



The Solari Report

March 16, 2017

Precious Metals Market Report with Franklin Sanders



Catherine Austin Fitts

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C. Austin Fitts: Ladies and gentlemen, welcome to The Solari Report. This is Catherine Austin Fitts and I'm at Franklin's Farm, Top of the World Farm. Joining me is Franklin Sanders. This is the Precious Metals Market Report.

Franklin, can you possibly explain to us what is going on in precious metals?

Franklin Sanders: I'm not sure that anybody can explain it, and I'm not sure that I can. I'd like to step back from it a little and get a longer perspective on it, and I would like to talk about midlife crises in bull markets.

A bull market is an uptrend that lasts 15-20 years and it's a persistent trend that lasts that length of time. Usually there is a midlife crisis in every bull market. There are some big gains, and everybody is happy about it, and then suddenly there is some big collapse.



For several years, the market tries to recover, and many people think, “Well, that’s the end of it; it will never come back,” but then it does come back. It gets above that previous high, and generally it outperforms what it did before the midlife crisis.

This first chart, Chart #1, is a chart of the Dow from 1980 until 2002.

C. Austin Fitts: I should stop you here. If you’re not already there, go to the Commentary, and to the Subscriber Links, and we’ll have these charts under the Subscriber Links. It helps to follow along and if you can, go there and open the first chart.

Franklin Sanders: The bull market in stocks actually started in August of 1982 at about \$760. It climbed in October, and went from \$770 to \$2,750 nearly, and then collapsed to a low of \$1,616.

It took from that October, 1987 a 41% correction to February, 1991 before it finally bested at that old 1987 high. After that, it gained 7.3 times from the low. So the first leg up, it gained 3.5 times, and the second leg up, it gained 7.3 times. That’s also a rule of thumb that usually the second leg up after the midlife crisis shows a greater return than the first leg up.

So let’s look at gold’s midlife crisis.

C. Austin Fitts: This is Chart #2.



Franklin Sanders: In Chart #2, gold started up in 1999, and from 1999 to 2001 it multiplied 7.5 times. Then you have the midlife crisis. Everybody was sure that gold was going out of style and it would never come back. That bottomed in December of 2015, at about \$1,050. Then it started going back up. It's now presenting us with one of the lowest risk buy points that any market could show.

Let's look at silver, and you will see the same pattern.

C. Austin Fitts: I want to point out that the recent low is a higher low than the one before.

Franklin Sanders: Right. Silver has basically followed the same pattern except that the numbers are bigger. The gain from 2001 to 2011 is 12.5 times, so it went from \$4 to nearly \$50. But that midlife crisis also took a bigger toll on silver because silver is a more volatile market.

You have the low in December of 2015, you have a rise into July – and I'll talk about that in the next chart – but this is the picture of a midlife crisis that is finished.

Why am I so sure that it's finished? Well, let's take a look at Chart #4 which is gold for the last 15 months or so. What you see is that December, 2015 low – and I don't have it pictured on this chart, but that is somewhat of a bowl gold form there. It moved up out of that bowl and went to a new high.



You would have to go back a long way to find a high that was as high as this \$1,377.50. That was in July. That was a new high, and then it came back and corrected.

When it corrected, the low in December of 2016 was higher than the low in 2015. So what you have is higher lows and a higher high. That is an uptrend.

C. Austin Fitts: Let me point out a couple of things on this chart, which I find interesting. I've been very worried that if we had a strong dollar, particularly if we had a bear trap rally in the dollar-because of problems in the emerging market-if we break the \$1,100 line it could go down to \$700 and still be in a bowl. So that was my concern, and it's held that \$1,100 line very well.

Franklin Sanders: Right. It's been holding on at \$1,200, and that's significant. What that says is that there are a number of buyers down there under \$1,200. Every time it gets down under \$1,200, they jump in.

This picture cannot be right if it goes down to \$1,100. My interpretation is completely wrong if that happens.

C. Austin Fitts: Right, and those buyers include central banks and other governmental entities that are not inclined to run out of money.

Franklin Sanders: Right. There are some big buyers with deep pockets who come in.



This is the silver midlife crisis, which lasts 16 months. I apologize for that being such a messy chart. First off, notice that the downtrend from April, 2011 was the old high. Gold is not, but silver has broken out over that downtrend line, and that is extremely significant.

We had a low in December of 2015, traded to a higher high in July of 2016, and a higher low in December of 2016. So it's come down the neckline. You have the head and shoulders here in November and December, and it's gone back down through that neckline, but it's down around a 50-day moving average. Oftentimes a market that is trending up will correct that far.

We're thinking about the dollar, so let me go to Chart #7 – which is out of order a bit. It's not clear to me, and you can't say yet that this head and shoulders formation is real. That is what is real in the market, but so far you can see it because it went up recently. Early in March it tried to break through the top of the shoulder line and failed; it fell back down. So that is consistent with it forming a head and shoulders top. If it breaks that 99 point where the neckline is, then it will fall down to 97.5.

The big question that the dollar puts in my mind is: Is it going to go up higher, or is it going to go to \$608, or is this the top? Is this the final hoorah?

C. Austin Fitts: Right. Here are two issues. One is: What happens if the euro comes apart? We even have the German Vice Chancellor admitting that that could happen.



Franklin Sanders: Well, if the euro comes apart, then a good deal of money will go into the dollar.

C. Austin Fitts: Right.

Franklin Sanders: But much of that money may go into gold, too.

I would say that certainly the first reaction would be a rise in the dollar relative to the euro. Again, this is the dollar index, and 57% of this dollar index is the euro/dollar exchange rate.

Right now, that looks like a market that is fixing to drop.

C. Austin Fitts: So the second thing is: What about interest rates? If US interest rates keep trending up, that is going to be strong for the dollar – not strong for silver and gold.

Franklin Sanders: It is, and I expect interest rates to go up. The thing is that it is relative interest rates as much as anything else.

So, what if the Europeans abandon their zero or their negative interest rate policy? Maybe they have to. If they have a sudden flight out of the euro, then they will have to abandon that policy.

C. Austin Fitts: Right.



Franklin Sanders: All those things are unresolved, and that is the reason I am careful to say that this is not a foregone conclusion yet. Something like a big mess in Europe or a big blow-up in Europe could drive the dollar much higher. It could drive it up to \$106, and that would be tough for silver and gold.

C. Austin Fitts: Right, and it's interesting. I asked earlier about India and China. China just lowered their growth rates, so they only expect 6.5% this coming year. It doesn't sound slow to me, but clearly one of the floors on the price of gold and silver has been the strong physical demand in Asia.

The other thing we've seen is an insane cash policy in India. The question is: If Asian buying is tempered, what is that going to do?

Franklin Sanders: I'm not sure that the Asian buying would be tempered. There was talk in India of people having to report their gold holdings or having to pay tax on gold holdings. Apparently what that has done is it has flooded people into silver. So it's been good for silver.

Also, there recently was a big spike in bitcoin, and bitcoin reached the highest it's ever reached. I'm not going to say anything positive at all about bitcoin – I promise you.

C. Austin Fitts: The look on my face was pure frustration. I've had a couple of altercations recently with people trying to market bitcoin to me and sell me on bitcoin, and it is so frustrating.



Franklin Sanders: Believe me, I've heard the same stories. What was driving the bitcoin was the Chinese trying to get money out of the country. That was the whole thing driving it.

C. Austin Fitts: Right.

Franklin Sanders: I think the Chinese and the Indians are very clever.

C. Austin Fitts: Yes.

Franklin Sanders: They've been long-time big buyers of both gold and silver, and the Chinese government is not hostile to gold the way that the Indian government is.

C. Austin Fitts: It was, but I think it's changed.

Franklin Sanders: Right. It's changed its tune.

Finally, Chart #6 is the S&P. What I'm looking at there is a big wedge that started last year. At the top of the wedge on the right-hand side of the chart, that looks like a throw-over to me, which is what happens when a market tops, but I might be dead wrong about that; it might go to \$3,000.

C. Austin Fitts: I spent a lot of time working on the scenario signs for the Annual Wrap Up. We have four scenarios, and the scary thing is it's the same for the stock market as it is precious metals: The variability of what could happen over the next five to ten years is extraordinary.



For example, in the equity markets, I said on the Annual Wrap Up that you could see the Dow at 30,000 or you could see it at 10,000; both are reasonably possible. That is why I think it is so important in this environment to stay focused on what is real and what adds fundamental value.

Franklin Sanders: It doesn't always pay to stay focused on that.

C. Austin Fitts: Here is the thing: You can jump into ya-ya. The problem is that you have to know when to get out and without insider information, it's a sucker's bet.

Franklin Sanders: Let me take that in a little different direction – Facebook. I would not buy Facebook stock. What is Facebook? It's nothing.

C. Austin Fitts: It's a surveillance device.

Franklin Sanders: It's a surveillance device created by the CIA.

C. Austin Fitts: Right.

Franklin Sanders: Why would I want stock in that? In any event, they don't produce anything, they don't make anything, and they don't dig anything out of the ground. It's all air.

C. Austin Fitts: It's unnatural resources.

Franklin Sanders: Unnatural resources! That's great!



C. Austin Fitts: It's a mining operation.

Franklin Sanders: Right.

C. Austin Fitts: One author calls it 'Surveillance Capitalism'. The customer is not the customer; they are prey.

Franklin Sanders: Right, but they are prey in more than one way or another. I don't want to get off-topic with this, but it is as addictive as alcohol or a drug.

C. Austin Fitts: One thing I wanted to point out is that I was in Toronto for a week with Rob Kirby. I was attending the Prospectors and Developers Association of Canada's Spring Conference. I watched presentation after presentation, and what you're hearing is that all these mining companies are going further and further into the frontier markets-Siberia and Peru. Their exploration budgets are one-third of what they were at the peak in 2012.

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Franklin Sanders: At some point – however it plays out and in whatever form the crisis plays out – the debt has to be dealt with because the debt is too large to pay. It has to be defaulted in some way or another. That's in the future. I don't know when it is in the future. I look at charts and I think, "Oh, it's soon in the future; it's not too far out now."

The timing on that, like timing on a break in a market, is just dealing with human beings, and you don't always know what particular catalyst will drive them over the edge.

C. Austin Fitts: You and I differ on this because I have much more respect for the system's ability to manipulate the price. In other words, the central banks and the leadership are perfectly happy to operate. They know how important gold and silver are. They don't care what the price is. They aren't worried about what the values of their holdings are because they know, especially when you're holding it in that large size.



The frustration is that it is very hard for people who are new to gold and silver to live with this kind of price volatility.

Franklin Sanders: Not only price volatility, but also to realize that you are buying the gold and silver for a discontinuous event – for a crisis. Discontinuous events, by their very nature, are discontinuous; they don't happen very often. So you have to take that into account, and you have to learn patience that way. But the price volatility is nerve-wracking. As I tried to show with those charts, it has a positive outcome.

C. Austin Fitts: Unfortunately, if you study the economic model-I told you I was looking at some bank stocks the other day. If you review their fundamental economic model, it's financial fraud. They are in the financial fraud business.

Franklin Sanders: You say that, and I'm not sure that your listeners understand that you can go through a list of all the fat, big banks and the zillion-dollar fines that they've paid without admitting wrongdoing – over and over and over. For what?: For fraudulently manipulating markets.

C. Austin Fitts: I will tell you, in my opinion, those were not fines. They were simply commissions to the Federal government for the public-private partnership. They call it fines for political purposes, but in fact it's revenue sharing. It's a profit sharing venture with the Federal government because it requires both of them to do the financial fraud.



Their model is financial fraud, and there are utilities that do financial fraud. It's only a matter of time until they go kaboom, and you're going to have to fix it. It could be next year, it could be five years, or it could be ten years. There is no way to know.

What I do know is that I was quite good about getting people out of the market right before the bailouts. This time, we won't know. I don't think that there is any way to know, and I've been amazed at how many insiders don't know either.

I think that we are truly moving into an out of control multi-polar world. That's why you can't get into ya-ya, because you never know when to get out.

Franklin Sanders: Right.

C. Austin Fitts: One of my latest squabbles was when somebody got very mad at me for saying that the bitcoin was a fiat currency.

Franklin Sanders: Well, it is!

C. Austin Fitts: Because it's constrained as to how many bitcoins can exist, they thought that it wasn't fiat.

Franklin Sanders: Of course it's fiat. Fiat is created out of nothing.



C. Austin Fitts: Right. And the other thing is that if you look at who your enemy is, they can simply destroy the exchange and evaporate your bitcoins.

Franklin Sanders: Which they've already done on several occasions.

C. Austin Fitts: I know! I feel like I'm talking to bulls in heat.

Franklin Sanders: About celibacy, right?

C. Austin Fitts: I have a hard time explaining why they think that this is real. If you could buy gold, why would you buy bitcoin?

Franklin Sanders: That is what I can't understand.

C. Austin Fitts: Gold, I can put in my pocket and walk away; bitcoin I have to put in my enemy's pocket.

Franklin Sanders: Right. Part of it, I think, is the American romance with technology. The presupposition that every American has is that if it's technology, it must be better.

C. Austin Fitts: The people I know who are pushing bitcoin are looking for a way to be free.



Franklin Sanders: So you put your wealth into somebody else's control that you have no control over and is subject to government rates.

C. Austin Fitts: And they are people who are complete strangers, and you're prototyping Mr. Global's digital currency for him. What could be more wonderful? How that gets us to freedom, I don't know.

On precious metals, I have no idea what the outlook is for the short term, but you know me. I'm a great believer that the bull market will reassert; I just don't know when.

There are many negative things occurring on the horizon, and the variation is great. So the question is: Is this year going to be a good time to accumulate?

Franklin Sanders: I look at the gold chart, which was Chart #4, and I say that it is the perfect time to buy gold from an impulse wave movement. You have to move up off the low in December of 2015, have a new high, come back to a higher low, and that is the bottom of a two-wave right there, and you started a three-wave up.

Right there is the ideal place to buy. Of course there is risk – there is always risk – but that should be an ideal place to buy.



C. Austin Fitts: Right, but don't buy anything that you're not willing to hold through what could be periods of great variability.

Franklin Sanders: Absolutely, that is totally right.

C. Austin Fitts: I showed you a chart of one of the defense contractors, and it's fair to say that it has significantly outperformed just about everything including gold.

Franklin Sanders: Of course.

C. Austin Fitts: So war continues to be in a bubble. One of my favorite lines of the year was Jack Ma at Davos saying, "In the last 30 years, the United States has spent \$14 trillion on wars." That is because he doesn't know about the financial coup d'état and the other missing money.

We're looking at the chart of Lockheed Martin since the beginning. You had a very interesting observation on that chart. Would you be willing to share it?

Franklin Sanders: It looks like a chart that has almost completed its up move. There are three waves up, and it looks to me like it is a chart that is in a blow-off mode. At least that is technically what the chart says.



But, the chart also shows that 50% of the American economy is government spending and there are many people at the top that think Trump can come in and spend enough to raise it even higher. He may spend it, but I'm not sure that he will raise it there.

C. Austin Fitts: It's very interesting because we are talking about two economies – one where everything is run through the government and is very centrally planned and controlled, and the economy that you and I want to be part of, which is the market, and that is a very different economy.

It's very good that you are looking at this chart because that brings me to the effort to try to get a Constitutional Convention. You can imagine if you were in charge of keeping that bubble going, you would want to tear up the Constitution, too, wouldn't you?

Franklin Sanders: Obviously, yes, very much so.

C. Austin Fitts: You and I had a conversation the other day about what we could do. What I keep saying is that we have to enforce the Constitution; we don't need to change it. Besides, if we're not going to enforce it, why change it?



Franklin Sanders: One thing that you have to bear in mind is that in 1787 when a new Constitution was proposed, what happened was a group of supposedly trustworthy people met, and they ditched the system of government. This left a large amount of power in the hands of the people in the States. They ditched that and created a strong central government.

C. Austin Fitts: Right.

Franklin Sanders: Patrick Henry opposed the Constitution's adoption, and he said, "Look, you're giving up the power of the purse and the power of the sword. There are no other powers worth having. That's it."

C. Austin Fitts: Right.

Franklin Sanders: His actual words were, "I smell a rat!" and he did.

If you open up the form of government to another Constitutional Convention, the people who have engineered that Lockheed Martin chart will engineer everything they want into that Constitution.

C. Austin Fitts: Let me point out that in 2015 the Department of Defense had undocumented adjustments of \$6.5 trillion. Immediately thereafter, Lockheed Martin, which all during this period has essentially run the payment and transaction systems at the Department of Defense, spun that contract division into another company. Imagine your largest weapon maker also running your accounting system; it's quite remarkable.



This tells me that despite the beauty of that position, they want the liability off their balance sheet. People say, “The money’s gone.” We have over \$11 trillion, which we know of, of undocumented adjustments at DOD, HUD, and NASA.

Franklin Sanders: \$1 trillion is not an adjustment; \$1 trillion is a catastrophe.

C. Austin Fitts: We have outstanding debt on the official balance sheet of \$20 trillion. The bailouts were \$27 trillion. We can argue about what the real number was. Then there is over \$11.5 trillion missing. I could possibly take that up to \$14 or \$15 trillion. So we’re talking about twice the amount of the outstanding debt being missing. That’s enough to retire all the mortgages in the country, make sure that all the pension funds get paid, and fund the entire healthcare.

In other words, this idea that ‘there is no money’ and that ‘we can’t afford healthcare’ and ‘we can’t afford to honor the pensions’ is just hooey, but that is why they want a Constitutional Convention. They want to tear up the enforcement mechanism because you can get that money back and you can hold all of the contractors and banks that effected illegal transactions responsible.

Let’s just go through it because you and I had a great conversation.



Franklin Sanders: Before we start, I want to point out that the state of Tennessee in the last two days has filed suit against the Federal government over the government forcing them to take immigrants and pay to resettle them. There is a doctrine called the Anti-Commandeering Doctrine, and their objection is, “Look, you want to do this. That’s fine, but the Supreme Court has already said that you can’t commandeer our resources to do it.”

I think that that one example is key to why we need the Constitution. The states still have some power. If they have enough courage to use it, they still have some power.

C. Austin Fitts: If I were a governor, I would increase the Attorney General’s budget by a significant amount and say, “Your job for the next four years or eight years, until we enforce the Constitution, is to sue the Federal government. Take them to court and bury them.” I absolutely would.

So one thing I’ve always pointed out is that all of the transactions that have been effected that are illegal were transacted by the New York banks, and yet if we look at most state and local government, they are doing business with those banks.

So I think it’s imperative that we say, “Look, you banks are effecting illegal transactions which are bankrupting the country. We refuse to do business with you. We want you out of our pension funds. We want you out of our bank accounts.”

They need to start holding these banks accountable at the state and local level. Why can’t they do that?



Franklin Sanders: They can. A bank is supposed to be an intermediary between savings and investment. That is the logic reason for being a bank, but there aren't any of them that do that; they go to New York and get their money.

In other words, they feed the monster. They are all the time feeding the monster.

C. Austin Fitts: So we have to get off the monster.

Texas is starting a gold depository.

Franklin Sanders: Yes.

C. Austin Fitts: We could start one, too, in every state. Is that not true?

Franklin Sanders: The Texas bill is incredibly well designed because it would be, not only to start a depository, but also to start a depository where the citizens have access to it all over the state. It's not only in Austin, but it's all over the state.

There is no reason we couldn't do that. In fact, Frank Niceley and I were sitting somewhere in the Tennessee capital. He said, "You know, I told them what they need to do is-this is solid rock under us-bore down and put a vault there and get the gold and put it in the vault in the basement."



So, yes, that is one way to do it. We talked about a state bank – owned and operated by the state. Of course, the manifest problem with that is political influence.

C. Austin Fitts: If you study North Dakota, I think that is the model. If you have a state bank that is helping build liquidity for banks within Tennessee so that they're not dependent on the New York banks; what I don't want to see is a lot of government banks competing with the local banks. So what you want is a layer that has lending capacity at the state level and can facilitate many different things that encourage the local banks and the regional banks to get out of this New York dependency.

Franklin Sanders: Right, and it is possible.

C. Austin Fitts: Right. And then you have the infrastructure you need to do credit cards and payment systems that are not hackable.

Another thing is you have a gold depository; we still have a series of taxes and other laws that get in the way of making gold and silver liquid.

Franklin Sanders: Right. The worst, of course, is the sales tax, which, in effect, puts a monumental barrier to circulation. The second one is that the Federal government has chosen to say that the exclusive numeraire is the paper dollar – the bank credit dollar is really what it is. The IRS says, “If you have \$500 in gold coins (twenty-five \$20 coins) and you sell that for paper, you have a gain because you bought them for less paper five years ago.”



That's not true at all; all you're doing is exchanging currencies.

C. Austin Fitts: Right.

Franklin Sanders: That is all you're doing. It's not a capital gain. Why is not the dollar of silver the numeraire?

C. Austin Fitts: When I am in Switzerland and swap dollars for francs, I don't have to report a capital gain.

Franklin Sanders: No, so if you could get rid of those taxes or those two barriers to circulation – people talk about Gresham's law where bad money drives good money out of circulation. That is only true when people are legally forced to take the bad money. The opposite works if freedom is involved.

C. Austin Fitts: If Tennessee would accept payment of taxes in gold and silver, watch what happens.

Franklin Sanders: Then they would have a source.

C. Austin Fitts: Right. We talked about the Attorney General and this is Joseph Farrell's idea: Fund the Attorney General to start litigating with the Federal government. One of the people I would love to see the Attorney General of the states litigate with is the New York Fed and the member banks for effecting the illegal transactions. They could say, "You've effected \$11 trillion of illegal transactions. Where is the money? We want it back. Our pro-rata share in Tennessee is such-and such



I believe that there is common law history that would argue for the common law right of offset. People say, “You can’t get the money back,” but you can. There are different ways – both with taxes and with private credit – that we could assert common law right of offset.

“We owe you \$11 trillion, and you owe us \$11 trillion. So you know something? We’re offsetting. We don’t owe you the \$11 trillion.”

Franklin Sanders: The problem with that is finding a state government that has the courage to enforce that.

C. Austin Fitts: Exactly.

Franklin Sanders: The fact is that they’re not going to put anybody in jail. The Federal government is not going to put anybody in jail if the state government – the Governor and the leaders in the state government – say, “Okay, we’re going to escrow all of the income tax payments here in the state. We’re going to hold them until we get this straight with the Federal government.”

That is that right of offset that you’re talking about.

C. Austin Fitts: Right. It doesn’t have to be everything; they could still send a check for the creditors and the military. But they need to say, “Look, we’re going to reoptimize our domestic spending. Don’t worry about the healthcare; we’ll take care of it, but we’ll hold back that pork in the taxes to take care of it.”



There are many, many ways of doing it, but it requires people to sit down and talk about it.

Another one, which is very near and dear to my heart that you've taught me a lot about, is food safety regulations. As soon as I bring this up with financial people, they say, "Food safety? What does chicken processing have to do with the suppression of the gold price? I don't want to talk about food."

But if you look at the economy, the Federal government has essentially outlawed the economy.

Franklin Sanders: Right.

C. Austin Fitts: Part of undoing that outlawing of the economy means that we need families able to generate a living or generate their own food without fear of being enforced against.

Franklin Sanders: Right.

C. Austin Fitts: In fact, when it comes to enforcing the Constitution, getting the food safety laws dealt with and the laws that stop market-making around food is critical.

Franklin Sanders: Absolutely. The USDA inspects meat. According to their regulations, meat that is sold in grocery stores has to have a USDA inspection. Why not a Tennessee state inspection? Why do we need them? If it's all going to be sold within Tennessee, then why isn't our inspection good enough?



What you have to realize is: Here is how those regulations work. In the last 19 years, we have been through eleven or twelve meat processors. The reason is because they keep going out of business. They go out of business because the proprietor has sons but they don't want to go into that business. He gets old and retires, and they close down.

Well, in order to build a new plant, you're going to have to spend more than \$1 million only for a new processing plant. So what that means is that more and more processors disappear.

C. Austin Fitts: Right.

Franklin Sanders: There are thousands of processors who process deer and wild game, and they can do just as well as the others. Go hire some inspectors if you're worried about bad meat getting into the food chain. But there is no reason those regulations can't be streamlined and state administered so that things can get in commerce more easily.

C. Austin Fitts: Right. It's remarkable, in a place like Tennessee, how if you simply re-engineer the food safety rules how many small businesses would sprout up immediately.

Franklin Sanders: It's incredible. I keep hearing and thinking about this utopian future that people are so worried that technology is killing everybody's job. So there will only be eight people left working in front of a computer somewhere in the world, and the rest of us will be drinking beer and smoking dope, right? That is the way that they make it sound.



Well, there is a lot of work – believe it or not – that can't be done by a computer or a machine. You can take a small farm – 60 acres or 100 acres or certainly 200 acres – and you can support many people from that farm.

C. Austin Fitts: Right, but you have to create the markets.

One of the suggestions we came up with was the importance of getting the local institutions to buy food, particularly the local school boards.

Franklin Sanders: Right.

C. Austin Fitts: One thing that I would do immediately in a state is simply say, “The local school boards have to buy the food from the local farmers if it's available.” That would kick-start the market incredibly.

Franklin Sanders: Oh, heavens yes!

C. Austin Fitts: Another set of laws that are near and dear to my heart is the circulation of equity. I have to tell you that it is easier to learn Russian and Chinese than it is to figure out the legal structures you need to circulate equity locally.

I always say that I can go down to the Hickory Valley grocery store and spend my entire life savings on lottery tickets, but if I try to buy shares in the Hickory Valley grocery store, I am going to go to jail because they are trying to protect my capital. I can also go ten miles down the road and spend my life savings on narcotics trafficking.



Franklin Sanders: Once again, just like regulations stand in the way of entrepreneurs, a lack of financing stands in the way of entrepreneurs. Big banks aren't interested in financing \$100,000 or a \$1 million business. They aren't interested in that. There is no money in it for them.

C. Austin Fitts: Right, although I will say that Tennessee has been very good. If you look at the 50 states – and we did this in the Annual Wrap Up – we have a link on the website that shows you the underfunded liabilities for both pension funds and healthcare and debt for the states. Tennessee is the second best in the country, and South Dakota is the best; so Tennessee has been rather good.

If you look at what could be done and let's say that every county in Tennessee had a venture pool. So they had a read for the county and a venture pool for the county and the state pension fund could invest in those, the state pension funds in most states would be much better off because what they've been doing is mortgage fraud.

So if you see how much you lose on mortgage fraud as compared to investing in the bread and butter of those local markets, it's a much better investment.

There is a way to marry the state pension funds' money with those kinds of local investments, and it's very responsible and very reasonable. Not only that, but when you make it liquid, you can make the profits of the local businesses eligible to invest in the local businesses because you've created a liquid vehicle for them to do it.



The greatest sadness that I see in all of America is all the small businesses in your area pulling their capital and putting 5-10% of their earnings into 401k's for their employees, and by law, that money must be invested in the large companies that are trying to destroy their market and take over their business.

So imagine putting 5-10% of your profits into a vehicle that is designed to finance your competitor to take over your market. It's crazy!

So create a vehicle that allows the local businesses to circulate that in a way that is balanced and diversified but is building up their business and building alignment between the local purchasers. It's been proven that if a consumer can buy stock in the company where they're purchasing, you get a much tighter, more profitable relationship.

Combine the equity as well.

I'm optimistic about the last 60 days because all solutions require transparency about actual problems. One thing that I will say about the Trump Administration is we've received more transparency about the real problems.

It's very organic, but there is much more of an honest conversation happening. One thing that was stopping me on honest conversations is the fake news. I have to tell you that the fake news is in trouble, and it is a great thing to see.



One thing that Trump has brought transparency to is the fact that the President of the United States cannot talk to the Prime Minister of Australia without being leaked to the press. So he can't have a private conversation on a perfectly legitimate topic of national interest. You and I can't have a private conversation because our computers aren't private, our TVs aren't private, and our phones aren't private.

How are we going to run an economy in a world where you have a number of telco's and intelligence agencies and internet firms basically harvesting us? We're being mined 100% of the time. One of the solutions is: Can the state and local government be part of creating digital infrastructure with integrity within the state?

Franklin Sanders: Secure communications, right. Why not? Why couldn't they do that?

C. Austin Fitts: I don't know. If they get properly capitalized with gold, it seems to me that they could.

Franklin Sanders: The WikiLeaks revelations from two weeks ago showed that from the very beginning they've been perverting working with manufacturers and software riders. I don't want to name any names, but they can use every device they have got to spy on you.

C. Austin Fitts: Right. We just want to say hello!

Here is the thing: As someone whose had my business harvested by the intelligence agencies, I've seen the enemy of the state process work. It's very interesting.



When I was in Toronto with Rob Kirby, he brought an article. He said, “Look, just tell the CIA that if they can dump out the cyber warfare tools, they can dump out Community Wizard. You know they’ve been expanding it and improving it all along. You know Goldman has been trading with it. You know Google is mapping with it. The data beast has been growing and morphing, and they’re using it to harvest places. Let’s dump it out. We paid for it, right? It’s ours. Let’s dump out Community Wizard. Why make us do all the work. Let’s get our tool back.”

I said, “Okay, Rob. I will certainly give permission for the CIA to dump everything that they’ve stolen from me plus what they’ve been doing with taxpayers’ money ever since.”

Why not demand it? One thing I did – and it’s on the website – is write a letter to Marsha Blackburn. I said, “You want to heal the economy? It’s very easy. Call in all the webmasters from all the agencies and tell them to put up all the databases of things that are required to be publicly available, and we’ll do the rest.”

It hasn’t happened yet, but the Administration could do it. And the Attorney Generals could sue and require that they do it.

Franklin Sanders: Right.

C. Austin Fitts: Anything else on our wish list that you want to enforce?



Franklin Sanders: One thing that sounds good and is often not good is privatization of state services. My experience with that is with private prisons. The bottom line is that private prisons want a bottom line, and that means that they are going to skimp on services like medical services that cost money.

Prisons are quintessential state functions, just like armies. You don't want to hire an army to protect you from an enemy because those mercenaries don't have the same interest in it as you do.

I'm not a fan of state bureaucracy or any bureaucracies, but there are some governmental functions that the state has to oversee, and that is one of them.

C. Austin Fitts: Right, and it's going to be difficult. I know that one of the largest private prison providers is in Tennessee.

Franklin Sanders: Oh yes.

C. Austin Fitts: That is going to be a political problem.

Franklin Sanders: Oddly enough, there are many politicians who own stock in that company, too.

C. Austin Fitts: They came to Hardeman County, and some of the political figures are pushing it – they had stock. Of course, it wasn't disclosed.

We can hand out stock in local venture pools for communities. We can play this game, too, if we organize.



There is one other that I want to mention, and that is the growth of marijuana and hemp. If you look at Tennessee on a per capita basis, marijuana is the number one cash crop, and number two behind California. It is immense pertaining to marijuana.

My theory from what I've seen biking around Tennessee is that it's being grown on the Federal lands. It's strange.

I was exercising and had a trainer who dealt drugs in Hardeman County. I asked him to unpack and explain how the drug businesses worked around me. He and I would bike together. One time we were biking on one of the big Federal parks. It must have set off loud alarm bells. We were followed by troopers the entire way. They had cars blockading the areas.

I thought, "How do I tell them that I'm really here to bike? I'm not interested in their marijuana."

It got me thinking about what is happening on the Federal lands.

I'm a firm believer that if we could make hemp legal, it would be fantastic for local economics because there are so many different products – and marijuana-for medical purposes. If you see the amount of money that is being spent here for pharmaceuticals and pain, what the drug dealers will tell you – the ones who I've talked to here – is that their basic competition is painkillers. They are providing lower cost painkillers for people who don't have healthcare insurance.



Franklin Sanders: You and I know, but your listeners may not, that there is an epidemic of pain pill use. Much of it is legal. The VA and various government agencies give people painkillers. It's especially epidemic in women over 40. Many of them are in a difficult stage in their lives, and get addicted to painkillers. It's because some doctors prescribe it to them. It's a huge problem.

C. Austin Fitts: It is a huge problem. I'm very interested in the use of marijuana for juicing for cancer treatment. There have been remarkable results with it.

If we could reduce the control on naturopathy and homeopathy and other natural medicines and lift the restrictions on marijuana and hemp you would see a real blossoming of economic activities.

Franklin Sanders: I have to tell you an anecdote. A person who has recently returned from working four months in California in the marijuana industry had a job to trim the buds for sale. They gave him a large stack of plants, and he trimmed the plants.

He happened to mention that in the last year, the price of marijuana has fallen from \$2,000 a pound to \$1,200 because everyone is growing it. The funny part of that is they're destroying the black market in marijuana because if anyone can get into it, there is no black market to keep the price high.



C. Austin Fitts: What they need is the tax revenues. They are sending it over so that they can get the tax revenues.

The last thing is that the Federal government, by law, cannot spend money unless it's envisioned in appropriation. So if your congressperson is continuing to approve appropriations when money is being spent outside the Constitution and the government is in violation of financial management loss, your congressperson has the ability to do a great deal of things including refusing to vote for appropriations until that system is righted.

It's interesting. I went to a Town Hall meeting with a congressman who was on the budget and defense appropriation committees many years ago. I told him in front of 30 of my neighbors, "There is \$3.3 trillion missing from the Department of Defense."

He said, "Yes, I know."

My neighbors went into shock, "Oh my gosh! She's right!"

I said, "What are you doing about it?"

He said, "Nothing. There is nothing that I can do."

This is a person who is on the budget and appropriation committee. So I followed up with a letter to his Washington and Tennessee offices listing all the things those congress people can do. So part of this is that each one of us should hold our congressmen and their staff accountable to enforce the Constitution, or vote them out of office and get someone who will.



If you have enough people in there and get the Tea Party people educated to this, this can be enforced.

Part of the challenge with turning this around is that enforcement requires thousands of actions, whether it's un-outlawing the economy, which gives us the ability to change the model, or simply holding all the institutions responsible where we can.

So many people I know are still banking with the banks that have effected all these illegal transactions. Why?

It means that we to have to hold the system accountable at the same time that we change the model. People tell me, "That's too hard." My attitude is in line with a quote from Confucius, "The way out is through the door." Why is it that no one has availed themselves through this method? Yes, it's hard, but it's easier than continuing to go as we have.

In the current model, we enter into an inhuman civilization and most of us don't make it. I don't know about you, but I'm not prepared to be a slave and I know you're not prepared to be a slave. We have a choice between slavery and freedom, and if we are going to be free, we have to be economically free.

Franklin Sanders: I don't know why people resist those choices. I don't know why they want to feed their enemies. It's plain to me, so I'm not the person to talk to about it.

If you want to be free, that starts today. You do the things that make you a free person. But you're right; the problem with many Americans is that they think that we can do only one thing. "If we can just elect a President,



that will change everything.”

It won't change very much at all. As you said, there are thousands of things that can get done. I interviewed a state senator, Frank Niceley, in my last newsletter.

C. Austin Fitts: By the way, that is a fantastic interview. Everybody should get the *Moneychanger* and read that interview.

Franklin Sanders: It is a good interview. Frank has a very clear mind and is a very conservative good guy. In 2008, the Republican majority – and I'm not a Republican partisan, as you well know – got together and said, “We're going to make things different. We're going to change things.”

Well, they killed the inheritance tax, they're doing away with the income tax – I think it has just one more year to run – and they've taken off all kinds of regulations. By reducing the taxes, they have a billion-dollar surplus on about a \$34 billion budget.

C. Austin Fitts: Right. The thing that so impressed me about that interview is listening to someone talk, not only about himself, but a number of other legislators who are intensely interested in the real world and the real things that you have to do to undo the outlawing of the economy.



This is trench warfare, and it's complex. It's very much in the details, particularly when you're writing law and doing legislation. These are people willing to get into the machinery and start turning the nuts and bolts of the machinery, and find that interesting as opposed to, "Let's elect the great white hope who will go in and fix everything himself from Washington," which is never going to happen.

Franklin Sanders: I don't know about other states, but I've observed this in Tennessee over the last 30 years or more. We have some really sharp state legislators, and some sharp people who are devoted to freedom. I think they are much better than the ones in Washington.

C. Austin Fitts: One of the critical reasons I stayed in Tennessee is because I was listening to a presentation by the Tennessee Firearms Association. They do very good work, and the person who is in charge of lobbying is a very nuts and bolts guy who is very interested in the detail, made a presentation. He said, "The first thing you need to know about the Tennessee Firearms Association is that our membership is greater than 50% of the people who regularly vote."

I said, "Now there is a man who is grounded and understands how to get things done."

This has been great, Franklin. I'm left with a feeling about precious metals that you have to know what precious metals is and what it's worth. It takes time. For those of you who haven't gotten to know precious metals, I think it's time to learn.



One thing that I realized a couple of years ago was that precious metals are here to stay because, in their model portfolio, Schwab had added 5% precious metals to it. So you know it's here to stay when they are in the Schwab allocation.

I think with anything that is valuable, we are in a period where the price is going to vary and could vary wildly, but I think it behooves you to understand precious metals and to have a core position. I do think there is a good chance this year – and I haven't said this for many years – to start to accumulate if you want to take this opportunity. I think that chart you showed us is right.

We have a higher low now, and the world is not going to get more stable; it is going to get less stable. I'm willing for it to get stable, but I see no signs.

Franklin Sanders: I think Trump is throwing many balls in the air – whether he means to or not. You can look at the volatility markets since he was elected, and it's been crazy. It's been nuts.

If you look for factual drivers for that, you won't find many. It's essentially euphoria. Euphoria is good; the animal spirits are good, but there has to be some money there somewhere.

C. Austin Fitts: Right. The other thing that I would say is that inflation is very strong. That is what I'm seeing. I said last year that I thought it was running at about 7%. When I was in Toronto, their housing market is up 20% plus a year for the last three years



C. Austin Fitts: Exactly.

Franklin Sanders: They have their own mortgage bubble, don't they? They have their own real estate bubble.

C. Austin Fitts: Yes they do.

This is going to be an interesting year. Tell us how we stay current with what you're doing.

Franklin Sanders: I publish a daily commentary about the silver and gold markets, and that is the only place on the internet that wholesale prices are available because I publish wholesale prices for a large group of items every day. Then I make my remarks and commentary about what is happening.

C. Austin Fitts: If people want to get the daily commentary, where do they go?

Franklin Sanders: Go to www.The-Moneychanger.com. and on the right hand side there is a window that says, "Sign up for the daily commentary."

C. Austin Fitts: And how do they get the newsletter?

Franklin Sanders: They can order the newsletter, which is by paid subscription, off the website as well.

C. Austin Fitts: I read it every month and I laugh every month. You have a way of dealing with reality that is still uplifting.



Franklin Sanders: I hope so.

C. Austin Fitts: But the Frank Niceley interview is fantastic. Is there anything else that you want to say about the outlook for precious metals?

Franklin Sanders: You realize that this is the 17th anniversary of the last big top in the stock market – March of 2000. You realize that locusts come and go in a 17-year cycle, too.

Actually, Rita is a cycles analyst who makes a big deal out of 17-year cycles. For that reason, I've been thinking that some big thing would happen this month with stocks. I don't know whether they will or not, but that will affect gold and silver.

C. Austin Fitts: Here is my feeling about stocks, and it bears on this. I think a decision has been made globally to try to move the model from a debt model to an equity model. So think about it: We have far more debt than we can afford to pay off. You can either write the debt down or mark the equity up.

We have enormous amounts of cash in the bond market because we have printed, printed, and printed. It needs a place to go. The stock market and real estate are the only places large enough, and real estate is less liquid.

The stock market is a perfect place for a lot of this money to go, and I think if you see what's been happening in the stock market, much of what's been driving it up is sovereign wealth funds, government



government pension funds, and central banks. It's as though they've all received the commandment, "Though shalt buy."

They are moving extraordinary amounts of monies in. If you look at what has been happening to the PE or the forward earnings since 2014, it doesn't make any sense until you consider the fact that all this cash is looking for somewhere to go to. What that says to me is: Inflation. But I also think that there is an enormous strategic governance decision that says that we want to manage this through equities and to privatize it and move the assets out of government and into corporate hands. I think part of this bubble we're watching is in anticipation. Everybody is licking their chops that they are finally going to get a hold of all this privatization business.

That is why I say that it is very fluid and that it can go either way. I see a lot of money chasing assets, and that could push up both precious metals and equities.

Well, Franklin Sanders, it's always a pleasure.

Franklin Sanders: It's my pleasure.

C. Austin Fitts: It's great to sit here at the top of the world and look out. I see the sheep are making money for you as they sit and breed.

Franklin Sanders: That is exactly right.

C. Austin Fitts: You have a great day, and thank you again.



MODIFICATION

Transcripts are not always verbatim. Modifications are sometimes made to improve clarity, usefulness and readability, while staying true to the original intent.

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