Catherine Interviews Franklin Sanders
Precious Metals Market Report
The Solari Report: February 9, 2012

Catherine Austin Fitts: So with that – as you can see from the new cartoon that we have on the blog and on the homepage, I'm in Pleasanton in the San Francisco Bay Area. And Franklin is at Top of the World Farm. So Franklin, are you with us?

Franklin Sanders: I'm right here.

Catherine: Well, you're about the busiest man on the planet. I've been teasing Franklin all week about how busy he is. Anyway, Franklin, there is so much going on in the precious metals market, I don't know where to start. But I know you do. Bring us up to date on the market since we talked last month. How are we doing, and what's going on?

Franklin: Well, what we did was really pretty remarkable because gold and silver both broke out of and broke through their – the downtrend lines from the downtrends that have been established since gold and silver both fell off in September. So what that means is that you've got – it's clearly turned around. Now, when I say "clearly," of course, I'm going to put all sorts of footnotes and qualifications on that. But there are two numbers that I really look at closely. One is the 300-day moving average in silver, and the other one is 150-day moving average in gold, and the reason I look at those is because generally those have served as a safety net for gold and silver over the course of this bull market.

And by that, what I mean is they just very seldom go below those numbers. And when they do go below those numbers and come back up through them, then that is a significant buying opportunity because you've had a correction. You know you've had a bottom, and now it's ready to go up again. And here's where the rally has stalled because although gold went through its 150-day moving average and did just – and has kept on going, silver did not move through its 300-day moving average. So there's kind of a non-confirmation there, and what I think is that you're probably – you're going to get a correction that may take silver down to 31 maybe – could go lower – and gold might go as low as 1680 - 1650.

There's not much question that they've already bottomed. I think we saw the lows in December on the 29th of December. And now from here, they're going to resume their upward climb. So in other words, you've gotten your notification, "Hey, low prices in reach; fixing to start climbing again." And when I say "fixing to start climbing again," I mean they may go sideways for the first half of this year. But after that they're going to go much, much higher, and when I say much, much higher, I mean, I don't – you know, Catherine, I don't throw around numbers a lot.

But I think the top of this particular leg that we're in is probably 4500 and for silver probably 150 or more. So you're – it's going to be a huge move up. This is going to be bigger than even anything we've seen yet. So the difference between 1730 and 1850 is not going to look very big two years from now.

Catherine: I remember –

Franklin: Sorry?

Catherine: Yes – I remember 2004 torturing because I was working with a client, and we'd just delayed a little bit, and we had to pay $400 instead of $399, and I remember being very depressed about it. And now I look back and I say, "Why?!"

Franklin: What difference did that make?! Yes, exactly.

Catherine: What difference does that make? Right – and so many times in the last five years, Franklin, generally in about 90 percent of the time when I don't wait and I just – I just go ahead and buy, 90 percent of the time I'm better off. And yet, I find myself every week in a situation where a subscriber or a client is new to the market, and the question is should they take their core position now, or should they wait? And you know, it may just be $1. It just may be $5. But you know, every penny counts.

So I find myself tortured about these things every day despite the – you would think after listening to you all these years I'd have a little more perspective.

Franklin: Well, I know, but I do the same thing to myself. And what we're doing is – as the cliché goes – we're letting the good be the enemy of the better or however they say it. But you know, you can't get perfection in markets. If we were trying to do that, when we'd be trading this stuff every day in and out and trying to make a profit that way. Well, we're not doing that. We're not even trying to do that. That would be a very – you know, that's not a good way to play it, and if you're planning the long-term – the primary trend – you have to play the primary trend.

You can't keep throwing your eyes around the world and saying, "Oh, gosh, the grass is greener over there," because you'll just get yourself in trouble.

Catherine: So let's look at the new – somebody who's new to the precious metals market, what should they do today? Should they wait? Should they buy? Should they buy some to get a core position and buy some later? What would you advise?

Franklin: Well, that latter sounds like a good thing, but one thing about it if you get gold closing above 1805 and silver above 34.50, stop waiting. Do not wait. Buy! Just blindly buy because above those levels it has broken out to new rally. And what you're going to see here – you know, markets often go back for the final kiss goodbye when they breakout. They breakout, they to up a little ways, and then they come back to the downtrend line or the place where they broke out, and they make what we call a "final kiss goodbye," and then they turn around and they're gone after that. They just skyrocket after that.

So I – you know, I don't think waiting is a good idea. I – first of all, I think you've already seen the lowest prices. They may be slightly lower and you may get – buy silver or something lower, but you're just going to be shooting yourself in the foot in the end, because when it gets down – if right now silver dropped down to 28, I guarantee you that same vacillation would be on you saying, "Well, maybe it will go to 27.50," and you just have to go on and buy it because, as I said, you're buying it for the long-term. Turning to the currencies, if we can –

Catherine: Yes, please.

Franklin: Something really weird was going on there in the last week and a half where almost every day the yen cost about – 100 yen cost about $1.31 and a euro cost about $1.31. And those markets don't go that flat for that long, so I suspect that our friends in the government were manipulating that market to try and keep the yen – trying to get to –

Catherine: Somebody wanted parody.

Franklin: Right – well, I mean, that's what it looked like. They try to keep that euro from dropping too much against either the yen or the dollar. And the dollar – it's not clear that the dollar is ready to sink because the dollar has gotten down to 78.50 – the dollar index, and it refuses to go down below 78.50. So it's not clear what's going to happen in the currencies. But I think for the euro, it's as good as it gets. What you saw today – well, maybe when the Greek parliament finally approves the debt deal, that might be a tiny bit better, but basically it's as good as it gets.

There isn't any more good news, and that market did not sink today on the news that the deal had been practically consummated. Well, normally, what would happen is on news like that all those people who were expecting the euro to go down and who were expecting the deal to fall through – the euro to drop – they would be short euros, and they would close out their positions when that didn't happen. Well, that – nothing changed. The euro just barely moved. It was like 0.02 percent, which is not a big move.

And nothing happened with stocks, either, and supposedly the cloud hanging over stocks has been, "What would happen with the European crisis?" So those markets are not reacting the way they ought to.

Catherine: Well, when you look at earnings projections, though, because the projected earnings are way down – or you look at the Baltic Dry Index, what I see everywhere I turn around is you see slowing – it's almost as everything is stalled. And of course, stalling is not good news for commodities, particularly industrial commodities. So I know before the call I got you to go take a look at the Baltic Dry Shipping Index; it's a swan dive down. But if Europe is in a real serious recession, that means slowness for the United States, and that means slowness for the emerging markets, too.

Franklin: Right, right – they're not independent of each other, that's for sure. So I don't – you know, right now I think we've got probably a little correction on the table with gold and silver, and that went – and I would only alter that – that would only be contradicted if you saw silver go below 26.15 and gold go below 1530, and I certainly don't expect that. I think the worst is behind us now. I do think that we're going to get a chance to swap silver – swap gold for silver at 57.5 or a little better. I think you're going to get weakness in the stock market, and when that happens the silver moves very strongly in its direction against gold.

Silver moves kind of in the same direction that stocks move. So if you get a lot of weakness in gold, then you can – I'm sorry, if you get a lot of weakness in stocks against gold, then you're going to get weakness in silver against gold, too. And I think you'll see that sometime soon and then that ratio will start coming down again. And this time, it'll – right now it's about 51.3, and this time it'll go down to 30 – 28.

Catherine: Right – that's – that's – I forget who was it – I guess it was you saying, "4500 for gold and 150 for silver," which is a 30 ratio.

Franklin: Right – well, Al Field had an article about that, but those are numbers that I'd come to independently, so that makes them even that – they have that much more weight to me if somebody as bright as he is looks and sees that, too, then maybe there is something there. Makes it look like a better forecast to me.

Catherine: So you think that could happen in the next couple months?

Franklin: Oh, gold going to 4500? No, no.

Catherine: No, no, no – no, no, the ratio going to 57. In other words, to get –

Franklin: Oh, it will happen. It will either happen in the next two months or it will never happen. There's not a lot of time for that.

Catherine: Okay – so if somebody wants to swap, they should work out in their minds how they're going to do it now and be ready to –

Franklin: All the arrangements need to be made now because that is – you don't have time to change that. I mean, you don't have time to do it – when it actually happens, and it's a week later, and you hear about it, there's no time to do it. Yes, they ought to put in open orders to do it or else they ought to watch it pretty closely.

Catherine: Okay. I have a couple questions, and then I want to talk a little bit about the longer run. A couple questions – one question was why do you use Elliott Wave analysis? Often when you talk, you – sounds like you're using more standard charting techniques. What's the argument for Elliott Wave?

Franklin: I don't have an argument for Elliott Wave. There are people who claim that it works. It's clearly – I'm too dumb to figure out how it works. The only reason that I use it is in retrospect. In other words, after a market has done – has made a big move, you can – it's easier to pick it out to me then. I can't predict with it because every Elliott Wave practitioner I've ever used – I've ever listened to – and believe me, they're smarter than I am. I don't claim to be – I don't claim anything else.

But everyone that I've ever used just pulls rules out of the air so fast that I can't keep up with them. So it was once described to me as – by a friend of mine who's a third-generation commodity trader – as the technical system that's cost more people more money than any other technical system known to man. And that may be true. I don't know, but I don't use it except in retrospect – in other words, to sort of prove where I've been.

Catherine: Okay – and then what do you use to – you're tracking – well, you just said you used –

Franklin: Well, I look at moving averages, and then I look at lateral support, and then I look at downtrend lines and uptrend lines, and I look for patterns on charts. You know, it's – when you start looking at charts, it's pretty plain that you get areas where the market is trying to go up, and it can't get through those areas, and it'll try twice, and then suddenly it'll burst through. Well, that's an area of resistance, and if you turn that upside-down it's an area of support. And those patterns are pretty plain on the chart.

I mean, those areas are pretty plain on the chart, and then there are patterns like equilateral triangles or rising wedges or falling wedges. All those things – it's a very bad idea to go – to make a decision against those technical indicators because people have used them for years and years for a reason, namely because they have a pretty high predictive value.

Catherine: Right. Okay – so a second question – there's been a sort of a sprinkling of articles around the Internet talking about the possibility of special taxes on gold and silver, particularly if we get the kind of move up that you're talking about, or even confiscation, and we have a question from one subscriber saying, "Is there any merit to switching to platinum or palladium to avoid those kind of special taxes?"

Franklin: I don't think there is. I don't expect those special taxes in the first place. You know, you have to really stretch your mind to picture the government doing that particular thing. Just like you – I can't stretch my mind far enough to see the government confiscating gold or silver, and of course they might put special taxes on – you know, they'll call them "windfall profits tax" or something like that, but I really don't think they would do that. And typically they don't do that unless it's part of some great big huge – some other great big huge so-called reform.

So I don't see any advantage to that. Another thing I don't like about platinum and palladium is that the market is not nearly as liquid as the market for silver and gold, and so the spread that you have to pay is larger than it is for silver and gold. But I just – I'm not enthusiastic about platinum and palladium because they're both very quirky. They have quirky demand profiles. They have quirky supply profiles. And I don't see how platinum and palladium are going to do very well – they may rise, but I don't see how they're going to do very well in an economy that's headed down because they're both – the demand for both is determined by industrial demand.

And how many automobiles – automobile catalysts are very large factors in the consumption of both platinum and palladium. How many automobiles are going to be built during a depression or a recession. So I just – I'm not saying that platinum and palladium are bad. But I would not have a huge investment in them in relation to gold or silver. They're just too quirky.

Catherine: If you were to look for a wild card that could bring the price of gold and silver down a lot, would a rise in interest rates be the most likely thing? What could bring gold and silver –

Franklin: No, the election of Ron Paul would be the most likely thing.

Catherine: [Laughs]

Franklin: Because if Ron Paul got into office, then the days of the Fed would be numbered, and the economy would begin to recover, and people would go back to investing in productive assets instead of having to buy gold and silver to protect their assets from monetary depreciation. I think it's going to be very simple. The interest rate, it's true, has an effect on the price of gold, but at some point in an inflation the inflation is such a danger that even high interest rates cannot tempt investors out of it. Do you know how high Volker had to twist interest rates to squeeze the gold and silver market to death in 1980?

Catherine: 21 percent.

Franklin: 24 percent!

Catherine: I don't remember that, but it could have been. Yes, it could have been. All I know is the long bond – the New York 30-year bond for New York state was 18 percent.

Franklin: Well, just think about that. That's a long ways from zero percent that your friend, Mr. Bernanke has said he's going to keep interest rates at until 2014, which is two more years!

Catherine: Well, remember, he's keeping them at zero percent for the big guys, but if you are on Main Street and you're trying to get a loan, forget it.

Franklin: Well, you're just not going to get the loan.

Catherine: Right – so it's 30 to 90 percent on Main Street, although it's zero percent at your local hedge fund who Obama wants to sell the foreclosed properties to. So – Yes.

Franklin: Right.

Catherine: It's – so this gets –

Franklin: But I can't – they're not going to raise – what can Obama do – I mean, Bernanke do? What's he going to do? Raise interest rates to 17 percent overnight? He's not going to do that. I mean, you know, if he lets them rise, he's going to let 'em rise half a percent a quarter at the most for a year or two years.

Catherine: Well – but if he wants to manage commodity prices down, he can just keep raising margin requirements. I mean, margin requirements will buy you a lot. So – Yes.

Franklin: Right – but I don't – interest rates won't –

Catherine: It's interesting. If you were – I heard a great presentation on the radio the other day about – the guy was talking about if – what happens if we lose the futures market and people can't hedge their businesses? There's a very compelling presentation, but let me ask you something, Franklin. Would you, as a small farmer, this year use the futures market to hedge your crop after what happened with MF Global?

Franklin: No.

Catherine: I'd be afraid to.

Franklin: No, I don't see how you could have any trust in that. You'd have to go – what will happen is that there will be – another market will perform, but it'll be under the – it'll be an over-the-counter market. In other words, there won't be an open outcry central market like the COMEX is today. But people who run grain elevators, for instance, will offer to – will offer futures contracts, in effect.

Catherine: Right.

Franklin: They'll make deals. But anybody – I think you're really – you've gotten to the point where you can't trust the market. Remember, it wasn't MF Global as a broker going down that was so astonishing or created a new situation. That's happened many times in the past. What creates the new situation is that the COMEX messed over their customers. That's what the new situation is, and if the COMEX stabs the customer in the back then that's the end of the COMEX. If you can't trust them, there's nobody you can trust. Forget the brokers.

Catherine: Right, and it's worse than that because not only did they stab them in the back, but they – you know, the other – I walked – I was walking in to get coffee two weeks ago, and there on the *Wall Street Journal* was the headline, "Customer Account's Money Lost in Chaotic Trading." Well, you and I both know in both the securities and the banking system nothing clears without it going from one – you know, there's a debit, and there's a credit. So I don't care how chaotic the thing is.

The trans – there's a credit, there's a debit, and there's a credit, and so it went someplace. The whole society – we keep hearing – so it's not just that they stole the money, but they lied – you know, a lie that – without any – you know, it's almost sort of thumbing your nose at somebody or worse, because it's saying, "We're not – you know, we're not even going to bother to come up with a good lie."

Franklin: Well, like today's deal with the banks – right – it's like today's deal with the banks, they're parading around like they're heroes now, the banks are. What? They got the government to set up a deal where all of their bad paper would be converted to good paper.

Catherine: Right.

Franklin: The paper they can't enforce is going to be converted to good paper.

Catherine: Right, and that's their payback for –

Franklin: And then they'll – all these state attorney generals are throwing out their chests and strutting around about how they showed those banks. Yes, right! They showed the banks! Sure they did!

Catherine: Okay – so I want to go out and talk about the end game – so where all of this is going. CBO published an annual report, and I put a blog commentary up. If you – it's off the homepage now, but if you just put in CBO in the search box you can pull it up – and it's stunning, Franklin, because remember this is an election year. And I'm used to the Congressional Budget Office not publishing things in election years that's going to get anybody in trouble, and yet here we have the CBO saying that growth – the GNP growth this year is going to be about two percent, and then next year after the election it's going to be one percent.

Now, if they're expanding the money supply at ten percent or greater, and the GNP is going up at one percent, that means we're shrinking by nine percent.

Franklin: That means it's not working anymore.

Catherine: Right, it's not working anymore.

Franklin: This is the same phenomenon that an alcoholic experiences when he finds out that that quart of Vodka won't do the job anymore, and he's having to buy handles now – you know, half gallons.

Catherine: Right.

Franklin: So that's what that means. But here's the thing about that CBO report that really I find scary. Susan and I were driving up to Nashville today. I had to take her up to Nashville, and we were listening to the radio, and one of the items pointed out in the Greek debt deal was that they would reduce pensions. And I turned around and looked at Susan, and I said, "Reduce pensions?!" So here you've got people that have been working all these years. They expect to retire, and I don't know a lot of people who – working people who have cushy pensions. And now all of a sudden they find out they're not going to be able to get all of their pension. Well, that's exactly what –

Catherine: USA News three days ago had a big story – it's up on the blog – nine states moved to reduce pension benefits. When Panetta – you know, Panetta's been squabbling with the military – big article, *USA Today*, on the cushy benefits for the military and whether or not they should be cut back. So we've been talking about this on the Solari Report a lot, but I think one of the end games is absolutely to debase and cut all the retirement promises.

Franklin: Well, exactly, and that's what shows up in this CBO report, because it shows that the crisis in Social Security comes not in 2022, as the Social Security Administration says, but in 2019, and it comes with a – instead of an $8 billion hole, it comes with a $1.2 trillion hole – something like that. So in other words, people now who are on Social Security already, they're going to get out there, and they're going to find out Social Security can't pay anymore. And look, let's face it, Catherine, Social Security does not keep you living in the lap of luxury.

You do not buy fine wines on a Social Security income. And you have to understand, two thirds of the people in some of our states have no other income but Social Security: nothing. So what are they going to do? Let those people starve? What will happen when those people do not get Social Security?

Catherine: Well, but let's look at the federal budget outlays. One of the things – another thing in the CBO study is they say unemployment's going up next year. They have it going up from I think eight-point-something to over nine – say 9.2%. And of course, that nine number is a big number. Now, again, John Williams at ShadowStats is saying is 22.5% now. So we're talking about approaching Great Depression levels, although not – the Great Depression didn't have the safety net of Food Stamps and other things.

But what that means to U.S. government budget outlays – let's take a look at – in 2000 the budget outlays were $1.9 trillion. 2011, they're $3.8 trillion. So we're talking about a squeeze coming across the board, and that – if you look at those outlays, part of that is just the money supply expanding. In 2012, the monetary base has gone up by a multiple of four times in a decade. Much more than the outlays – that's part of the squeeze and the slow burn.

Franklin: But I think you have to point out, too, that these things are already baked into the cake.

Catherine: Right.

Franklin: These are not – we're not talking about problems that will arise if things get worse. They're already there. The numbers are already there.

Catherine: Right, it's – and now I mentioned this earlier. The – when you look at what the CBO is saying about the budget, when I was doing the articles on the missing money, Franklin – on the $4 trillion that went missing from federal agencies – individual taxes – I helped Kelly O'Meara research a cover story for *Inside Magazine*. Individual tax receipts that year – it was 2000 or 2001 – was $1.6 trillion, and corporate income was almost $600,000 – about $550,000 – uh, $550 billion, so we're talking about over $2 trillion.

What the CBO is projecting for this year is that individual receipts are down over 33 percent; it's at $1.15 trillion, and corporate at about $250 billion. So not even $1.5 trillion – that's a huge drop in revenues. And when you look at everything we're saying, what you're looking at is a machinery – you know how I'm always talking about how federal government investment in places has a negative return on investment. Well, what's happened is the negative return has gone on long enough and gotten deep enough that now it's cutting into their revenues.

So the machine has turned so much negative that it doesn't have enough revenues to keep feeding the machine. And as we're watching the U.S. attack the Swiss over getting – you know, getting all those accounts wrapped up and into the tax system and trying to shut off any leakage of that money going abroad – you know, they want it coming through this channel – you know, you're talking about a machinery that is literally desperate for revenues. It's a desperate machine.

Now, somebody knows this – and this is a credit to Simon Black who sent out this email today with some great statistics in it. He had the number of FBI background checks – who had obtained a firearm in the United States. In 2004, there were 8.7 million. Guess how many there were in 2011?

Franklin: More, I'll bet! *[Laughs]*

Catherine: 16.45 million.

Franklin: Whoa!

Catherine: Whoa! So it's a doubling. It's a doubling. So whether it's a doubling of Food Stamps or a doubling of firearms or a doubling of outlays, the model – you know, you've got a negative return on investment model that's going around and around. And I put up a great quote, and it was in our update today from – it was a recent quote from Ron Paul, and – let me pull it up for you, because it was so funny. He's such a funny guy. Wait a minute – it's on the Update.

Oh, he said, "The government is run by special interests clawing away at a shrinking pie, and things are becoming quite vicious." Because, you know – it's funny, because the guys over in Davos, Switzerland at the World Economic Forum were talking about we need to change the model. And, you know, I said when I was up at the Rogue Valley, we were talking about the same thing, but from a different perspective. And the reality is if everything is in this negative return on investment, fighting and getting more vicious isn't going to solve anything; you have to change the model.

And so I think the question for every one of us is, "Okay, what do I do? What's next? What's my next step?" because there's no point in waiting for the guys in Washington to change the model. They're just going to – it looks to me like there is no end game, so we're going to have to create the end game. And with that, before we get off this topic, I wanted to talk about the annuity proposal from Treasury, which of course in the face of the numbers we've just described makes me very nervous about my client's IRAs and 401Ks because you see Treasury coming out and promoting annuities and the importance of baby boomers having a lifelong income instead of just an asset – they can take an asset and convert it to a lifelong income so they have income as long as they live.

Well, if inflation is running at six percent and the dollar's debasing, the idea of converting that into an asset that is debasing or a lifelong income that is debasing is not very attractive to me. Now, you know me. I keep saying I've never met an annuity I liked, but I think – I look at that Franklin, and I say, "Is this a way to help build the operational infrastructure they need to figure out how to get all the service providers in that world?" because we're talking – if we talk both 401Ks and IRAs, we're talking about $7 trillion or $8 trillion and enormous fee flows to the financial institutions. As a matter of disclosure, I should include myself.

And so that's a lot of detail to get worked out. So you never start with the big bang of mandating that everybody's money become an annuity. We have in the – I should just mention in the commentary we have on the blog, we have links to our – to a lot of our old posts about the different proposals for mandatory annuities. So you can look at the history of this thing to your heart's content. But I just think this annuity proposal makes me even more nervous. You got any thoughts about that?

Franklin: Well, I never met an annuity I liked, either. I just talked to a lot of older people who are my customers who have just been taken to the cleaners by annuities, and if you have inflation rates like what we've had in the last few years it takes a very short time for the loss in your annuity payment – for the loss in purchasing power in your annuity payment to show up. And, you know, an annuity only works where you have a stable or deflating currency. Otherwise, it's just nothing but a certificate of confiscation. And –

Catherine: Right – has anybody ever come up with an annuity priced in gold?

Franklin: No, but I've showed a lot of people how to make a self-administered gold annuity. Basically, an annuity is a pile – you give somebody a pile of money, and they give you back the money in dribs and drabs over a long period of time. And they're hoping that they can make enough interest using your money to pay you back. Well, why can't you – why do you need somebody else to do that for you? Why can't you just go out and take your pile of money, go buy a pile of gold, and then as you need money, you sell off an ounce of gold or half an ounce or two ounces or whatever you need.

And you can – it's pretty easy to figure out. If you're 70 years old, you figure, "Well, I've got another 20 years to live, and I want to have X number of dollars a month to live on." Let's just say 1750, which is an ounce right now, then all I have to do is multiply 20 by 12 and I get 240 months, so I need 240 ounces, and I just hope I die when the gold runs out. That's all. But it's very simple to do. You just administer it yourself. It's not hard.

Catherine: Right, I know. I give huge weight to maintaining control. So I don't – why not just keep control so that if something starts happening or the world changes you're flexible. You can fire them and take your money and go someplace else. And –

Franklin: Well, exactly, and if you've got a self-administered gold annuity, what you can do is when that day comes – and we know it will come – that it's time to get out of silver and gold, you can take your annuity, sell the gold or silver, and then go buy yourself whatever investment makes the most sense then. So Yes, I agree with you. You keep control. You keep both custody or title. You have custody and control. You have title and control to your own annuity. Why do I need an annuity company to do that for me?

Catherine: Well, because what you have to do is you have to live with the uncertainty and the volatility and the organic reality of the world. But what I've found is there is enormous benefits to learning to live with that.

Franklin: Well, you know, in the last ten years it's all been on your side. In the last ten years, all of that volatility has worked in your benefit if you were holding either gold or silver. The volatility has worked in your benefit, because even though it goes up and down, the long-term trend of the dollar is down and the long-term trend of the gold and silver is up. And they go – they rise faster than the dollar loses purchasing power, right.

Catherine: Well, if you look across the markets, as long as you're in a primary trend, the volatility works in your favor. It's not just gold and silver. It's any primary trend – it works in your favor. So –

Franklin: Well, I'm looking at my year-end summaries now, and I see that the average gain for silver since 2001 – yearly gain – average yearly gain, which takes all the volatility and irons it out – is 20.3 percent. And the average gain for silver is 17.1 percent. Well, clearly, if you started out back then with an annuity, it's been working in your favor this whole time.

Catherine: Right. Okay – so let me turn to a new topic of conversation. In "Let's Go To the Movies," I had posted *World peace and other fourth grade achievements* and the Ted Talk – a link to the Ted Talk by a public teacher in Virginia. And Franklin, how this guy got away with this, I don't know. If he'd been in New York or L.A., he'd probably be dead for doing this. But this guy has created a world peace game, and it's really about global geopolitics and the economy, and the thing is unbelievable realistic and unbelievably detailed, and you've got fourth graders talking about geopolitics the way I talk about geopolitics.

And everybody says, "Oh, you're brilliant; you know so much," blah-blah-blah-blah. It's incredible. I mean, if you look at the education these kids are getting, they're really getting an education about how the world and the economy really work as a dynamic ecosystem. It's wonderful. It's amazing, and it's a reminder that we really can understand the economy, and we really can understand how the world works if we have the right tools. And I wanted to post it because I had a wonderful breakfast with some people in San Francisco – just bright, talented, creative, and we were talking about economics and how we teach each other about economics, how we learn about finance and money.

And I wanted to just mention "*A Curriculum in Economics 101*." My pastor asked me to write something for his high school class, and not knowing how to write curriculum, I just did it anyway. Anyway, but when I finished looking at it, I said, "Wow, this is something any group of adults could sit down and do." And another link that we'll post with the Solari Report that I mentioned when I was talking at breakfast was – and it's something I think I've talked to you about before, Franklin.

There's a wonderful group in Vermont that has something called "Community Questing." They design treasure hunts to teach people about the history and ecology of their place. And it's just fascinating. They have two books now. We'll post the links. I wanted to mention these things to you because if we're going to learn about our world, and if we're going to learn about our economy, and if we're going to start – all solutions require that we get out of ourselves and start to look around us and say, "Okay, what's going on in this financial ecosystem?

"What's going on in this food ecosystem? And where is there an opportunity for me to make a positive difference in a way that's good for me?" But it starts with taking the time to understand everything around you. And it's funny. If you look at all the different businesses that Franklin's built and you – I'll just brag on Franklin now. But if you talk to him and his family about how they got going, what you – you hear all these stories about, "Oh, you know, we saw that there was this missing in the world, and they needed this," and blah-blah-blah.

And so you get a picture of people who are not looking at their own troubles so much as they're looking around and saying, "What needs to be done? And how do we do that in a way which is mutually energizing?" In this sort of milieu of just sitting around and learning, we've got to make it fun. One of the things I saw when I was up in Rogue Valley and up in Montana is, Franklin, everybody feels strained by the negativity of so many of the things that are going on. And that's why I think it's essential that we recommit ourselves to having fun.

Whenever I come over to Top of the World Fun – uh, Top of the World Farm. Whenever I come over to the Top of the World Farm, I'm always struck by how much fun you guys are having. So – anyway – so the way to solve – all solutions are going to require we get out of our own problems and look around and see what needs doing. But I wanted to suggest to you that there are ways to do it. We'll put up those links as they're helpful. And there are ways to do it that are fun, which is absolutely, absolutely essential.

I don't know if you wanted to add anything to that, Franklin, because you're someone who understands all the economy around you.

Franklin: Well, I just – you know, you say that it has to be fun. I couldn't get my wife to do it if it weren't fun, so I don't really have any choice about that. But why would you keep on doing something you don't like? I mean, I think one of the tragedies of modern life is that people keep on doing, out of a sense of duty or maybe out of a sense of desperation, they keep on doing this thing that they don't really like to do. And the fact is most successful people will tell you, "Yes, I just – I can't wait to go to work in the morning. I really love doing it."

Catherine: The greatest way to tell that there's no market there is because you're not having fun. No, no, no – your spirit will tell you where there's – it's what Thomas Hupp calls "the juice." You find the juice. And in that, I just wanted to mention quickly before we go, I had a great conversation – I was telling Franklin about this earlier – I got an email from the editor of *MacTribe*, which is a website and magazine that covers apps, and he said, "We're doing a story on financial apps, and we wanted to talk about the gold and silver calculator app which we now have an iPhone and Android app."

And Franklin and I keep suggesting to everybody that they start transacting with gold and silver currency. Don't talk about whether you can create a community currency. Just do it. So I got on the phone with this guy. Fascinating, brilliant guy – we'll see what the article looks like. But I said, Franklin, we talked about currency. We talked about food systems. And what we really talked about was, okay, why do you have to have control of your food system, and why do you need a free food system?

Why do you need free currencies? Why do you need all these things to be free? And it was amazing, because this guy who's got an IT background, could follow me between food and money and freedom and places and the global financial system, you know. He could go up to the top and down to the bottom and across, and I thought, "Well, this is really hopeful, because something is happening that are helping people integrate all the dots."

And I think part of the tapeworm coming out of the closet and Congress proposing 30,000 drones flying around in our skies is getting people to realize, "Oh, you know, this is about everything. It's not about this or that; it's about everything." And to me, that was an unbelievably positive development.

Franklin: Well, but see, Catherine, there are a lot of people out there like that. And they feel isolated or maybe the people they run into are the sort of people you characterize as having negative energy. But there are a lot of people out there – it's not – you know, part of the lie is that the whole country's gone to hell. Everybody's just a welfare drag and welfare drone, and there – all the entrepreneurial people are gone. That's not true at all. I mean, we see people every day.

Catherine: That's not true at all, and if there's any message I'm learning from going around – and you know, we've been having lunches with subscribers as I travel. The message is, "You're not alone." There are a lot of – it's just what that client of mine predicted this year. He's a very smart guy. He said, "The people on the line are going to find themselves in 2012, and that's going to change everything." So – okay, well, Franklin, God bless you. Thank you so much for everything, and we'll be talking next month.

Franklin: Well, thanks for having me on.