've just seen so many people personally whose lives have been just almost wrecked or totally wrecked by worrying about the catastrophe, the end of the world, the collapse, whatever you want to call it. And I can't see any other course in life but just to try to build the best thing you can build with the poor talents and tools that you've got. And if that's not, you know a tower that reaches up to heaven, well, that's okay. It's all right. It's what you can do.

And here we go again, you know, I mean just what I was saying a few minutes ago. All of these people are worried about curing the whole system. I've been out preaching to groups, fix your own economy. Forget the other one. Go set up your own local economy. Side by side with the other one. Keep one foot in both worlds until you can finally get out of the old world. And I don't see anything else that makes sense. Because at some point you've got the Roman Empire on your hands. At some point you've got a thing that can't be fixed anymore. And there's no point in being childish and telling yourself, oh, well, I live in such a terrible time. And I got such a rotten deal because of this, that and the other. Well, maybe you did get a rotten deal. But it's your job to make something good out of it. And this is not just – I don't want anybody to think this is just pulling things up out of – pulling yourself up by your bootstraps.

Catherine: Imagine if the group, instead of Occupying Wall Street, it plopped down in Central Park and started growing a garden.

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Franklin: What would they have done with that?

Catherine: I'm reminded by the questions coming in on the webinar software, I forgot to ask you, gold and silver ratio. If silver really does drop, where should we be looking to trade?

Franklin: Well, that's another thing. And I don't know whether I'm talking my own position or not. But I really think that we've got a 57 ½ ratio in our future. I may be wrong. It may not get over 55, which has been about the high so far. Yeah, I think 55's been the high so far. But I think we've got a 57 ½. And if we got a big terrible drop, then we'd get higher than that. But I'd be satisfied with 57 ½. And I think – I'm going to be patient enough to wait for that.

Catherine: Well, I think we have a good chance of getting it. Okay, well, Franklin, thank you so much. I've probably gone over a little. But I know from looking around the Sanders family enterprises that the end of the world is certainly not coming in the middle of Tennessee.

Franklin: Not tomorrow morning anyway.