Catherine Interviews Franklin Sanders
Precious Metals Market Report
The Solari Report: March 8, 2012

Catherine Austin Fitts: So with that, let's turn to the Precious Metals Market Reports. Franklin, are you with us?

Franklin Sanders: I am, indeed.

Catherine: Okay. Well, I'm homesick for Tennessee. How is it there? You missed the tornadoes!

Franklin: Well, we missed the tornadoes. They hit all around us, but it's wet tonight.

Catherine: Ah, okay. Okay – well, a lot has been going on in gold and silver, so why don't you tell us about the market since we've spoken last.

Franklin: Well, you know, Bernanke had that press conference on the 27th, I guess it was, in which he crashed the gold and silver markets merely by suggesting that he wasn't going to inflate after all. And you know, one of the things that people need to understand about this is he makes those statements for a purpose, and the Fed's real purpose is not to manage inflation; it's to manage inflation expectations. In other words, his job is to keep the victims in the trap. And so periodically they do that. They'll kind of make raids on markets one way or the other to keep everybody confused about what their real plans are.

And this was just another example of that, and this was probably exacerbated – the extent of the move was probably exacerbated by the – by program trading – you know, this automatic computerized trading. And that – you know, when you have lots and lots of hedge funds – hedge funds tend to be followers. That is they identify a market that's rising, and then they get in, and if they get in late, as apparently they did in the gold market and in silver, and they use computerized trading, then they're going to pile on to exaggerate whatever the market move would have been in the first place.

But I'd like to just observe one thing here, and that is the market was already overbought. Silver and gold were already overbought. From December, silver had moved from 26.15 to 37.50.

Catherine: That's a very big move.

Franklin: It's a huge move! Yeah, it's on the order of 30 percent, maybe a little more, and so it was ready for a correction. And I don't know that Bernanke is smart enough to figure that out. I know the people who they hire to manipulate markets are certainly smart enough to figure it out, and they wait until a market is overbought if they want to knock it down because they get more bang for their buck that way. So in any event, that's what happened.

But if you look at the charts, there's – this has not done a lot of damage. Unless silver and gold both really go – really, really plunge in the next week or so, you're not going to see prices significantly lower. In other words, I don't think you're going to go back to the old lows – the 26.15 and 1523 on gold.

There's certainly a chance with gold that you could see it go down to 1600. That's – if you look at the chart, there's a formation called a pennant. It looks like a little flag on an upside-down flagpole, and when gold broke down out of that pennant, the expected target is – well, the rule is that flags always fly at half-staff. So however much it fell, it'll fall that far again.

So if that actually is fulfilled, then you get gold about 1600. But if that's going to happen, it'll happen within the next two weeks at the outside.

Catherine: I want to ask you some questions about the moving averages, but while we're on the smash down, let me just ask you this one question. A subscriber wrote in and said, "Please comment on Sinclair's – that's Jim Sinclair's theory that the February 29th gold smash was to cover the Fed QE3s biggest one-day injection into the global system in history." Got a comment on that?

Franklin: Well, that would be consistent. I'm not – I don't know what injection he's talking about, but if you look at the Fed and the ECB together – the European Central Bank together, they put $4 trillion into the supplies – in the money supply since 2008. The ECB has been actively increasing its money supply since December with the LTRO, and I don't know what those outlandish initials stand for, but basically they're loaning money to banks on the cheap and lots of money, all you want, back it up – back up the truck – free money. And so I really don't – I can't comment on what Sinclair said.

Generally speaking though, it's absolutely correct that the Fed is always trying to hide its actions and trying to fade the market or anticipate what the market is going to do and force the market, at least briefly, to go the other way. It's just a process of sowing confusion, and that's the way they work.

Catherine: It's – I mentioned this last week on the Solari Report. John Williams has a new ShadowStats report on inflation, and he estimates the general inflation is six percent, but consumer inflation is ten percent.

Franklin: Well, who knows?! Who knows? I mean, that's the – in the first place, the whole idea of the Consumer Price Index is preposterous, because what you're going to do is you're going to take Chevrolets and oranges and tomatoes and put them together and make a price index. Well, those three things are not comparable. You've got an average price of what? A carful of tomatoes? It just doesn't make any sense. But in any event, yes, the inflation rate – the government's inflation rate, as John – John make a career out of showing that – their inflation rates are always understated, just like their unemployment rates are always understated.

Catherine: So let's take a look at the moving averages and go through gold and silver. Where is the market price now against the moving averages?

Franklin: Well, that is significant. The – in gold, the 150-day moving average – well, let's just take the 200-day. The 200-day moving average in an up-trending market – a market that's in a primary up trend, the market generally is going to be above that 200-day average because the way a moving average works is you take 200 days and you average the price, and then on the 201st day, you drop the oldest price and pick up the new price. And so what happens is that graphs out across the chart, and it's generally rising if you have an upward trending market.

So when you get a correction in a bull market – that is an up-trending market – oftentimes, it will go down to the 200-day moving average, dance – maybe go through just a little bit, dance around it, and then begin to rise again. And that's what we've seen. The gold has hit the 200-day moving average. It did that the day before yesterday. It also went through the 50-day moving average, and the one that I kinda watch a little closer that a lot of people don't watch is the 150-day moving average because it's just a little more sensitive than the 200-day moving average and the – the gold price really rarely goes through that moving average.

So from the standpoint of the moving averages, you can say that this correction has done what it ought to do. It's returned to the 200-day moving average. It's touched it, and so it shouldn't go much further down than this. Silver, on the other hand –

Catherine: So the next week is critical for confirmation.

Franklin: Yes, yes – silver – silver's a little different in that it's the 300-day moving average with silver. Silver is much more volatile, of course, and so when you get a bid correction like we got in 2008, silver will crash through that 300-day moving average and then it –it takes a while to get back through it. But once it goes through that 300-day moving average to the upside again, then you've got great confidence that it's not going to go lower.

And so what we saw was in late in February, right at that high on the 29th – well, about two weeks before that, silver had already gone up through that 300-day moving average, and it stayed over it for about six days and then fell back through. So it's down under it now, and as it happens the 200- and 300-day moving averages are just about in the same place. So silver fell down to its 50-day moving average, which was down under the 300 and almost touched that day before yesterday. So oftentimes the 50-day moving average is a correction target.

So you could say maybe, maybe silver has finished, too, but I really think because silver is so much more volatile than gold that it'll probably go down to, you know, 31 or so, 30.50 maybe. But I don't see any big crashing – any big, breaking crash to 16 or anything like that.

Catherine: One of the questions I get the most every week is – it's really four questions, you know – two pertaining to gold, two pertaining to silver – and they – I could make a little chart. The first one is, "I have no gold and silver; I want to get my core holdings; should I buy now?" And of course, what I always say on core holdings is in a primary – I'm quoting you, "In a primary trend, you don't play around. You always – it's always to your advantage to buy into primary trend." And that's almost always been the case. I've always been better off just going in immediately and buying for core holding.

But the other question I get is people who have a core holding and yet they're looking at the market, and they're saying, "It's getting awfully attractive. Maybe I should buy more." So the question is if I have a strong core position in both gold and silver, and I'm thinking about maybe buying a little bit more just because I like where the prices are getting to, where should I be a buyer for both silver and gold, if that's the case?

Franklin: Oh, well, I'd start buying gold at 1650. I'd buy more at 1625. I'd buy a lot more at 1605 and see if it went any further, and then I'd buy more if it fell through 1605. In other words, what we're talking about doing is . . .

Catherine: 1599 is back up the truck!

Franklin: Yeah! Oh, goodness gracious, yes. But again, I don't think you'll see that. But, you know, what you have to think about in the circumstance that you described is you've already got a good average price, and all you're going to do by adding – let's say you've got $200,000 worth of gold, and you bought it at – I don't know. Let's say you got an average price of 1350. So you buy some more at 1650. Well, you're not going to change – you could buy another $50,000 worth.

You're not going to raise that moving average – or that average price very much. It dilutes it quite a bit because you already have such a low average price. And that's just the ma –

Catherine: So – go ahead.

Franklin: That's just the mathematical way that buying in an uptrend works. And that's the reason why, you know, the buy-and-hold strategy makes sense if you're in a primary up-trending market. If you're not in a primary up-trending market, then it's suicide. It's a guaranteed loser. But it's a guaranteed winner in –

Catherine: Right – so let's look at silver. Let's take it from you'd be a buyer down to "back up the truck." You'd be a buyer at 37?

Franklin: I would be a buyer at probably 32. I would buy more at 31, and if it broke 30, I'd watch, but I'd probably back up the truck at 29. But you know here's the thing, Catherine. It's kind of – that's really a very one-sided and, in a sense, false picture that you're painting there because in a certain sense it's safer to buy on an upside breakout than it is try to pick around and figure out where the bottom is.

In other words, I might buy gold – I'm looking at the chart right now, and there's a downtrend line – a strong downtrend line from the September highs until the February highs, and then it broke out on the other side of that, if you can kind of picture that in your mind. Well, after this correction is completed, when silver comes back up, it's going to cross that line headed up about 32.50. When it crosses that line at 32.50, it's going up. It's just going to rock and roll, and so you buy that way. But I'll tell you the safest place I know to buy, the lowest risk place that I know to buy.

You're looking at the silver chart now, and let's say it – and it went up almost to the – well, it went up today. Last two days it's been up. Let's say it goes down again, and you get a couple of big falls, and then it kind of stops and it goes sideways for day or two or maybe comes up a little bit, and then it starts to rise, and it rises about eight or ten percent, and then it falls again. Now, that first fall is going to be the bottom of a wave two, and that is the lowest risk place that you can buy. It's very hard to exercise that patience, and you don't always recognize it.

You don't always get the chance to do it, but either that silver is going to – that market is going to turn around at the bottom of that two wave, or it'll go through there. So the risk is that it goes on through and you buy too soon. But in an up-trending market, after you've gotten a long correction, when you see that pattern unfold, it's time to buy. And it doesn't always unfold, but that's really the lowest risk place to buy. But you have to keep your – you really have to keep your eyes open to see it.

Catherine: I'm very nervous in the short run because we have corporate taxes on March 15th, and then we have a lot of the SEC filings, and I think that information that's going to come out about continued shorts on – then of course, it's individual taxes on April 15th – continual shortfalls to the government in terms of tax receipts and all sorts of problems with corporate earnings and corporate disclosure. So I just think March could be a very, very tough month for fundamentals. And everywhere I go, Franklin, I've been talking with people in lots of different sectors and countries and places.

Everybody I talk to is dealing with shrinking cash flows with very, very rare exception. So you have this sense of the water is receding, and all of the boats are looking at each other, and everybody's figuring out, okay, who can I eat? And the fundamentals are not a pretty picture. Now, that's all very deflationary. At the same time, if you look at all the central banks, the printing both overtly and covertly is unprecedented. So and particularly with an election year, it's just a combination of the printing and the election year is very supportive politically of higher prices in both commodities and any tangible thing.

But – so you have this kind of war going on between the fundamentals and the monetary expansion. So I think short run we could get some really erratic behavior during March and April, particularly because it's that – those kind of troubles that gets the factions squabbling the way we've seen before with some big crashes.

Franklin: Well, let me throw this – another idea is, and this is a different way of looking at the whole thing. You know, the way that Washington's economists and Bernanke and the whole crowd of them look at it is that supposedly if we create more money, even though they will admit it will have an inflationary impact, it will "get the economy going." Well, that's not true at all; it just misdirects more resources.

And so what we've got now is exactly the same thing that I saw – James Dines I think is where I got the idea originally 20 or 30 years ago probably – you've got an inflationary depression. In other words, they have misdirected so many resources, there's so much bad debt out there, there's so much capacity that's been built to produce things people don't really want because they were misdirected by low interest rates, so you've got inflation. At the same time you have depression, and people – if you take an economics course in college, they'll teach you that a depression is always accompanied by a deflation, or deflation causes depression, which is not true in itself.

But what – in other words, you expect those two things to go together. You expect deflation, which is a shrinking in the money supply, to go together with hard economic times. But what we've actually got is hard economic times coupled with inflation, with rising prices. And if you don't – if you miss that model, which is the correct model, you miss the whole thing, and you're confused by all of the hogwash that Bernanke and all the rest of them pour out.

Catherine: Well, a lot things Bernanke says is getting the economy going – I think he thinks he's keeping liquidity going, and he's helping protect the insiders while they harvest the outsiders. So if you look at what's going on in Main Street, yeah, the money supply is expanding generally, but it's not expanding on Main Street; it's shrinking on Main Street. It's expanding on Wall Street, but it's shrinking on Main Street. So in fact, if you look at Main Street, Main Street is experiencing a monetary deflation.

Franklin: Right, but listen. What you're talking about – you went – the statement you just made goes to the heart of their strategy and their weaponry. The only weapon that they have against a financial panic is liquidity. Pour the money into the system because they know that if a panic precipitates, then the whole system will lock up, and then it will actually go into inflation, and there's no cure. They have no cure for that.

So if you look at what they did in 2008 where every day you woke up and Geithner or Bernanke or one of those other goofs was announcing some new program to give away more money – you know, to pump more money out – that's what they were doing. It's the liquidity that's the problem. I know you get tired of hearing me say this, but they don't have but two weapons in their whole arsenal: liquidity –

Catherine: Well, no, actually, they've got a hundred – they've got Special Forces teams on the ground in 100 countries, including, I would bet, almost every county in America.

Franklin: Well, you're talking about different kind of weaponry.

Catherine: But it's very related.

Franklin: Yeah, they are, but I'm saying in their economic arsenal, when it comes to fighting panic – and that's the real thing they're worried about. They're worried about a panic taking hold and an unpredictable panic unfolding. See, they want to manage the crisis. That's their whole – that's the way their minds are constructed. That's the way they look at the world is, "We've got to manage this crisis. We're going to direct this crisis in a way so that it doesn't blow up."

And so that's why the liquidity. It's always liquidity, liquidity, liquidity. That's why they poured in $4 trillion between the Fed and the European Central Bank since 2008. They have to keep doing it. They don't have any choice.

Catherine: Well, in '89, they marked to market when they burst the bubble. The reality is if you look at the extent of the collateral fraud, you can't play the same game. It's – you can't maintain the management if you just mark to market with this kind of level of collateral fraud. Let me ask you some of the questions, because we've got a lot of questions from subscribers.

Franklin: Okay.

Catherine: And I know you've heard some of these before. Sometime in the near future, please address the cost of gold and silver in the market today and explain whether it's manipulated by speculators or not. If not, why is the price of a $50 gold piece $1700? Is there a possibility it will ever go back to being only $50 rather than the $1700 plus?

Franklin: Well, the $50 they're talking about is the legal tender value of a United States gold eagle, the one ounce coin, and that's virtually meaningless. They gave those coins a legal tender value in order that they would be acceptable worldwide without being subject to value-added tax or sales tax. And if you look at the series, there's a $50 gold piece that's an ounce, there's a $25 that's a half an ounce, there's a tenth that's a $5, but the quarter is not $12.50 dollars; it's $10.

So they intentionally threw that monkey wrench in there to make it clear that they didn't intend this to be money. But they did make it legal tender, so I don't think – right now, here's what – let's take – step back and take a real long-term view.

Catherine: What was the value of a $50 piece when they first made it? When did they start making it?

Franklin: '85 – the first ones – well, the law was passed in '85, I think, and they first minted them in '86, and so it would have been around 400 – something like that. But what I'm talking about is stepping back further. Step back 800 years, all right. Step back 200 years or 150 years and what you see is that silver and gold are not expensive today. They're vastly undervalued relative to all historical measures.

And actually, the price – the purchasing power of silver and gold ought to be much higher today than it was 800 years ago for the simple reason that everything is cheaper to make today than it was 300 years ago or 800 years ago. And so there's a huge distance left to – for the pendulum to swing back from historic undervaluation to historic overvaluation. And that's the process that we're in now.

And it's – it's going to be obvious when that pendulum is reaching the far reaches of its swing because the price will be going up – well, the numbers – I don't even want to mention the numbers because I sound crazy when I mention the numbers, but you'll be seeing headlines that say, "Gold and silver have reached a permanent new high plateau," and things like that. And you'll know that'll be – and they'll be going straight up, and you'll know that's the point where we've gotta get out.

Catherine: Well, and inflation is just a basis. If you just look at where we – you know, where the high was in the 80s, you know, depending on whose figures you use, it puts you at 2500 to 7000.

Franklin: Yes, that's exactly right.

Catherine: So we're far, far, far away from the high.

Franklin: 7000 is not an unreasonable – yeah, we're way a long ways from that. But the legal tender value is just a – it's just a confusing issue really more than anything else.

Catherine: Well, the other thing is let's say the price of the $50 gold piece when it was made was $400. The 1700 does not relate to the manipulation of gold so much as it relates to the debasement of the dollar.

Franklin: Precisely.

Catherine: So yeah, if you went back and measured that $400 in gallons of gasoline versus how many gallons of gasoline an ounce buys you today, I dare say it would look much closer.

Franklin: Right. That's exactly right, and you can do that in your mind by saying, "Look" – well, you know, 1964, the last year we had silver in the currency, a gallon of gas cost $2 – or I mean, excuse me, $0.20. Today, that same $0.20 is about $5. So actually, the gas is cheaper today in silver terms, and I believe it's cheaper in inflation – adjusted terms than it was in 1964, which means that the silver and gold have a lot more to rise.

Catherine: Yeah – it's hard to believe Exxon's cutting us a deal. Okay – another question – my feeling is that any market large enough to be manipulated will be. The technologies of control are just too good today, just like computers. So we buy gold, knowing that it's manipulated, gather data in today's decline, but feeling that because it has such a history and it is attractive to so many that it is more likely to survive the dynamics of control as say flounder or go too far. After all, control requires concerted action on the part of many central banks, governments, financiers and whatever trust the bankers had in each other evaporated long ago, probably when CDIs were invented. So if you could say a few words on manipulation and how the inherent truth may still out shine that action, we would be grateful.

Franklin: Well, I'm not sure. I think you and I sort of differ a little bit on this point. But let me put it in a different context. The question is, "Why buy silver and gold because, after all, they manipulate the price?" Now, if you believe that, I don't really know what you're going to do. There's not really anything you can buy or invest in because everything is manipulated if they're that powerful. On the other hand, let's put it in a different context and say this; I have looked around at the world today, and I have determined that to keep your word and to be honest, not to defraud and not to steal, is the way to the poor house.

I have got to go with the flow here. I have got to adjust myself to modern times, and so I'm going to steal, and I'm going to defraud just like everybody else does. Well, the reason you and I know that won't work is because we know that there's an eternal law of honesty. I mean, you know, I'm not even – every religion demands that you adhere to a standard of honesty. There's a reason for that. There's something eternal about that. And so to come back to gold and why – I don't think that they control everything.

I think they control it at the margin. I think they're just like a man riding a tiger. They can't get off. They can't really control him. They may be able to pull on his ears and turn him one way or the other a little bit, but they're not really completely in control. So I think if they're in control, I have to ask the question, "Why did they let the price go from $252 in 2001 to $1,700 today?" That's not great control to me if you're trying to suppress the price; that's not very successful.

Now, I think you believe that they have a lot more power than I do, but – and I'm – I certainly can't quantify it. But I think ultimately they're going to lose because ultimately they're trying to go – they're trying to work against reality, against gravity.

Catherine: Well, here's what I think, which is a – it's a mix-and-match. I think they agree with you, and I think they agree with the subscriber, that the fundamentals are behind gold and silver. So I almost think about the story of the crucifixion. If you look at all the players – the priests, Jesus, the criminal, the crowds – even while they're trying to kill each other, the one thing they could all agree to transact with was gold and silver, and that's kind of a great currency does. You don't have to like each other. You don't even have to be able to trust each other, but you trust the integrity of the mechanism.

And so I think it has universal and historical grounding, and they know that. And I think one of the reasons it's rising is they know this debasement game can't go on forever. They're going to ride the debasement as much as they can as long as they can, but once they've stolen everything with debasement, they need a sound currency system to keep what they've stolen. So I look at this as more as there's a harvesting and a financial coups d'état, and where they want to get to is sound currency, and they're betting on gold and silver.

Now, they want to manage process because the thing that serves them is not making money on the gold and silver; the thing that serves them is control, so I think they're managing the rise, but ultimately where they want to get to is sound currency. And the thing that scares me about when I talk with Edwin Viera about pushing sound currency is suddenly they announce, okay, gold and silver is the new currency, and everybody – all of our neighbors in Tennessee suddenly have to go out and pay their taxes in gold and silver, you know, Mr. Global will be hugely benefited, and communities will continue to be debased even more.

And that's why it's critical to me that everybody get positioned to that when and if that happens they don't get left behind off the train. So I think it's a managed rise. I think they respect the fundamentals. I just think they are – I think one of the things they did when they suppressed the price was they bought up as much gold and silver as they could.

Franklin: That would be logical.

Catherine: Right – I think they're short in J.P. Morgan. This is always my fight with Bill Murphy and Max Keiser. I said, "Look, they may be short in J.P. Morgan Chase, but they got the taxpayers set up to pay for that short. In the meantime, they're long in 20 other vehicles, and so what J.P. Morgan Chase – so you slaughter J.P. Morgan Chase, they're going to make a fortune." So I don't see the game as being as limited as I think so many others do. But the reality is to me – what it says – what it all argues was – is they recognize the same fundamental economics that you do.

Franklin: Oh, gosh, I don't have any doubt of that – yeah – although they also get confused sometimes and begin to believe their own – their own myth that they're masters of the universe.

Catherine: Right – oh, I agree.

Franklin: And that's when reality comes and takes them down.

Catherine: Right. Last week – you probably didn't listen to last week, but I told the story of the Midianites again, so –

Franklin: Right – they destroy each other.

Catherine: Right – okay, so you've been – one of the things I wanted you talk about tonight is you've been up in Nashville, and I think there's nothing more important than figuring out how we create liquidity in our networks and in our community, and gold and silver is such an important part of that. And you've been up in Nashville doing wonderful things, Franklin. I can't thank you enough for doing that. So if you could just describe for everyone what you've been up to and why it's so, so, so important.

Franklin: Well, one of the reasons that people don't use gold and silver is – in everyday currency – one of the reasons they use this paper money, which they're not required to do legally, is because there are all these barriers that have been set up to using gold and silver. One of those is that in the about 1980s, states began to charge sales tax on the exchange of gold and silver money for paper money. In other words, they treated it like it was tangible, personal property instead of money. And so we've been trying to get the sales tax removed from gold and silver in Tennessee.

And by the way, there are 31 states that have no sales tax on silver and gold. And so we've got a representative in the Tennessee House, Frank Nicely. He's really a fabulous soldier – great warrior for freedom, man with a great mind – and he introduced the bill that we had been talking to him about since last June or July. Somebody else actually wrote the bill; I didn't write it. And it came up for a vote in committee, and it happened all so sudden. I had about two days' notice that Frank wanted somebody to speak in front of the committee.

So we went – so I went up there and talked to them. And the problem is that they're – every bill that comes through any committee has what's called a fiscal note on it. There's a financial committee that goes and asks the Department of Revenue, "If we gave this tax exemption, what would it cost the state in revenue?" And the fact is in Tennessee – I mean, I – I'm virtually positive that no sales tax to amount to anything is collected on gold and silver in the state of Tennessee, because anybody who's got a telephone and an Internet connection can go to one of those – to any other state and buy it and have it shipped in and not pay the sales tax.

So who's going to pay 9.25 percent extra – that is who's going to pay for an ounce of gold and only get nine tenths of an ounce of gold in delivery. Nobody is going to. So I'm positive that they don't – they're not collecting that tax now, but the revenue department throws it all together. They can't break it out. They throw it all together into one category – that's jewelry – and they say, "Oh, well, 50 percent of that comes from sales of bullion. Well, it's not true, but how do you disprove it?

And they have this study from Washington State where it is exempt, and this study said that they collected so much tax, and they extrapolated a number out of that and said that the state made $6 million a year I sales tax collected off of exchanges of gold and silver, which is impossible. I mean, it's just impossible. So a dealer up in Michigan, Pat Heller, who you probably have read on the Internet, sent me a study that Maryland had done – that Michigan had done, and I was able to show that adjusted for the population in Tennessee, the most they could be collecting is about $3 million – a little over $3 million, and if 90 percent of that business goes out of state, then they're only really collecting about $300,000.

So I don't know if that'll fly or not, but I think that we have the – Frank said he thought he had the votes to get the thing out of committee, but we had to refute that fiscal note. And if we can refute that fiscal note, then it'll pass the – the bill will go be enacted into law by the whole House – or not enacted into law, but the bill will be passed by the House.

Catherine: I calculated for a county of 100,000 – this is up on the blog under "Position your Assets." I did one for a household and one for a county of 100,000, just debasement of the dollar versus precious metals from 2003 to 2008. I calculated for a community of 100,000, $3.3 billion lost in purchasing power. So if you take that up from 2008 to today, so figure that's another – you know, take that up to $6 billion for 100,000. There are 4 million people in Tennessee, so what's 40 times $6 billion? That's 240 –

Franklin: Actually, there's 6.5 million people in Tennessee.

Catherine: Oh, there are?!

Franklin: Yeah – oh, yeah.

Catherine: God, you've grown since I left.

Franklin: I'm getting bigger.

Catherine: I thought that it was 4 million. Okay, so that's 40 times – no, that's 60 times $6 billion – that's $360 billion of lost purchasing power, and if they could have been transacting with silver and gold they wouldn't have lost that or some portion of that. And so to imagine that the Department of Revenue is getting $330 million a year for those years, I mean, it's incredible –

Franklin: Well, yeah, if they're preventing people from buying silver and gold by collecting that tax, then they're doing far – many, many times the damage of that $6 million a year in terms of what they're doing to the financial state of the people of Tennessee.

Catherine: Right – they're keeping them in the trap.

Franklin: Yeah – here's the thing that's really amazing. You know, we think of ourselves as powerless, and I don't like to get involved in that process. It's not my idea of fun. But if you can find somebody who's got vision and somebody you can work with in a state legislature, they're far more accessible than anybody in Washington, and you can actually make changes that will free people in your own state, maybe just in a little wedge – a little pie wedge area – but they're freer than they were before.

Catherine: Franklin –

Franklin: And suddenly they see that – well, I was just saying that you've got a lot more leverage with the state legislature if you can find somebody there that will work with you, and if you focus narrowly on just accomplishing one thing, then you can make a big difference in your own freedom and the freedom of people all throughout your whole state. And you can't do that in Washington.

Catherine: Right – and I've found the state legislatures to be unbelievable accessible and good people in Tennessee. Not to say that a lot of them aren't on the wrong payroll, but they're guys like Fred Nicely, and they make a huge difference.

Franklin: Yeah, they do, exactly.

Catherine: I'll tell you what the biggest obstacle I say is in getting people to use coins in day-to-day transactions, and that is my concern that if they start to say to their neighbors, you know, "Would you accept gold or silver in payment for this or that?" that the word is going to get out that they have lots of gold and silver sitting at their house, and it's going to put them at risk.

Franklin: I never even thought of that.

Catherine: I'm serious!

Franklin: I've never even thought about that.

Catherine: Well, that's because you're surrounded by lots of family, and everybody's got a gun. Some people are sitting in the suburbs or sitting in the middle of the city.

Franklin: Well, I don't – you know, I'm not sure that's what occurs to people. And besides, you're not saying that to somebody that's about to mug you. You know, "Would you like my wallet or my gold and silver?" You're saying it to some tradesman – you know, maybe your plumber or somebody who you're trying to buy a car from or whatever it is. And you just ask them, "Well, how do you want me to pay you? Do you want me to pay you in paper, or do you want gold or silver?" And you'd be surprised, you know, sometimes –

Catherine: Well, let's get back to why somebody didn't want you to do a gold and silver bank once upon a time.

Franklin: Yeah, that's exactly right. Yeah.

Catherine: That's exactly right. Okay, so stay on because I want you to participate – oh, we have one tax question. Let me just ask you our tax question. One of the – and this is a question I get often. Of course, we're coming into tax season for a special report on foreign financial institutions, and that's on the Solari.com where you can link to from your resource page, and I really encourage you to take a look at that if you do have a foreign institution account, including a gold money account.

Okay – the question – here's the question. Is there IRS guidance or rulings on how gold sales have to be tied to previous purchases for taxable gain calculations, for example, if I have made numerous purchases of gold and gold money and need to decide which purchase to associated with the sale for taxing the gain? So this gets down to the question of LIFO and FIFO. How do you match your purchases to your sales?

Franklin: I'm not really that conversant with it, but either you – you must be consistent in the way that you do your accounting. So you can either use last in, first out accounting, or you can use first in, first out. And you know, you'd have to check with an accountant about that. But I think the requirement is just that you have to be consistent about the way you do it.

Catherine: Right – what looks attractive one day, the other system may look attractive the next day.

Franklin: Right.

Catherine: Okay – so let me just mention, I was at Health Freedom Expo in Long Beach this weekend, and I have been asked to talk about the intersection between health and wealth, and finally decided to tell the Jung story, which I told last week on the "Living in Faith" about the women who'd murdered her best friend and from then on for many years her life fell apart, including her relationship with people and animals and came to confess to Jung complaining that wherever she was, the birds had stopped singing. She told Young the birds knew.

I told that story to say that, look, we don't have a financial problem. We don't have a health problem. We have a living system problem. Part of the problem in that living system is there are forces at work that do not have our best intent at heart and do not want us to be healthy and are intentionally doing things to make us unhealthy.

Catherine: One of the best documentaries – this one on lyme disease is called *Under Our Skin*. It's now available freely on the internet, and we posted it on the blog. It's a remarkable story and really nails the lyme story as it is understood. Again, we don't know all the causes. There are lots of theories, but there's no certainty. But it does show you the struggle that people have in trying to deal and making the mistake of going to the medical establishment, including the persecution the doctors who find ways of treating Lyme disease endure and suffer, which is seen in other areas.

And I was reminded of that when this weekend, Franklin, I gave a speech, and then we had a panel. On the panel was a former British doctor; he's been stripped of his medical credentials by the British authorities. His name is Dr. Andrew Wakefield, and he was treating – he had many mothers with autistic kids come to his saying that they have severe diarrhea and asking for help in treating their bowels and immune systems. And he was a gastrointestinal expert, and he ended up concluding that this was all being caused by the vaccines. Well, of course, that was the end of that.

In retrospect, I was very, very impressed with him and emailed the people I know who were – who know a lot about autism and said, "What do you think of this guy?" They said, "He's our hero." I did a little search and found a hit piece from the *New York Times* which is one of the ugliest hit pieces – and if you ever thought that there was a difference between the *New York Times* and the *National Enquirer*, just read the piece on Dr. Andrew Wakefield. You will be relieved of that assumption. Anyway, but it was a reminder of the fact that we're navigating a system where there are intentional forces at work that are intentionally trying to make us sick, which is scary, but – you know, better – it is what it is, and better to face it.

So I recommend that documentary to you. Interestingly enough, one of the things that happened to me as an investment advisor is I had a surprising number of my early clients – and it wouldn't surprise me if you found this in your dealership, Franklin – whose families have been touched by lyme disease and autism. And after struggling with the lies in the medical system, they sat down and said, "You know, if this is happening on this issue, what's happening on every issue including my money?" And that led them to rethink exactly where and how they wanted to get help and advice dealing with their finances.

And I've seen more people – you know, you always mention home-schooling, but I've seen more people just draw the line in the sand and say, "Nope, we're not getting vaccines, and there's nothing you can do to make me do it." So I didn't know if you wanted to mention anything, because I know when the Swine Flu vaccine came along, I called you and said, "Can I come over to your house with my gun, because I'm not gonna get this vaccine?"

Franklin: Well, you know, I interviewed a young woman who's an athlete who got lyme disease, and she's written a book. Her name is Perry Louis Fields, and she's written a book called *The Tick*

Slayer, and you can find it on the Internet. It's just been published. And she went through this whole – this long process where she was treated by doctors using mainstream techniques, and she was getting sicker and sicker, and it finally occurred to her, "I'm going to die if I don't stop doing this." So she stopped that treatment, and then she began a long search for a cure like so many people with Lyme disease have done.

And there are estimates that as many as 60 percent of the people in the United States are infected with Lyme disease. So once you get off of that squirrel cage of orthodoxy and start looking, you're gonna find that there are a lot of people out there like your hero, the doctor in Great Britain that – you know, they found things that work, and they may not be able to explain them according to the prevailing orthodoxy, but nonetheless they work, and they know they work. And so their integrity gets caught up with it, and then they have to fight this whole – this firestorm of slander like the *New York Times* hit piece you talked about.

I'll never forget, Catherine, in 1989, there was a doctor who developed chelation therapy in the '50s in Georgia, and the medical establishment in Georgia persecuted him. He finally wound up going – he fought them in court, won sort of a standoff and then opened a clinic in Alabama and did fine for a long time, and then in the – oh, about '87, they came in and shut him down again, and he picked up at age 88 and moved to Mexico and opened another clinic. And I remember listening to him –

Catherine: Which he had the strength to do because he was chelating regularly.

Franklin: Right – well, yeah, exactly! And I mean, he just did – he found chelation just worked for a whole lot of things, and in some cases even with cancer.

Catherine: It does – yes.

Franklin: So anyway, but I'm standing here listening to this 88-year-old man who is a national treasure – a person with courage and integrity like that is a national treasure – and he's standing there telling this story with tears running down his face in front of, you know, 50 people. And I – there are people like that out there. There are a lot of them out there, but once you get – once you become – for most people they have to become desperate in order to move away from that sort of voodoo that they have toward the established orthodoxy of medicine or whatever it might – economics – whatever it might be.

Catherine: And I'll tell you, not only will that voodoo kill you, but it's expensive!

Franklin: Oh, wow! What are you talking about?! It's really – and there's some things – you know, I'm not the enemy of mainstream medicine because there's some things that it does very well. I've got a wife who's still alive because she had heart surgery in 2008. But there's some things that it doesn't do, and she's had to fight from then 'til now trying to stay off of blood thinners and all this pharmacology they want to give you that slows down your body, does this to your heartbeat, that to your heartbeat and all the rest of it.

And so I understand, but those people are out there still – see, that's one of the reasons that I'm always encouraged when I hear about someone like that or meet somebody like that is that people – there are enough people out there with integrity to continue to serve when they know they're doing the right thing. And there are enough people out there with integrity and suspicion, let's call it, who say, "Look, you're not doing me any good, and I'm gonna go find something that does help." So there are a lot of those –

Catherine: Well, I wish you'd go watch – I want you to go watch *The Battle of Krueger*, and just remember when the water buffalo throws the predators out, and as the lions come in, I say, "There's J.P. Morgan Chase. There's Wells Fargo." But the crowd watched it, and the front guy said, "There comes Franklin!"

Franklin: Oh, no! No!

Catherine: Okay – that's it for this evening. Franklin, I miss you. I'm gonna be back in Tennessee in two and a half weeks. I can't wait to see you.