The Ultimate Bubble is paper Money

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THE MATTERHORN INTERVIEW – October 2012: Keith Weiner

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**Keith Weiner, President of The Gold Standard Institute USA**, explains in this exclusive interview for Matterhorn Asset Management, among other things: why he sees a permanent backwardation in gold coming; the role of gold as the cornerstone of investor's portfolios; and the specific kind of gold standard he envisions for the future.

By Lars Schall

Keith Weiner has been a technology entrepreneur. He was the founder of DiamondWare, a VoIP software company, which he sold to Nortel in 2008. He is an adherent of Ayn Rand's philosophy of Objectivism, and a student at the New Austrian School of Economics. Recently, he received his PhD under Professor Antal E. Fekete. Mr. Weiner is currently a trader and market analyst in precious metals and commodities.

Lars Schall: A few days ago you received your PhD from The New Austrian School of Economics. What have you done for it?

Keith Weiner: That's a good question to start with, thank you. For several years I've been studying with Professor Fekete in monetary science and developing my own ideas. The school, as you may know, emphasises spreads more than prices and spread is the difference between two prices. For example, if you distribute eggs, you buy eggs at the farm and you pay the ask at the farm and then you bring them into the city. And you sell them in the city on the bid. So, the bid in the city minus the ask at the farm is the spread that you as the entrepreneur, as the distributor can earn.

And so if you look at the world as a landscape of different spreads, one of the things that you realise is that first of all, that very process of that arbitrage will tend to compress the spread, who is trying to profit in the market is decreasing the spread from which he profits. Which means, sooner or later he has to move on and find something else to profit from because the spread is squeezing. But you can almost define economic coordination as a process of spreads that are becoming more narrow. And one of the things – my thesis covered a number of different topics and I looked at government interference and government distortion as a result of that interference. You can almost look at it as absent distortion and interference, economic coordination is increasing which is the same thing as saying that spreads are decreasing.

So, every time an entrepreneur discovers a new way of doing things, he's now making the spread more narrow. And so, one of the things that I did was I looked at a number – I'm going to say maybe eight or ten or 12 different ways that governments can interfere in markets. So, they can pass a tax on profits, a tax on wages, a tax on capital, they can set a minimum quota, they can set a minimum price, a maximum price and I went through each example and showed through looking at different spreads how whenever the government does something which they always do in the name of helping people, they force the spread wider, which as we already proved means that they are decreasing economic coordination and creating distortion. And so, the ultimate example of distortion would be if somebody is over here who is hungry, if somebody is over here who has farmland that is fallow and this person is unemployed, you have a person who wants to eat, you have a person who wants to produce food and they cannot make a deal. And that is the result of distortion that without the government trying to manipulate the economy, that distortion would not occur.

L.S.: Why does big business love government intervention in the economy?

K.W.:: That's also an interesting question. The motivation I think is fairly simple and I don't think it's a function of bigness. First of all, I think any business – so, you have to have a minimum size in order to have access to the government. A one lone person who is running a pizza restaurant doesn't have the money to get to government, but there are much smaller businesses that play this game as well, particularly defence contracting for example. They go to the government and they say, 'We would like you to help us take money' and I will not use the word, 'Make money' but 'take money' by giving us a special subsidy or a protection or go destroy our competitor with anti-trust or a lawsuit or environmentalism or whatever it is. And so they get money as a result of this government interference into the economy.

L.S.: One of your specialities is the examination of backwardation in gold and especially permanent backwardation. Do you see this ahead for us?

K.W.: I do see it ahead. Shall I define for your readers backwardation?

L.S.: Yes, please do so.

K.W.: The simplest example to think of would be the market in wheat, although the concept applies to any commodity. And so the wheat harvest I've been told arrives around early August. So, imagine if you drove a truck out to the farm area in late July and said, 'I would like you to fill out my truck with wheat. Right, today, how much will it cost?' Well, first of all they will laugh at you because there is no wheat, you know, two weeks before the harvest, all the wheat has been consumed. But, if you insist, eventually they'll go to every bakery and everywhere else and they will renege on their contracts and buy their way out of their contracts so that they can put wheat on your truck. If a normal price of wheat is $8 per unit, you may pay $20 per unit.

If, instead, you are happy to take a contract for wheat to be delivered in September, you will pay $6. So, backwardation is very obvious here, you have to pay $20 to have the wheat today, right now as we say, 'Cash on the barrel head' in the US. But if you can take delivery in five weeks, then the price is $6. So, the price today is much greater than the price is five weeks, that is backwardation. And what it means is shortage or scarcity, so in wheat, obviously, there is no wheat a week before the harvest, the wheat is about to come in, all of the grain elevators are depleted.

Now, if you take a look at gold or silver these are metals that have been accumulated for thousands of years. We use the concept of stocks to flow ratio, which is the amount of inventories that we have accumulated divided by the annual production. For gold it is estimated around 80 years, so at the current rate of mine production it will take 80 years to accumulate the stocks that we have in inventory now. For silver, I think it's a little bit less but it's still many, many decades versus wheat which is three or four months. And so, in gold where we have 80 years of stocks to flows the concept of shortage is meaningless. There's plenty and plenty and plenty of gold around the world and so, if gold goes into backwardation this is very serious.

That doesn't mean that there's a shortage of gold per se it means that there is a shortage of gold in the market, and the reason why this is serious is that gold is money and the process of going into backwardation is the process of gold withdrawing or money withdrawing out of the system. Even though the Keynesian economists that run the financial system deny that gold is money and they can pretend that the paper bill can replace gold, it's not true. And so, I encourage everybody to think of a market crisis. Again, with the emphasis on 'Bid' and 'ask'.

When you think of a market in crisis, think of it as always the bid that withdraws, it's never the ask; it's always the bid. And so, the example I like to use, Los Angeles California is known for earthquakes and so far, the earthquakes have been relatively small, but it's on one of the major faults in the world, the San Andreas fault. So, imagine if the United States Geological Survey, the USGS said that before January we will have an earthquake in Los Angela, 13 on the Richter scale, nothing taller than a dollhouse will survive. What will happen to the real estate market in Los Angeles? There will not be a lack of offers to sell Real Estate – there will be no bids.

L.S.: You think that permanent backwardation in gold is the earthquake?

K.W.: Well, I'm just using the earthquake as an analogy, it's the bid that goes away. After the USGS announces this there will be no bids. There will be plenty of offers to sell real estate but no bids to buy real estate, the bid will be zero. Now, I want to use that analogy as gold is money and paper is credit. Gold is withdrawing its bid on the US dollar, little by little the process of withdrawing the bid can also be called the process of moving to permanent backwardation.

As those that own the gold become reluctant to buy the paper with it, those that own the gold will hold the gold close to their chest and say, 'I am comfortable standing where I am, I have no need for that paper'. The problem comes from the fact that those who have paper are still very eager, 'Please would you give me a little bit of gold? Here's more paper, how much do you need?' and they will open their wallets for more gold. This is obviously a process of rising price but in the new Austrian School we're more interested in spread; what's happening here. Well, many people in the gold world realise gold is the only commodity where rising prices can lead to reluctance to sell. If this happened in crude oil, if this happened in copper, commodities would come out of the woodwork and the price would correct. But in the case of gold, not so.

So, let's take this a little further and say that we get to a point at the end – permanent backwardation leads to a point where there is no longer a gold bid on the dollar, the euro, the yen, the pound, the frank and so forth, that's it. the gold people say, 'We're not selling anymore'. Here's where the collapse occurs. The people with dollars are still interested with euros and with franks, they still want gold. How do they get it? Well, they say, I can trade my dollars or my euros for crude oil or wheat or copper or any liquid commodity that has a market. And then once I have the copper or the oil I can then trade that for gold. And so this will be a process of trading paper for commodity, commodity for gold, paper for commodity, commodity for gold. Paper to commodity, commodity to gold without limit and this will push the price of the commodity up to any arbitrary – we're just doing an interview here. That will drive the price of the commodity to arbitrary high levels.

Picture $10,000 per barrel of crude oil or $1 million per barrel of crude oil. But in dollar terms and it will push the price of the commodity in gold terms lower and lower and lower. So, the price in dollar terms for all the commodities will rise exponentially and the price in gold terms will be falling exponentially. And the only end to this process is when people officially say the paper currency is no more. And so, I don't think that the collapse of the currency will be due to the quantity of the currency being printed like in Weimar or Zimbabwe where they just kept printing more and more zeros onto the notes. I think it will be because of this arbitrage the last desperate holders of dollars trying to get a few more ounces of gold will drive the prices. Does that make sense?

L.S.: Yes sure. – Why do you think that gold in this environment is especially attractive and why should it be – where have I written it, why should it be the cornerstone of everyone's portfolio?

K.W.: I think very simply, gold is money and that process took thousands of years to decide and gold became the most marketable good which mean it has the smallest bid spread and that spread widens the least as you go to a larger quantity. So, in any other commodity if you want to sell $10 million worth of copper, you will crash the price of copper temporarily in order to sell that but in the case of the gold market, the liquidity is always there. This means that gold has the highest stocks to flow as we've talked about and this means that gold has a marginal utility that either declines the least or maybe does not decline at all. So, gold has been selected over thousands of years as money.

We are now close to a point of the collapse of the paper monetary systems and so, you don't want to hold – so the problem with paper money is it is debt. If you think you have money 'In the bank', you actually have a credit obligation, you are a general creditor, unsecured creditor of the bank and the bank owes you the money. And what does the bank do? Well, they buy the government bond which means the government owes the bank the money. And so it's just debt to debt to debt.

The problem is when somebody defaults, that means the debt is no longer good. The creditor now has a hole in his balance sheet and the creditor may default. And once the defaults begin to cascade, they will wipe through the system like dominoes tipping and falling and tipping and falling one into the other. And so, anybody who thinks about this should want to not be in that chain of dominoes holding paper credit, they want to hold money, not as an investment, I would not call it an investment, I would say it's simply holding money because everything else will be falling in terms of real money.

L.S.: Since you're the president of the Gold Standard Institute in the U.S., I think you envision a specific kind of gold standard. Could you define it, please?

K.W.: Yes, absolutely. So, I talk about the term, 'The unadulterated gold standard' and I use the definite article 'The' because there is one kind of unadulterated gold standard. Although we have many different kinds of gold standards that have been used throughout history usually involving some degree of government intrusion into the market where the government has said okay, you can't use gold coins circulating, we will have these 400 ounce bars in the Bank of England vault in London and we'll print all this paper that represent claims against those bars and so that's the gold bullion standard. And then the gold exchange standard was after 1933 and especially after 1944 the United States government had most of the gold after World War II certainly and said you can use these dollars as if they were good as gold and they will be redeemable but only to Central Banks. This was the gold exchange standard.

And so the Central Banks then created credit in their own local currencies, you know, the Deutsche Mark, the French Franc, the Italian Lire and so forth and that that was ultimately backed by dollars. The dollars were backed by gold. Well, that collapsed in 1971. So, today as we think about going forward to a gold standard, I think what we want to be very, very clear on is that the unadulterated gold standard means it is not adulterated. Now we have to be clear what is it not adulterated with; coercion, force. So, what we mostly want is for the government to not interfere in the market for money and credit. We want an end of what is called, 'Legal tender laws' that force creditors to accept the government's paper script. We repeal the laws that nullify gold clauses and contracts. So, a landlord can sign a long-term lease in gold and not have to worry what will the ounce of gold be worth in 30 years or 50 years. We repeal the laws, most people don't think about this, there are laws that force tax payers to keep their books, their profit and loss statement and their balance sheet in dollars or euros or francs or pounds or whatever, allow the tax payer to keep their books in gold or silver or in some combination, aggregate unit if they want and to pay their taxes in gold or silver or some aggregate.

Finally, you know, eliminate the laws that control banks and control what people can do, allow people to hold the gold coin directly in their hands. Allow people to either hoard that at home if that is their choice or to bring them into a bank and deposit it if the bank offers terms and interest that are attractive to that consumer. And the reason why this is important is because the rate of interest is set by two forces. There is arbitrage by the marginal saver who either deposits into the bank or withdraws from the bank based on the rate of interest. If the rate of interest is too low, I might as well hold the gold coin in my pocket, the bank isn't paying me enough to take the risk. If the interest rate rises I'm happy to earn a yield in the bank. And this will set the floor under the rate of interest.

The ceiling in the rate of interest is set by the marginal business. You cannot borrow money at a higher cost than your rate of profit. If you're making 5 percent by selling your product in the market, you cannot borrow at 6 percent. By having a free market and money in credit, the rate of interest will be set in a narrow range and if you take a lot at a graph of the United States government 10-year treasury bond, let's say from after the war of 1812 which almost destroyed the United States, from 1812 to 1913 the rate of interest was incredibly stable and there was a spike for the civil war and there were one or two other glitches. But basically, very, very stable. And it's important to have a stable interest rate because when the interest rate moves, that destroys capital and that's part of the problem that we have today. The rate of interest has been falling for 31 years.

L.S.: One part of the bashing against gold is that it isn't an earning asset, that it does not pay dividends. What is your argument against this argument?

K.W.: Well, obviously and I want to address a deeper issue there because I agree with the underlining issue although I think it's misapplied today. Today, the problem is the death of paper money. So, I would use the analogy of picking up pennies in front of a steam roller to earn 2 percent on your paper money while the entire paper money system is going over the cliff into the abyss. To me it's misguided, but the broader issue is absolutely correct. We cannot have a gold standard if everybody buys gold to hoard it and take it home and burry it under the floor or bury it under the mattress. It is absolutely essential to the process of moving forward toward a gold standard that there be gold bonds that pay a yield not in paper currencies but that pay a yield in gold and that if the world could have a way to buy a gold bond and earn a yield in gold, then I think the adoption rate of gold would accelerate exponentially but in a way, that would not be to permanent backwardation, in a way, that would lead towards a solution to the problem that we have in paper money today.

L.S.: Do you have a price target for gold?

K.W.: To my way of looking at things, the price of gold will continue to rise and I use a computer software term, I'm going to use the expression, 'A race condition'. So, on a computer if you have two different processes that are both not really controlled with respect to one another. One is moving forward on one track and one is moving forward on the other track and you don't really know which one is going to hit first. Will gold hit $3,000 an ounce first or will it go into permanent backwardation? Which basically means there is no offer to sell gold in terms of dollars or in terms of euros. So, at some point, gold will not be quoted on the board anymore, so I use the analogy in the last you know six or 12 months of Zimbabwe there was no quote for gold in Zimbabwe dollars, so what is the price? The price is undefined, you might as well call it infinite. So, what happens first is gold hit $3,000 or $5,000 or does gold simply seize to be available. Which one happens first is anybody's guess.

L.S.: Yes, and we also hear a lot about that people argue that gold is in a bubble. Is gold in a bubble?

K.W.: I think the ultimate bubble is paper money that people have built up an enormous stock of faith and faith is the only word that I can think of in paper money. And as paper money collapses, then the price of gold in terms of paper money becomes meaningless. Gold is restored to the same role that it always was which is gold is money. Long before we had the paper dollar or the paper euro people accumulated gold without regard to price. In any other commodity, if the inventories rise, we call it a glut and then the production stops and we work off the inventories until the price falls. In the case of gold, that does not occur. So, I would say in a certain sense, it's not possible to have a bubble in gold, it's a meaningless term.

L.S.: Then there's another topic, and that's Sandeep Jaitly's interview on the Keiser Report, which caused a lot of buzz in blogosphere. Do you have any comment on this?

M: So I'm the president of the gold standard institute USA. I was not involved in the decision that was made by Phillip Barton. My only comment is that as the gold standard institute we're looking to be open and encouraging friendships with the people of the Mises Institute, the libertarians, the fans of Ayn Rand and Objectivism. These are the logical people that today, before the Gold Standard Institute, advocate a return to or going forward to a gold standard.

So, we want to be their friends, we want to encourage them to join the Gold Standard Institute to read our materials, to learn more about a proper gold standard, to encourage them to write so that our journal will become an active forum and a place for it where ideas can be shared. And so we don't want to issue statements to deliberately antagonize them and say that, you know, Ayn Rand is bad and is phony and Mises was not an Austrian School economist. We don't want to create this controversy, we want to say, 'Welcome to our tent. We have a common goal, let us pursue our goal'. Let's keep aware one thing, the world faces a deadly crisis right now. If we do not solve the problem of irredeemable paper money and the collapse that’s coming, this collapse is not going to look like 1929, not at all. I would encourage people to look, to read about the collapse in 472 AD when Rome fell. We’re talking about starvation, exposure, disease, war, strife, death.

I think we just have to focus on, we have this problem, there are not very many of us that understand the problem let alone the solution and we have to, you know, set aside whatever differences we may have to work together. This is the problem. And the enemy is the Central Bank not, you know, different flavours of people that support Gold.

L.S.: When one would have an unadulterated gold standard, there would be no need for Central Banks, right?

K.W.: Correct. Let’s have a free market in money and credit. The government will have no more involvement in the market for gold or money or credit or banking as it should have in computer software. Let people decide if people want to take the gold coin home, they take it home. If they want to put it in the bank, they put it in the bank.

L.S.: Yes, one last question because you’re talking about banks. Mark Faber said recently that he fears a confiscation of gold in the US again. What’s your take?

K.W.: That’s a very interesting topic and I have to preface my remark by saying that now we’re not talking strictly monetary science where conclusions can be definite. I can say I’m certain that the dollar and the paper currencies will collapse. Now we’re talking about speculation as to what the politicians might do in the future. That said, I do have an opinion and I actually don’t think that the US government will confiscate gold. And the reason why – I have several reasons why.

First of all, in 1933 when they did it, they had a very obvious goal which was they had to demonetize gold. People were used to – people actually had gold coins and they could make purchases in gold coins and most people would have one or two, you know, at least gold coins at home. My grandfather who was not a wealthy man in 1933 and he was a young man, he was born in 1909 so that would have made him 24 years’ old, he was working very hard and not educated I don’t think he was by any means wealthy. He had at least one gold coin which came down to me through inheritance. So, everybody was used to having them and the government had to change the perception that gold is money. Today we don’t have that issue, nobody, at least in America thinks that gold is money.

I think you are fortunate in the German-speaking world that people are more sophisticated and they understand gold a little bit better. I think most Americans really don’t. That’s the first thing. The second thing is the other reason why they would seize the gold is because they’re desperate for the money. I think in the United States there is about $7 trillion, $8 trillion in retirement accounts, IRA, 401K and other government regulated retirement accounts. Part of the regulation is that all of these retirement accounts are held in the custody of a small number of highly regulated you know, government approved custodians.

So, if they want to get their hands easily on $7 trillion they could pass a new law that says in order to keep the tax deferred status of your retirement account, you have to put, you know, for example, 50 percent into a special new government retirement bond that we're going to issue. And this avoids the problem in the United States you can't take somebody's property without due process and the Courts are decaying but they've still got respect for this. So if you're saying you're going to take somebody's gold, you might have a problem in the Court. But if Congress changes the law for a tax deferral for an account, I think the courts will accept that.

So, all they have to do is to say, 'Well, to start with 25 percent of your retirement account has to be in a government bond and then they can raise that next year to 40 percent, 50 percent. And so I think there's $7 trillion that they could sweep off the table and take to spend and that will keep the game going for two or three more years, three or four more years of the current deficit rate depending on the assumptions. Also in the United States there's another difference between Europe which is gun ownership. It is both easy and very pervasive. There are not that many people that own gold in the United States. However, amongst those who do own gold, gun ownership is probably close to 100 percent. So, if you actually tried to take the gold from the people, you're taking it from people who have guns and there would be a lot of bloodshed if you tried to do this.

L.S.: Yes.

K.W.: In 1933 I think people were much more trusting of the government. The government said, 'We promise to give it back to you, this is temporary'. I think a lot of people were very naïve and said, well, okay, you know, we'll do this. Today I don't think anybody will say that.

L.S.: Now, we've had already the final question but I think it is essential to add another question here, because when you would have no need for a Central bank and you're against central banks, isn't it then logic that the Central Banks will do whatever they can to fight you and the guys in your camp?

K.W.: Yeah, absolutely.

L.S.: And the Central Banks are one of the most powerful forces in this world.

K.W.: So, I'm an entrepreneur and I look at it as an analogy of a disruptive new business start-up and so, I'm sure you're familiar with Skype. When a start-up comes into the market and tries to compete against a big business doing the same thing that the big business does, the start-up will never be successful. There are 100s of companies that have tried to produce a car with rear wheel drive and a gasoline or a diesel engine that you've never heard of because they did not succeed. Skype succeeded because they created disruption. And a way of thinking of disruption is if you have a lever, where do you move the fulcrum point under the lever.

So, if you think of the market for a voice, you know, phone communications and you have AT&T over here and you have Skype over here. What Skype did is they positioned the fulcrum right over here and now it’s very easy for them to pull on this end of lever and they can control what happens. And so AT&T in the United States has a declining business other than for mobile phones. With mobile phones people need wireless service and AT&T is a very big provider obviously. So in the case of gold is money, I think if we structure this right and frame the conversation right and we trigger the right dynamics with the gold bonds for example, obviously the trend is people are buying gold to hoard it and take it home. So the Central Bank is going to be destroyed by permanent backwardation. Once the currency collapses and crude oil is $1 million per barrel, the Central Bank is finished.

Alternatively, I propose to bring back the gold bond in a way that would allow a graceful change. The Central Bank, there are plenty of precedents and I can think of New Zealand where state-owned enterprises are sold at auction to the highest bidder and then the Federal Reserve and maybe the ECB I’m not as sure about that, the Bank of England probably could be sold and become a private bank that obviously has a lot of advantages to start, you know, in a free market. So I don’t think they necessarily disappear if we do this right with a gold bond, but they become privatised and then they become a private actor in a free market. That’s what I would like to see.

L.S.: Yes, but isn’t the Fed a private bank?

K.W.: I don’t believe so. Obviously that’s a very controversial statement. I’ll just simply point to the fact that it’s CEO is appointed by the president, it’s federalreserve.gov as its website. It behaves and acts as a branch of the US government in all regards.

L.S.: Yes, but who are the shareholders?

K.W.: They call it shareholders but if you take a look, they pay a dividend that’s a function of the original paid in capital in 1913, so, you know, JP Morgan gets a cheque for $80,000 a year and then, you know, $800 billion a year is remitted to the treasury. So, they have – the process – when the federal reserve was set up, it was a very different entity than it is today and every step along the way they either took power for themselves that was not originally granted by law, and so Professor Fekete points out the law allowed the Federal Reserve to own only Real Bills to back the dollars that they issued. But by the mid 19-teens the Federal Reserve was buying US government bonds. And so it took until I think 1935 I don’t remember the exact date before congress retroactively passed a law that said that the Federal Reserve can own treasury bonds.

So, there’s been many, many changes to the Federal Reserve from its original origin as the re-discounter of bills into the Central planner and regulator that we all know and hate today. Somewhere along the way whatever vestige of private – you know being private that it may have had in 1913, today it’s a government agency, it behaves as a government agency, it’s arm of the government and institutes government policy.

L.S.: Yes, but didn't the Fed reveal by its actions that it protects the interest of the private banks and that it is willing to throw the citizens of the United States or maybe the citizens of the world under the bus?

K.W.: I'm not sure if they would have quite said that openly. I certainly agree while we have – people call it a free market, in my opinion probably the greatest damage done by Ellen Greenspan is to convince people that what we have is a free market today. If you look at Benito Mussolini and how he defined fascism, he said it's corporatism, it's government and business working together. So, we have a perverse currency and monetary and financial system today in which the private banks such as JP Morgan, Bank of America, Wells Fargo, in Europe Deutsche Bank and so forth, have a partnership with the government and they get all sorts of special privileges, special immunities, special subsidies and, of course, bail-outs, especially after – but actually no, I was going to say after 2008 but, of course, bailouts are not new, they had bailouts in 1987, they had bailouts in 1991 to 1992 in the US and elsewhere in the world at different times.

So they have a very crony fascist corporatist system where the survival and prosperity of JP Morgan is integral to the success of the currency. If JP Morgan were to fail, the dollar will fail. JP Morgan has too many liabilities to too many counter-parties. If they default then all of those counter parties will be destroyed and in their default everybody else who wasn't destroyed by JP Morgan's default, everybody else will be destroyed at that point as well. And so they've built a web or a net that's inter-connected in a way that no one party can be extricated and that's why the concept too big to fail. If there's a legitimate core to it or a truth to it I should say, is that they are too big to fail and if they fail the whole system fails. And so all the politicians and I have to remind the people reading this interview, all of the voters would not be in favour of allowing the system to collapse.

Let's keep in mind what that would mean, 'Collapse'. You wake up in the morning you have no bank account. You think, okay, you still have a job; no, your employer has money in the bank to pay payroll, your employer is destroyed, your insurance is destroyed, your pension is destroyed, the economy is wiped out. And so I don't think the voter's will agree to allow the system to collapse either. There has to be and this is my idea of gold bonds, there has to be a way of a graceful smooth transition that does not involve collapse, but a smooth transition to a gold system. And so, you know, without getting into the conspiracy theories, yes, Morgan is integral to and Deutsche Bank for that matter as well, are integral to the paper system. Let's be careful, if we wish for them to fail, let's be careful what we wish for because if our wish comes true we might find it's a nightmare.

L.S.: But aren't we on the road that everyone more or less will be killed if the system survives under the current circumstances?

K.W.: Well, I don't think the system can survive so I would say we're on the road right now were the system collapses and everybody will be killed. So, that's why I think it is so important to propose a workable solution for gold to – the key is gold must begin circulating again as money and the key to that is people must be able to earn interest on their gold, and then they will be willing to invest it to make the interest. Those are the two keys; if we do that then we can get away from this crazy, crazy system and the power and the wealth of Morgan and the central Banks will recede. But in a graceful way rather than, bang, you know, all at once.

L.S.: Okay, thank you very much.

K.W.: Thank you.