

[\[Charts and Graphs are in the Appendix at the bottom of this document.\]](#)

*Catherine Austin Fitts:* And with no further ado, Franklin Sanders, are you with us?

*Franklin Sanders:* I'm right here.

*Catherine Austin Fitts:* Well, you've had a busy, busy day.

*Franklin Sanders:* I've been rode hard and put away wet.  
Everybody in the world wants to buy gold and silver now.

*Catherine Austin Fitts:* Yes.

*Franklin Sanders:* And it's a lot of people, you know? It's people who I've never talked to before and they're just thoroughly dispirited by the election. Most of the ones I talk to today that were new said, "I gotta do something." So I said, "Nothing's going to change. I don't know."

*Catherine Austin Fitts:* Now was this the first time they had bought gold and silver?

*Franklin Sanders:* Yes. Yes. That's what I'm saying.

*Catherine Austin Fitts:* Really?

*Franklin Sanders:* These are new people coming in. Yeah. Altogether new people, so something's going on, clearly.

*Catherine Austin Fitts:* Well, bring us up. Let's start where we were last month and tell us what's been going on. Just walk us through what the market did on the election.

*Franklin Sanders:* Can I go back farther than that?

*Catherine Austin Fitts:* Absolutely.

*Franklin Sanders:* First of all, I want to talk about the US dollar, okay? Because I think if you don't know about that you won't altogether be able to appreciate what's going on. Contrary to expectations – the QE3 and all that stuff – the dollar reached its low in September and it's been rising ever since. Now it hasn't been rising fast, but in the last four days it's gotten over its 200-day moving average, which for a market in a bear trend that is primary downtrend, it is a rally and it's fair to go to 82. The interesting thing is that that hasn't slowed down gold at all. It's also interesting and shows you exactly how irrational markets can be that the dollar rose on Obama's election.

*Catherine Austin Fitts:* Well, that's not surprising at all.

*Franklin Sanders:* Well, it may not surprise you. It did me.

*Catherine Austin Fitts:* It makes complete sense to me.

*Franklin Sanders:* He's a vote for inflation. There's no question about that, not that Romney was not. In any event, the dollar has continued to rally slowly – very slowly – but it is an uptrend. Didn't bother gold and silver a bit, but let me go back. Let's look back for about 18 months at gold and silver, and remember that a year ago in September we got this huge peak over \$1,900.00. Actually, the close was like \$1,880.00 and then it went into this long downtrend and formed a big, long falling triangle – falling wedge – and we've spent all the rest of the time rocketing back and forth between \$1,800.00 and \$1,525.00 and it's been miserable.

Only in August did gold finally break out of that pattern, rally again to \$1,800 – very strongly rallied up to \$1,800.00 – and then about the first of October began a correction. So that's kind of where we are. We've broken the big downtrend of the correction that had been going on for so long and then we broke out over the downtrend line, went back and sort of made a final kiss goodbye towards the downtrend line. Almost went down to the 200-day moving average, which is a frequent target of a bull market correction, and then just shot back up back through the downtrend line and today closed through the 20-day moving average.

It's almost over the 50-day moving average and what this promises to be is a very, very strong, long-lived rally that will just slice \$1,800.00 and never slow down. That may go sideways for another week or two weeks, but there's a lot of power coming up underneath this. Silver has done basically the same thing and, by the way, gold in Euros has made a kind of similar pattern, but gold in Euros has turned back up, too, and broken up through its downtrend. So it doesn't matter what currency you look at it in. Gold is rising against all currencies.

*Catherine Austin Fitts:* Let me just ask you a question. Now, clearly, I feel very confident in precious metals here but I also know that the wrangling around the fiscal cliff could put us in a position where we get tremendous volatility and moments when, to protect the equity markets and ultimately the bond market, there'll be a real effort to manage that rise. So I agree that there's tremendous strength underneath it, but I also think over the next 18 months we could also see tremendous volatility.

*Franklin Sanders:* I don't doubt the volatility, but I think that the fiscal cliff will be a basically a nonevent. They will push it off. They will argue. They will kick up dust and sand and ruffle their feathers in front of the TV cameras, but in the end they won't do anything and they'll push it, kick it down the road another six months or another year or whatever it is, even though you're right. It could very much contribute to the volatility. Still, for all that I have to say that if gold just performs minimally as it has in the past and less than I think it should, by June it ought to reach \$2,300.00 and that's just based on past performance in the first wave up, which is not the strongest moving place. It's not the most rapidly rising place. I mean, I could get my head handed to me on a platter.

But that's what I see from right here and of course they try to whack gold and silver, and they try to whack it especially when it's been rising a long time and that tends to make a

market weak and ready for a correction. That's the time they tend to jump on, and they haven't stopped. They haven't stopped.

*Catherine Austin Fitts:* Well, you're much more of an optimist than I am, but I hope you're right and I'm wrong.

*Franklin Sanders:* Well, I don't think next year is going to be pretty.

*Catherine Austin Fitts:* No. I don't disagree that they're going to kick the can, but I do think the net result of whatever they do is going to hit the average household by about \$2,000.00 or \$3,000.00 a year at a minimum, and that's not including what the debasement is doing to inflation. So the net to each family's income statement is going to be ugly.

*Franklin Sanders:* I don't doubt that's true, and the unemployment is going to increase and the government will become even more contemptible in the eyes of most of the people than it is today. I mean, surely they've got to start thinking somebody's lying here when all those unemployment figures just suddenly turned up right there before the election. How can you help but question something like that?

*Catherine Austin Fitts:* It's funny. At dinner tonight somebody pointed out that in 2007, according to a *New York Times* poll, 84 percent of New Yorkers didn't believe the official story on 9/11 and if you look at the polls I think the question for most people is what do I do? So I think that's really what it comes down to. What's my action? What do I do? And I say that, yet I'm still stunned at the extraordinary time and money that was spent tracking the presidential election and not tracking the state and local elections because a lot of the impact that comes through on the fiscal cliff is going to come through state and local. So if you have the wrong people in state and local, you're really in trouble.

*Franklin Sanders:* Well, state and local governments can't print their own money. They're just like Greece and Spain. They have to come up with the money.

*Catherine Austin Fitts:* That's right.

*Franklin Sanders:* That makes them much more vulnerable than the federal government. I mean, I've argued with people and tried to explain to them when Cheney says the deficits doesn't make any difference, he's absolutely right from their standpoint. They'll just print more money. They can just keep on doing that forever. They've been doing it since 1913. Goodness gracious, 99 years. Don't tell me that doesn't work.

*Catherine Austin Fitts:* Well, Franklin, tell us about the silver chart. How does silver look versus gold? Which do you think is more attractive right now?

*Franklin Sanders:* Well, whenever you get these corrections that silver falls faster than gold, so the gold-to-silver ratio rose to a little over 54 and that's wonderful. There was a gap in the chart there and that's the kind of thing that chart watchers love to see and that just sets us up even more for a very fast rise in silver to play catch-up and that's what I think it'll do. I think now once you get over \$35.00, \$50.00 you're looking at \$40.00 silver, \$44.00 silver pretty fast. And, of course, once you get through \$50.00, well, at that point silver will

have gotten over its 1980 high. See, gold got over its 1980 high a long time ago. Silver never has and that's been an argument against silver.

*Catherine Austin Fitts:* Well, in nominal dollars; not in real dollars.

*Franklin Sanders:* Right. Well, I know, but people think in nominal-dollar terms. In any event, once that happens silver will go crazy, but the ratio went up and it just made a correction and it all looks good to me. What I'm saying is that silver has not done anything out of the way. There have been no bad surprises here and this kind of correction is perfectly predictable. The only thing that might happen and the only thing that makes me a little bit nervous because there's a rule that a gap in a chart is always filled.

There's a little gap in the chart up around \$57.00, so we might see something happen that would take it up to there before it really turns around and starts rising, but that's questionable. I don't much have my eyes on that. I don't think it'll be a big deal. Then we look at the stocks. As you know, both the Dow and the S&P and all the indices just really took a beating after Obama's election, losing 328 points in one day, which was huge. It was like 2.28 percent, which is an enormous move. It fell through the established support. It fell through the 200-day moving average. This is just about as negative as you can get.

*Catherine Austin Fitts:* And the interesting thing about that is that it completely contradicts the historical pattern, which is if the incumbent wins you get a rising stock market between election day and the end of the year. So right now this contradicts history.

*Franklin Sanders:* Well, and there may be another rise back. The big formation that we're seeing in the stock market is called a broadening top. Some people call it the jaws of death and you've now had a broadening form within a broadening top. So it's perfectly possible that even from here stocks could rally back up to 13,300, maybe even 13,400 before they go down further because the nature of a broadening top – think of a megaphone. So you get slightly higher highs but you're getting lower lows at the same time and eventually it falls through the bottom of that. It goes way up and down.

As dramatic as that change in the Dow is, there's been a hugely, hugely dramatic change in the Dow measured in gold and that broke down yesterday and today to new lows. That's going a lot lower. Right now it's about 7.4 ounces of gold to buy the whole Dow. That's going down to one or two. Not tomorrow, but before the whole bull market is down and it's started the next phase of that move. As you noted, stocks had been outperforming gold and silver all year long and they had. That's when you see that Dow and gold ratio rise, but it's broken down now. There's no question about that.

*Catherine Austin Fitts:* Well, it's been U.S. stocks, not global stocks because Europe and Asia have been hammered.

*Franklin Sanders:* Oh, global stocks have done worse if that's what you mean. Yeah. Oh, they've done much worse than the U.S. stocks and actually there are only two stock indices. The S&P and Dow are the only two in the world in the last year or so that have actually risen.

*Catherine Austin Fitts:* Well, the thing that concerns me is if you look at the patterns of the quantitative easings, what happens is as the Fed engineers quantitative easing, corporate earnings rise. And as corporate earnings rise, the U.S. equity markets rise. It's amazing to watch the pattern, and so you see corporate earnings rise you see gold rise and then it kind of trades in tandem. And the reality is if you look at where corporate earnings are, they've risen. They've topped and if anything they're projected to come down, and the pressure on corporations now to produce more earnings under difficult circumstances is very high. Of course, what's the first thing they do to generate more earnings? They lay people off. So the pressure from investors is very much the message to boards of directors is, "We want you to lay more people off."

Yet at the same time, when spending cuts could be trickling down through federal, state and local government in effect, if you look at the most recent employment statistics, it's been the government jobs that have turned net negative. They've been picking up a lot of the slack for quite some time just growing more and more government. Of course, that's part of our issue with government expense in this country because we keep adding employment when, in fact, we don't need government to be doing that. It can be done with far less people, so you're seeing this sort of destruction of employment go on in the economy and the question is where does it end?

*Franklin Sanders:* Yes. How bad does it get before people grab their pitchforks and rakes and march on Washington? I don't know.

*Catherine Austin Fitts:* Well, you and I were talking earlier today about the misallocation of capital because the problem is you're engineering the death of many, many businesses that are economic and funneling capital to businesses that really don't make economic sense. So I always liken it to the blood circulating in a body where you're sending all the blood to the toes and starving the heart, the lungs and the brain. It makes no sense, but that's what we're doing. So it's centralized but it doesn't build wealth. Well, let me ask you a couple questions because we have a lot of questions tonight. One is more chart oriented. "Please educate me. The stock charts for gold, silver and gold-to-silver ratio on the August 20 show just before the MACD (moving average convergence/divergence) for gold and silver.

Also, the gold-to-silver ratio has MACD around this time. It looks like it would have been a great time to purchase gold and silver when the MACD was positive. My previous understanding has been to purchase stocks when the MACD was positive and sell stocks when the MACD was negative. I understand if the gold-to-silver ratio is low – closer to 50 – then use my silver to purchase gold; or if the ratio is high – closer to 60 – then use my gold to purchase silver. What is the proper way to view the MACD as related to the gold-to-silver ratio and the relationship to swapping between gold and silver?"

*Franklin Sanders:* You know, I think about so many other things but I don't ever think about the moving-average convergence and divergence in relation to the gold-to-silver ratio. So I can't say anything because I know that right now probably the top of the range is about 59 and the bottom of the range is like 32. But also superimposed on that, the historical range, and I think the next fall that we get will take us down to either 30 or 28. I don't know why in the mystery of history that charts tend to return to places that they've been 40, 50 years ago, but they do. So I think you're going to see that fall and what I'm going to do – I

guess maybe I'm not quite that sophisticated. I just get a target and I get out at that target. So I haven't looked at what the MACD's been doing, so I'd just have to go back and look in the past and see what it does.

*Catherine Austin Fitts:* Okay. So here's a more difficult one. "Even though I believe that Romney would not have done anything different from Obama, I still feel worried, disappointed and a bit shell-shocked that Mr. Obama was elected. I'm concerned about where the next four years go. Where do you think our country will be in four years and what are the advantages and opportunities that we can pursue? Thanks. P.S. I'm working on unplugging from the system and keeping my family's health strong – no GMOs, no vaccines, stay inside when the chemtrails are spraying, don't have a TV and try to keep a positive mindset."

*Franklin Sanders:* Well, not having a TV will help that a lot.

*Catherine Austin Fitts:* Yes, it will.

*Franklin Sanders:* You don't have to be exposed to that stuff. So the question is what's going to happen in the next four years?

*Catherine Austin Fitts:* What's going to happen in the next four years and what are the advantages and opportunities that someone can pursue?

*Franklin Sanders:* Well, I think for people who think independently and for people who can disconnect themselves and their income from the whole system, I think there are going to be huge opportunities because what you're seeing is that the system that runs on government money is breaking down. It's going slower and slower and slower and if you can somehow or the other get outside of that into a business where you don't depend on government money and the only thing you have to offer is excellence and competence, you're going to shine. It's going to be easy to make a living.

Now it's going to be more frustrating because heaven only knows what kind of additional regulations and taxes that they're going to throw at us. That will be bad. You'll see more of that annoying police state – you know, checkpoints on the road and stopping everybody when you go to work and you've got to have a compulsory ID card and all of that stuff. There'll be a lot more of that, but like I say, the day after the stock market crashed in 1929 somebody got up and needed breakfast and somebody got paid to cook it for them. So there's going to be those opportunities. You just have to keep your eyes open for them.

*Catherine Austin Fitts:* I always talk about one of the most fascinating things. I went back to see who made money and was successful in the Great Depression and it's amazing how many businesses got going in the Great Depression.

*Franklin Sanders:* It is.

*Catherine Austin Fitts:* Yes. It's amazing because, first of all, they had great labor available.

*Franklin Sanders:* Yes. Sure, but there were big risks then.

*Catherine Austin Fitts:* What I do find, Franklin, is you have a world – you know, I see it more and more and sometimes I’ve said to groups of entrepreneurs looking for investment, “Look. There are two economies in this country. One is entrepreneurial wealth, family wealth, people who make their money one nickel and dime at a time and they may have hundreds of millions of dollars but they understand the value of a dime.”

“And then there’s the sort of government money – bubble money – and it sounds to me like what you want is bubble money and you’re coming to the wrong place. You need to come to a place where every penny counts,” and I still think many, many people are in that bubble mentality. But whether they want to or not they’re going to have the opportunity to shift over the next four years and I think that is an opportunity for people who want to build something in the real economy.

*Franklin Sanders:* Again, that real economy – what you’re seeing here is an epochal shift from that old economy to a new economy where competence is going to matter and not connections with the government and not connections to government money. If you can do it now, if in this hostile environment you can make a success out of any business, then you’ll find it easy ten years from now.

*Catherine Austin Fitts:* Yeah. I know the person who asked the question and they’ve got a pack of great kids and one thing I would say – because they’re out in California – is get your kids over to a Maker Faire. Do you know what a Maker Faire is, Franklin?

*Franklin Sanders:* No.

*Catherine Austin Fitts:* It’s spelled, “Faire,” like F-A-I-R-E, like the Middle Ages, and we had Dale Dougherty, who’s the editor of *MAKE Magazine* on *The Solari Report* earlier this year. There’s a whole phenomenon coming out of the San Francisco Bay Area where you create hacker spaces where you have shared tools. And, in fact, there’s a business now popping up – I just toured one – called TechShop where you can go and literally have 3D printers. You can have lasers. You can have welding equipment. It’s a huge shop where you can start to make and design prototypes and manufacture your own stuff. Anyway, it’s called the Maker Movement and they have Maker Faires where makers get together and share all their knowledge and ideas.

It goes from things that are very low-tech like doll making to very high tech with people making their own robots. So there’s quite a huge range, but one of the things that’s great about it is it’s getting young people educated and learning about how to make things themselves. And if you look at the new manufacturing and fabrication tools, the costs of doing things for ourselves are coming down dramatically and the ability for small business to now grab these tools and start bringing manufacturing and all sorts of other stuff down even to the local and regional level is phenomenal. But it takes the knowledge and skills, so it’s critical that the young people get involved and interested.

And so I would say one thing I would definitely do in the next year – not wait for the next four years – is pick up your kids and go hang out at a Maker Faire. They’re all over the

world now, so it's a phenomenon that's kind of exploding. I just think there's going to be tremendous opportunities to learn how to make things for ourselves.

Next question, and you're going to faint when I ask you this, Franklin. "One question that I don't remember ever coming up between you and Franklin is a deeper discussion on the issue of gold confiscation. What is your assessment of the likelihood of gold confiscation in your slow-burn or more extreme collapse scenario and would this also apply equally to silver?" Then he goes on to talk about FDR's gold confiscation. Now before Franklin says a word, what I will tell you is we discussed this numerous times and if you go to the Precious Metals Market Report library, just do a search for the word "confiscation." You'll find several times when we dedicated almost a whole *Solari Report* to talking about confiscation. But in a nutshell, Franklin, why don't you take a go at that and I will, too?

*Franklin Sanders:* Well, in a nutshell, this is not 1934. That's the best reply I can give, and let me explain to you I'm not being a smart aleck. I'm just saying why did Roosevelt do that in 1934? He did that because he planned to inflate and at that time he had to have gold because of the way the laws were structured. Even for the Federal Reserve to create money, he had to have gold. So he "confiscated" gold, and the whole thing was completely illegal, let alone unconstitutional. The law that he supposedly did it under had already expired. That was part of his plan to inflate the money supply. That's why he wanted the gold, and he actually seized silver, too. Most people don't know that, but he was paying \$0.50 when the market rate was about \$0.38.

So nobody was arguing with him when he seized the silver, but he never got around to using silver certificates as an instrument of inflation the same way he did with the gold and spending money through government projects. So this is not 1934. Gold no longer forms any part of the reserves and the monetary system and whatever you think about the insiders – the people who run the world – they may be evil, and evil is by definition stupid, but they don't always act stupid. They're very clever. Why would they stir up all that trouble for a very small gain? And a very small gain is whatever amount of gold they would get. And the people who own gold – let me tell you. After 32 years experience dealing with these people, I'm not going to go try to pry their gold out of their hands.

They're going to fight you. It's just that simple. They're going to fight you and they'll find a way to fight you. They'll fight you legally or they'll hide. They'll figure out a way to fight, so I think as a practical matter it would be almost impossible to enforce and it would have the opposite effect. It would make gold a black market commodity and double or triple the price overnight just as it used to trade. Back when it was \$600.00, \$700.00 in the United States it used to trade in the Soviet Union for \$2,400.00 an ounce. So this is not 1934 and the purpose of the confiscation in 1934 cannot be fulfilled in 2012. So I just don't think they're going to do it.

Far more likely is they'll say, "You know, we're looking here at this \$16 trillion pool of wealth that we can get our hands on," which is all of those IRAs, 401(k)s, maybe some pension funds thrown in there, "And what we're going to do is make a law." After all, they control what you can put in an IRA or 401(k), make a law that you have to invest 'X' percentage in government bonds – U.S. Government debt. And they will have effectively



locked it up and stolen it from you, so that's what's more likely in my mind than the other. I don't know where you're going to go next, but I'll just wait and let you comment.

*Catherine Austin Fitts:* Well, I agree. I mean, I think it's what Willie Horton said. You go where the money is. So the money's not in gold. It's in the 401(k)s and the IRAs, and so I think those are much prettier to pluck. To me, if you try and confiscate gold you just take on a whole bunch of irascible people and you don't get much money. Now given how leveraged gold is I could see why they'd want to bring some in, but there are other, better ways to do it. I put a post on the blog last week about a freighter that was carrying gold from one place to another disappearing. And somebody got quite a stash with that one, so I think the pressure is on but I don't see direct confiscation as likely. The thing that concerns me a lot more, Franklin, is as you see the effort to get states to adopt gold and silver as legal tender and all sorts of things to build an infrastructure to roll out something at a retail level with gold, my biggest fear is we wake up one day and suddenly gold is embraced by the powers that be openly. And the next thing you know the average person who's got – and this is sort of the radical debasement scenario – where the average person, their dollars have suddenly declined dramatically in value and they're being called upon to pay their local property tax or their “carbon tax” in precious metals. So my concern is more the risk of going the other way, which is most people don't have gold and silver and yet the values get switched suddenly and they're hurt by it.

*Franklin Sanders:* Well, you're presupposing that.

*Catherine Austin Fitts:* I just think confiscation doesn't buy you anything. It doesn't buy you the kind of things they want and I've said it many times. If you look at where this is all going, I think that Mr. Global is promoting the general adoption of gold and silver because after you've used fiat currency to steal everything, you want to shift to sound currency. And my fear is the shift to sound currency using gold and silver, whether it's at the retail level or the IMF level, will disadvantage the average person. So I wouldn't worry about confiscation of your gold or silver down the road. If you look at the numbers on debasement of the dollar, your wealth is being confiscated right now, today.

We've had significant confiscation every day for the last 20 years and that's what we need to be worried about because that is the slow burn. That's the predominant scenario, so I'm most concerned about protecting people against the 100-percent guaranteed confiscation that they're living with right now, and investing in gold and silver is one of the ways to do that. If you put up drones and use entrainment technology, we live in a world where our minds can be confiscated. Our bodies can be confiscated. Our gold can be confiscated and I'm a lot more worried about our minds and bodies being confiscated than the gold.

*Franklin Sanders:* Right. You're presupposing the same thing that I presuppose, which is that in the end they must return to a gold standard because they've played the inflationary game as long as it can be played. And so at some point, not necessarily soon – in fact, probably not soon – that will happen. So I think that's the long-term deal, but between then and now there'll be an enormous confiscation by inflation.

*Catherine Austin Fitts:* Right. Let me ask a couple more good questions. “I inherited a part interest in a parcel of range land. The other heirs want to liquidate this year. The period

under a sale contracted last month's. I'm nervous about holding what is effectively a sizeable futures contract to buy dollars. I worry about a down draft or holiday in the purchasing power of the US dollar while in contract. Have you suggestions for how to eliminate or hedge that risk? Is my worry unwarranted? Call options on gold futures are only as good as the integrity and solvency of the exchanges and brokerages that slowed them." Okay. Now I've got a strong opinion on this, but I'll let you go first.

*Franklin Sanders:* Well, there's a period of time when they're going to be clear in the sale. Is that it?

*Catherine Austin Fitts:* I'm presuming that they'll lock in a sale but it will be a while before the closing. So between you locking a dollar price and the closing, you've got some period of time that could last months.

*Franklin Sanders:* Right. Well, if they're worried about that, clearly, brokerage firms are no longer reliable because of what happened with Man Financial and so forth, but they're the only thing you've got, you know? It's the only game in town, so one of the things that you might do, I would not be in favor of options on the dollar or the dollar index. More I would favor buying options of silver or gold if I wanted to hedge it that way. But the problem with the dollar is that it's just so manipulated that you can be absolutely right. And from a technical standpoint the chart will say one thing, and then they wake up one morning and they've got a political heartburn and they go the other way. So it's very unpredictable, whereas I'm very comfortable about the longer-term trend of silver and gold.

*Catherine Austin Fitts:* Well, let me take a shot at this because I'm comfortable with brokerages. I'm not comfortable with futures. If you break down and look at what happened at MF Global and a couple of the others, there's a distinct difference between what happens in the securities in brokerages and what happens in the futures, but put that aside. I think the lesson is it's very important the quality of the people you do business with, and if the former chairman of Goldman Sachs takes over the firm where your brokerage account is, you really need to move it.

But that aside, I think if your closing is going to be in the next year and a half, I wouldn't worry. I think there are more ways to get yourself in trouble trying to hedge it and the complexity of hedging, and I think the dollar's going to be relatively strong for some period of time here, just as it's been strong in the last couple weeks. So the dollar's been strong this year and I think if you look at what's going on globally it's scheduled to be relatively strong in the next year. So I've seen people in the last two years sort of run up their expenses and nightmare trying to do these kinds of things. I would just keep it simple and get the thing closed as quickly as possible, but I wouldn't worry about the dollar in the short run.

*Franklin Sanders:* Sometimes you can write something into a sales contract. For instance, if you're concerned about the time lag in closing then one of the things you ought to put in the contract is, "We don't want a long time lag. We want to close within 30 days," or whatever it is.

*Catherine Austin Fitts:* Yes.

*Franklin Sanders:* And eliminate it that way. Just a general statement about hedging that people don't seem to realize is you always lower your profit when you hedge by the cost of the hedge, if nothing else. So hedging is not cost free. It caps your profits by the cost of the hedge and if there's a loss on the hedge then by the cost plus the loss.

*Catherine Austin Fitts:* We got a very good question about mining companies and how mining companies trade. I'm not going to respond tonight, but I wrote a note to Paul Ferguson, who's my favorite mining stock investor, and asked him if he would write a little blog post about it, which he did, and we'll post it tomorrow. It'll be up on the subscriber-only part of *The Solari Report*. He also sent a great chart that sort of shows the behavior of stock valuations as the company moves from startup through the different phases of development of a mining company. And that's up with the charts that Franklin sent in on the subscriber's space. Another question that I got a week ago about the Benghazi situation. I've researched it. There's clearly a story there, but trying to get the truth is probably impossible. Interesting though, a comment posted about it on Blackwater's website. They came out with a very definitive position and I think I posted it in the blog. So if you want to take a look, check out the statement about Benghazi at the Blackwater site.

Another question, Franklin, although we've covered a little bit of this. "By the time you do your session you will know the election results. Do you see the election results as impacting the precious metals markets?"

*Franklin Sanders:* Well, they did positively. If Romney had been elected there might have been a transient negative effect, but the thing that you have to realize is that this is already priced into the market. The correction that I spoke of that's been going on for 14 months was already there and that was going to work itself out. So it wouldn't have mattered much who was going to be elected. I think maybe Obama's election caused it to rise a little sooner than Romney's would have, but I think it was priced in anyway.

*Catherine Austin Fitts:* I think that it was not so much who won, but I think the election process combined with other things that have been going on as of the last 30 days has really been a very sobering experience for America; and it doesn't surprise me you're getting a significant flow of purchasing. People are looking for a way to get their hands on a store of value that they can put in their pocket and walk down the road if they need to. So I think they're starting to realize the speed of change that's coming, and so I think it's going to educate more people to the role that precious metals plays. So I think QE3 and the election are both building to help create the kind of primary trend that you were talking about earlier this evening.

Okay. Quickly, a question about how to find a financial institution for CDs. We have a bank intimate page at solari.com with a really great article on how to find a great local bank.

Another question about Robert Holmes who has completely dropped off the media radar. That's a reference to the father of the graduate student who was arrested for the shootings in Denver, the father being involved with some pretty sensitive financial computer programming. My guess is that's dropped off the radar because the goals of that operation weren't achieved. The result is Americans have become much more dug in about the

importance of owning a gun. So I think that situation really has dropped off the radar and I think it's going to stay off the radar.

A couple more questions that we don't have time to address but, again, thank you for a lot of really great questions. One more comment on the question, "What are the advantages and opportunities?" We're going to repost the article that we wrote called, "Coming Clean," which is steps you can take to building a more authentic life, not getting drained by Mr. Global and your television set. So we'll put that up on the blog, and also on the blog we regularly post things on new technology. I do see a lot happening as well from the coming changes in crowd funding. The SEC is going to promulgate regulations in 2013 for permitting crowd funding to be used to do private equity and allow non-accredited investors to start investing in their local businesses. Right now in my county it's pretty easy to buy hard narcotics or to put money in the lottery but it's easily illegal to try to raise investment in local businesses, and God help me if I try and do it in a liquid form. So hopefully that's going to get rebalanced in 2013.

It turns out, Franklin, that for the first eight minutes of *The Solari Report* tonight the music was playing instead of people hearing me. So after we get to the end tonight I'm going to repeat the first eight minutes and you're perfectly free to not hold on as I do it. But before you go let me just mention our "Let's Go To the Movies" this evening was a very interesting documentary. This is something that I think is probably not on the top 100 at Netflix but it's a 1995 documentary made about a New Zealand legislator named Marilyn Waring, who is a very interesting character.

It's called *Who's Counting? Marilyn Waring on Sex, Lies and Global Economics*. Actually, Franklin, you can rent it on the Internet for, I think, \$4.95 and it's very interesting. I'll tell you the story. We have a very brilliant subscriber who dug it out and sent it to me many years ago. Marilyn Waring became the youngest legislator in New Zealand. She got elected at the age of 23 and it turns out she's quite good at budgeting and money. And she got herself on the committees involved with the budget and the Public Expenditure Committee and then she also got on the Foreign Affairs Committee. And being a numbers person she dug and dug and dug and really dug into sort of how the money works in the federal budget in New Zealand. She was elected several times, including from a different district and finally realized that a lot of the really crazy things that were happening in terms of government policy and money were as the result of international law. And so she decided after she decided to leave the legislature to take a consultancy and go to the UN and dig into their budget rules and laws and figure out why you had these rules coming down from on high that caused the legislature to behave in irrational ways. So sure enough, she ended up at the UN digging in and digging in and digging in, and what did she discover? Can you guess?

*Franklin Sanders:* There's a program somewhere that has an outline. I already know. I can just ahead.

*Catherine Austin Fitts:* Yes. "Yes, Virginia, there is a conspiracy."

In other words, this drive to centralize and make rules and centralize in a way that's destructive of building real wealth was really a plan.

So at the end of the documentary she goes back to New Zealand and becomes a sheep farmer and says, “I give up on this.” Well, it turns out sheep farming is very hard to do so she ended up getting her PhD in, I think, Public Economics or something and is now teaching in New Zealand. Anyway, the documentary ends with her on the sheep farm. But it’s a very interesting little slice of global budgeting history, which is a very good little piece of the jigsaw puzzle to put under your hat as we start to discuss through 2013 the fiscal cliff and what’s going on with the federal budget because the New Zealand budget is just this sort of tiny version of the same thing. And the greatest line from Waring in her discussion is she calls attention to the construct of the budget – are you ready for this, Franklin? This is a great description. I want you to hold onto this one. “Chronically malevolent.”

*Franklin Sanders:* Oh, geez.

*Catherine Austin Fitts:* The budget rules are chronically malevolent. I could not agree more. Marilyn Waring, thank you for your great work coming out of New Zealand. Okay. Well, Franklin, before we close, anything else you want to add about what you think is coming up and what to expect in the next month?

*Franklin Sanders:* Gold and silver to rise from here to the end of the year because the yearly pattern is if you get a low in October you get a rise into the end of the year. If you get a low in November you get a rise in the rest of the year and we’ve seen this dramatic low and turnaround. So I think it’s probably going to keep going up, but could I say one other thing, too, about between now and the end of the year?

*Catherine Austin Fitts:* Absolutely.

*Franklin Sanders:* Your readers have time between now and the end of the year to go to my website, [the-moneychanger.com](http://the-moneychanger.com), and buy a copy of my new book, *At Home in Dogwood Mudhole*.

*Catherine Austin Fitts:* Now I just have to say I was one of the first people to read this book, and it is fantastic. You have got to read this book, and I’ll tell you why, but first you describe it.

*Franklin Sanders:* Well Joel Salatin said it’s at once hilarious, humbling and holy, and I guess that’s true. It’s just about our moving out to the farm. I mean, it’s kind of like the *Nine Stooges Go To the Farm* because we didn’t know anything about what we were doing and it changed our whole lives. Living out here changed our lives and it’s been the best move that Susan and I ever made since we’ve been married. So, anyway, it’s funny, too. That’s the main thing. It’s funny.

*Catherine Austin Fitts:* Yes?

*Franklin Sanders:* I was just going to say you can’t really read about those horses running away with Justin, even though it endangered his life. I can still see him standing up with his hair streaming behind him, looking like Ben Hur on this 16-foot wagon.

Between now and Christmas you can order yourself a copy of that and if you like it you got time to order one as a Christmas gift, too.

*Catherine Austin Fitts:* What this is, is the collection of all the different things you've written about life in Dogwood Mudhole, Tennessee that you've published in *The Moneychanger*. So you've collected them all up and put them in one place and I think the thing I love about it is, to me, it's really about the process of leaving the bubble economy or the government money economy and going out and trying to do something economically relevant. Of course, the way you learn how to do something economically relevant is you try things and you fail and you succeed and you fail and you just keep trying. It's a faith walk because you've got to keep building your learning until you get it right enough to really make it work. I find starting a good successful business takes about five years and that's five painful years for you to learn about what's wrong.

And what you describe – and you do it very beautifully – is you describe that faith walk, and it doesn't matter what business you're starting. Just reading you going through the terrible times and some little good thing will happen and through it you have a light of opportunity really. So the doors keep opening, but not without lots of pain and you feel the faith walk of doing that. And I think no matter what your business is, trying to leave the Mr. Globally controlled world and go build something authentic – I think it gives a lot of understanding and a lot of wisdom to somebody who's walking through that process. Before this is over, Franklin, I think millions will walk through this process.

Before we close, please say a word about Transformation and Renewals, which was the conference we had in Tennessee last month, talking a little bit about the same questions.

*Franklin Sanders:* Well, I told you I was afraid. We were bringing together people of such vastly different backgrounds and understandings that we might have a great time or we might end up having about six or eight cuttings or shootings.

But as it turned out, everybody just set aside their differences and they just opened up to each other and it was just amazing. It was amazing how much I learned listening to them. One of the reasons that you and I did this was because we wanted people to know they weren't alone, that there were other competent entrepreneurial, sane people in the world besides them. And we got out there and, lo and behold, there's a whole lot of them.

*Catherine Austin Fitts:* There are a whole lot.

*Franklin Sanders:* Yes, and they're just great people. So I had a wonderful time. It was pretty exhausting and I haven't seen anybody who said, "Boy. This is the biggest waste of money and time I ever put in to." Everybody liked it. Everybody that came really got something out of it.

*Catherine Austin Fitts:* My favorite time of Transformations was there's a young man we have in our subscriber base who's just a terrific young man, but he's always looking fretful and nervous. He's very handsome, but he's always looking fretful and nervous. So he came and Saturday night he walked in and there was not an ounce of nervousness or fretting. He

just looked happy as a clam. He looked perfectly relaxed and I said to him, “What in the world happened?” and he said, “For the first time, I’m with people who I don’t have to lie to and I can be myself, and they’re really positive and interesting.” It was as though for the first time he was safe because he was among a critical mass of likeminded people. And that’s what I saw, was how much they enjoyed just being for a couple days with people who knew what was going on but were very positively oriented. And just having that little community for a weekend – it did something.

Franklin Sanders: Yes.

Catherine Austin Fitts: So if there’s any message that came out of that it’s, “For heaven’s sake. The people are there. We just have to find each other.”

Franklin Sanders: Well, that’s exactly right. We just have to find each other. Yeah.

Catherine Austin Fitts: Yeah. Okay. Well, Franklin, thank you so much. I know you had a lot of tickets to write today. I know you’re going to have a busy day tomorrow, so we appreciate your taking the time to join us and do the Precious Metals Market Report.

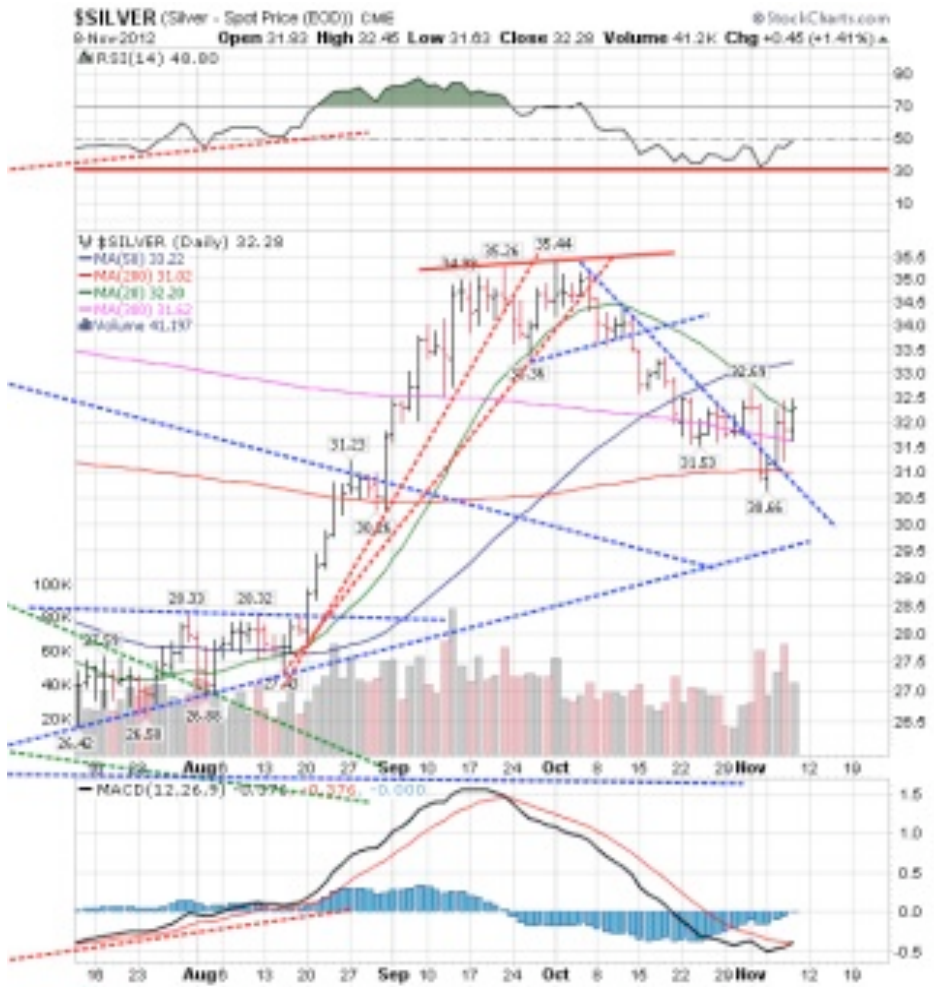
Franklin Sanders: I’m glad to do it. You have a wonderful time in Holland.

### Charts Appendix

#### U.S. Dollar

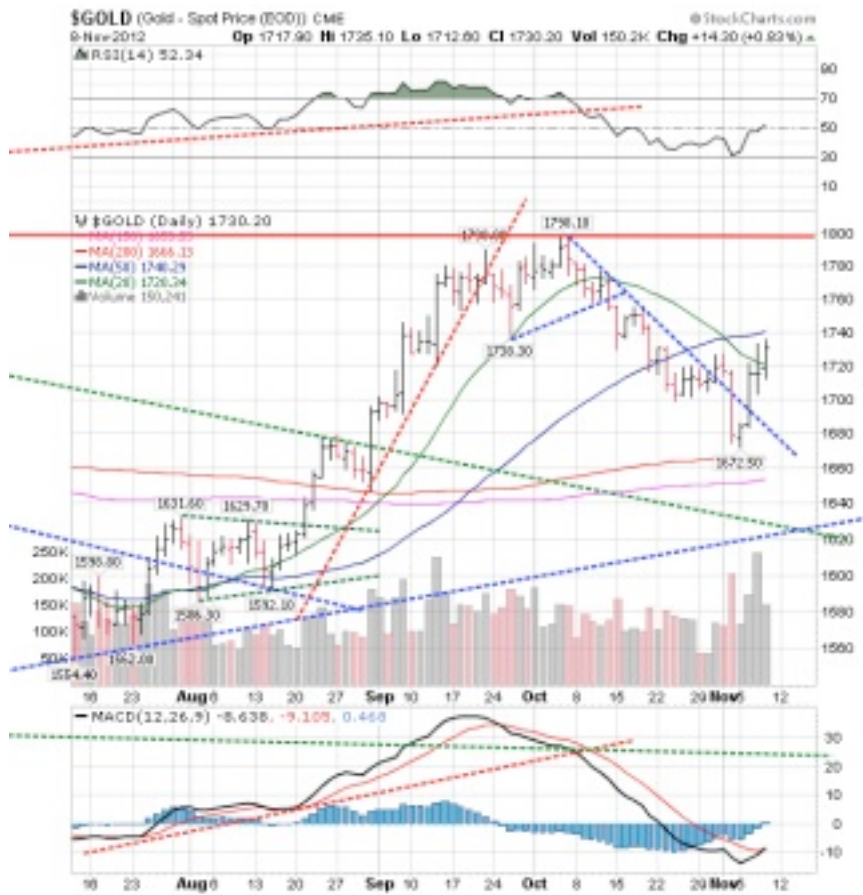


Silver





Gold



Gold 18 Month



Gold Dow-Jones



Dow-Jones Average



*Mining*

