Catherine & Franklin Sanders Interview Edwin Vieira
Precious Metals Market Report
The Solari Report: November 10, 2011

Catherine Austin Fitts: Fantastic. Okay, Franklin. The precious metals market. A lot happened over the last month. You want to bring us up to date?

Franklin Sanders: I think the key is to look at the U.S. dollar, because the story is pretty much all told there. Or you can look at the euro. It's you know, the same thing, seen its ups and downs. But the dollar was rallying at the beginning of October, and it spent the whole month of November – or the whole month of October giving up those gains, but it's come back. Really, the big story that's controlling the markets is the crisis in Europe.

It's hard to believe that the people in charge are dithering the way they are on purpose. You know, it's always a mistake to refuse to take the simplest explanation, and the simplest explanation is that they're all stupid. And apparently that may be the truth, unless they're just managing the crisis, which is also possible, to end up with greater centralization and greater control of all the national economies. But whichever way it's going, the big story in the markets is the euro, and the euro fix is on one day and it's off the next day. It's on one day, it's off the next day. And now there's rumors that the euro might be broken up into the two-tier system. And it's not even obvious that France might be able to sneak into that two-tier system. But what is obvious is that Germany is in control.

Catherine: It's in control.

Franklin: And Germany stands to lose more than anyone else by the failure of the euro. I mean, if you think about it, Germany has gained more in the last fifty years through the European Union and the euro. It's gained everything that it worked for in 300 years of war. Only without the war.

Catherine: Well then, I want to point something out. Can you imagine Greece has just had made president – the head of the country, a guy who is a former Governor of the Bank of Greece, and a member of the trilateral commission. So it's a little bit like Alan Greenspan was appointed president of the United States.

Franklin: Well, you know —

Catherine: Can you imagine?

Franklin: Yeah. I have to say it and I know that it sounds maybe simple-minded, but whenever you see that those people are put into power who have connections like that, trilateral commissions, CFR, you know, Bank of Greece and so forth, you know the fix is on. Because those people are part of that cosmopolitan elite that runs the whole world, and they've put him in there to fix. You notice he's only an interim Prime Minister, and he's only there to force the Greeks to accept these terms that have been dictated to them, when the only real solution is the debt jubilee, is to write off the debt. Because it can't be paid off. All they're doing is putting Greece into a state of slavery for the next, I don't know, century or so.

But let me go back to markets. I've gotten off my subject.

Okay. If you look at the euro, you see that the euro rallied and came up to the range that it had fallen out of back in September, and it went up almost to the point where it fell off about 142, and it made what's called an island reversal, which is a very, very strong reversal pattern. And since then it's dropped like an anchor out of a 747 jumbo jet. And it's going to 120. I mean, I look at that chart and I say 120 at least, maybe lower. The Japanese broke the yen the other day so they've been plagued because running out of euro has been going into the yen, which was already way, way overpriced because of the earthquake last spring.

So if you look at those currencies, they're in the process of falling apart. When they fall apart, people run from one of those to another. They've run into the U.S. dollar. They've run into Treasury bills. But they've also run into gold, and that brings us to gold and silver. And the big question – and that is, have gold and silver bottomed yet? Has the correction that began at the end of September actually finished or not? And it's not clear. If gold gets through $1,800 then that's the end of it. It's going much higher. You notice that within the last couple of days gold has gotten up to $1,800, challenged that mark, and then fallen back. Today it went below $1,750, but it came back and rested – closed slightly above $1,750. So there's a tug of war going on there.

Silver has not benefited as much as gold from this economic crisis, and the silver chart is much more equivocal. I think probably you're going to see another day or two of downward trend, but what you're seeing is a struggle, certainly behind the scenes, all the nice government men at the European Central Bank and the Fed, and the Bank of Japan. They're all working to keep the price of gold down, and the crisis of course is impelling people into gold. Which one will win? I can't say. I don't know yet. But if you see a close significantly above $1,800 and gold stays above $1,800 for two days, then stop waiting for lower prices and go ahead and buy, because that's it.

On the other hand, if gold closes below $1,705, then we're going to do some more of this sideways movement in range trading before gold starts up again. With silver, the numbers are – the situation is a lot the same, although silver's just weaker. But the upside numbers are about $35.50 on the upside and really $33 on the downside. If silver breaks $33, then it could drop as low as $30 again.

So that's pretty much where we are. It's just a waiting game, but we've —

Catherine: Which is where it was at the start of the year.

Franklin: Do what?

Catherine: $30 is where we started the year. A lot of people would be happy to be where they started the year in other categories.

Franklin: Right. Well, the main thing to remember when we go through corrections like this is these are not disasters. These are not reasons for you to go in the morning and put on a hair shirt. These are reasons for you to buy more gold and silver. These are corrections. Periodically all markets have corrections. All upward markets, all downward markets even, have corrections. And that's what you're seeing now. And this is the time to buy because the risk from here may be 10%, but the upside potential is a triple, quadruple, or a quintuple from where we are.

Catherine: So you and I had revised our highs up into the two thousands for the year. Is that where you still think it could go?

Franklin: Easily. If it gets to $1,800 it'll easily go above. It'll probably go above $2,000. $2,100. $2,300 maybe. If it doesn't then you know it could trade along here gradually moving its way up into the end of the year, and you know, end of year. I don't know, somewhere around $1,800 or $1,850. But there certainly is the potential. There's plenty of time for gold to move up to $2,100 or $2,300 before the end of the year.

Catherine: Right. I agree. Thank you, Franklin. Anything else you've been seeing in your flow? How's the demand for physical? Is it strong?

Franklin: As a matter of fact, it's very strong. I don't think that's debated, but the premiums on silver and gold items indicate that the you know, demand is steady, but it's not out of order the way we saw in the financial crisis of 2008. You know, when we saw this wild demand that was driving premiums on everything sky high. That's not there. But there's plenty of steady demand.

Catherine: Okay well, the gentleman I'm about to introduce is someone who Franklin has known for a long time, and it was you Franklin, and James Turk who first got me to read Mr. Vieira. He is a very educated attorney, Harvard attorney. And an incredible author, and among other things, has authored a book which I describe in the blog post for this week, and which I can't recommend to you highly enough. It's a two-volume book, *Pieces of Eight*, which has now been republished. And I told Edwin earlier this week a very funny story. You may not know this, Franklin.

David Liechty became an intern at Solari because he couldn't get *Pieces of Eight*, so the deal was if he moved to Hickory Valley, could he have the book for a year while he was there? So Edwin, among other wonderful things, brought David Liechty into my life. And I would not just describe him as an attorney, but really an amazing scholar. And I don't use that word lightly. But in terms of understanding of American law, and the constitutional framework, including for money, I don't think he has an equal. Would you say that that's fair, Franklin?

Franklin: Oh, absolutely.

Catherine: And so it's my pleasure to welcome to The Solari Report Mr. Vieira. Edwin, are you with us?

Mr. Vieira: It's my pleasure to be with you, although I don't know if I can live up to the buildup.

Catherine: We think you can. If you could just first start off by describing how you came to write *Pieces of Eight*, and through the history of that, and the book from your perspective. That would be great.

Mr. Vieira: Well, it was something of a fortuitous situation. I had always been interested in money as a part of one economic studies, especially when I was at the law school. And I'd collected material, the banker's box if you will. Notes on this, and notes on that. And then I had a client who was interested in generating some sort of a test case on the Federal Reserve, and irredeemable currency. And he took me in one day to see the people in Ron Paul's Congressional office, and I think Lew Rockwell was Ron Paul's — one of his legislative assistants at the time.

And Ron Paul was on the Gold Commission so this was at the end of '81 into '82. And I started talking to Rockwell, and a couple of other people there, and just asked them whether there had been some material put into the Gold Commission hearings that dealt with the Constitutional aspects of — well, gold for that matter, but generally the monetary system. And they said no, not really. I said well, how could you have hearings of this kind and not build that foundation first? And one of them looked at me and said, why if you think it's so important, why don't you write something and submit it?

So I went back to my boxes of notes, and put together a sixty, seventy-page basic analysis of the Constitutional principles of money, and put that in, but it came in so late in the process that although it was published in the general report of the Commission, I never had an opportunity to come in as a witness and testify.

But I did come back again to Ron Paul's office, and this time we were talking to Ron Paul. And he said oh, that was a very useful piece. I should have that published in some way. I thought well, it was too thin. So I worked on that through part of 1983 and came up with a 380-something page book called *Pieces of Eight, The Monetary Powers and Disabilities of the United States Constitution*.

And that sat around among the usual suspects if you will for eight or ten years, and eventually it went out of print, of course. And over the years, people kept asking me for it, and I finally said well, maybe I'll have this reprinted. So I went back to the printer which in fact was the printer for some of the big law reviews. I'd used them because I had it in that kind of a format, so if anyone looked at this would say oh, this is a legal publication. And they had destroyed all of the computer tapes, and in fact they had destroyed the plates, and they had destroyed the original manuscript that I'd sent them. It was all gone.

So at that point I said oh, we're in trouble here. We went and scanned the original book, which was difficult at that time because it was what they called an optical character recognition software, and the book was full of tiny footnotes and it was reading threes as fives and all sorts of things. So it was a huge amount of work, just getting that back into an electronic format.

And at that point I said well this thing is too short. There's a lot more material that people need to have to completely understand what has gone on here in the past 2½ centuries. And so it went from a 383-page book or so to something of the order of 1,700 pages, and that came out in 2002. And it was sold out or given away. Gave quite a few away to law libraries throughout the country.

And then the Gold Money Foundation came to me last year and they have a project for reprinting or supporting the publication of books that promote sound money. And James Turk said he wanted to put out a Gold Money edition of *Pieces of Eight*, so we did that. And now finally everything – if it ever becomes a best seller, if you ever find it in you know, in Walmart for instance, we're all set to produce them. We could produce a million of them – finally.

And in a way it's just the right timing. The original book came out in 1983. There wasn't much attention paid to what the Gold Commission said other than 1985. Of course, they came out with the gold American eagle and the American silver liberty coins, which was part of the recommendation of the Gold Commission. And then from then on this whole sound money movement pretty much stagnated. And of course, it's just the opposite.

Catherine: And to me *Pieces of Eight* — is if you're a financial person in North America this is like Webster's dictionary. This is one of the things you've got to have. It's the bible. The one thing I want everybody to listen to this, and I really encourage you. If you have a basic library on anything American, *Pieces of Eigh*t is absolutely something that you want to have. And Edwin, you can buy it at all the usual characters. You can get it at Amazon. Right?

Edwin Vieira: Yes, actually you can only get it at Amazon. If they go to Amazon, you have to be careful because some people are selling the 2000 edition. Excuse me. The 2002 edition. This is the 2011 edition. It came out across 2010-2011. And they will get it on Amazon from a supplier called Auriga. If they get it from Auriga, they're getting the Gold Money Foundation new edition.

Catherine: Okay. This is a terrible question to ask somebody who wrote a 1,700-page book about it, but could we briefly – could you briefly describe the difference between what the Constitution says about what our money system should be, and what we're actually doing?

Mr. Vieira: Well, the Constitution tells us that the official money of the country should be solely gold and silver coin, and not exclusively United States gold and silver coin. The Constitution actually provides for the monetization of foreign gold and silver coin. And that the only "legal tender," and that's a term of art, of an official character should be that gold and silver coin that Congress either mints or as the expression goes, regulates the value of.

And there should be no official paper currency. Neither the states nor Congress should be minting what the Founders called bills of credit, which we understand in terminology today it's paper money. The paper money that might exist would be in the private sector entirely generated by banks. And then of course, you run into some other problems dealing with fractional reserve practices, and transparency, accountability and so forth and so on, which would be regulated obviously under either the commerce clause or the police powers of the various states.

Now of course, what we have today is exactly the opposite of that system. We have an incestuous public-private partnership, a corporative state structure. Let me be blunt – a fascist structure. That links the banking cartels —

Catherine: I think Franklin and I would think that was fair. Wouldn't you, Franklin?

Franklin: It is fascist.

Mr. Vieira: I'm using that in the Italian sense. In the technical economics sense. Not the kind of general pejorative, but in the technical economics sense. And this cartel is interlocked with the Treasury, and the cartel has been granted or delegated the authority to emit bills of credit for which ultimately the American people are on the hook because the statute that deals with the emission of Federal Reserve notes makes them obligations of the United States that ultimately must be redeemed by the U.S. Treasury.

Now, the Treasury has a first lien against the assets of the various Federal Reserve banks, these twelve regional banks, but of course, the scenario that comes to mind when you're talking about the ultimate surety here that the Treasury is going to have to pay off, is the crisis situation, which that lien would be worthless because the banks have gone bust.

So we have a situation where the bankers are in a position to make profits out of this system. And I'm not talking about the twelve regional banks. I'm talking about the thousands of commercial member banks in the system. And if something goes awry, then the public has to do the shoveling if you know what I mean. And of course, that's exactly what we've seen with the various bailouts that have occurred.

And of course, the beauty of this system from the banker's point of view is they hold all of us hostage. They now say well, if we don't get these bailouts the economy will collapse. And the alternative to that would be well, that's fine. We have Section 30 of the Federal Reserve Act which says Congress has reserved the right to alter, amend, or repeal this act at any time. And there's various other steps that we can take to deal with you and get you off our necks once and for all. But we have to bite the bullet right now. And the bankers are fairly sure that we're not – or at least the politicians are not willing to bite the bullet right now. Which means that the next cycle will be worse. And of course, then we'll be even more fearful of not giving them what they want.

And their ultimate goal, of course, is to gain not simply economic sovereignty which they gained essentially in 1933 really when they took the Federal Reserve system off any kind of domestic link to gold. Not simply economic sovereignty, but they're looking for political sovereignty. And that means really the reversal of the whole concept of the Declaration of Independence. Now we've become an appendage of some kind of globalist fascist financial system which we can't control politically, but they can control us economically down to the last jot or tittle.

So there's the distinction really. I mean, the original Constitutional structure was designed to give us sound money. Ultimately it was controlled by the market, because the volume of the gold and silver currency that would be extant, at least within the United States, would come through what was called free coinage. Where people could bring gold and silver to the mint, and the mint would mint whatever was presented. So the market had control over the volume, at least domestically.

And of course, the substance was controlled, gold and silver. And there was no way that this could be expanded politically if you will, because unless the government had its own gold and silver mines, there was essentially no way that the government could expand the money supply. And then how would the government obtain its revenues for expenditures? Well, it had only two methods. Leaving aside the possibility of gold and silver mines, it could only tax and borrow.

And of course, then the government was going to be more controlled obviously than it is now because on the one side taxpayers would resist excessive taxation, what they perceived as excessive taxation. And then on the other side, of course, the borrowers in the free market would put constraints on the ability of the government to borrow too much. So we had a mechanism that was not only monetary control, but it was fiscal control. A spending control. It was beautiful.

As soon as paper money came into the system – 1862 by the way is when it started, February 1862 – to finance the union side of the war, as soon as that came into the system, now the government had the ability to engage in what they called hidden taxation. Because now if the government controlled the new supplies of money and they're not tied in some way to the market, that's a redistributive mechanism whereby wealth eventually – very quickly actually, wealth comes from society into the hands of the government. The government spends it immediately, gets the full benefit of it, and somewhere down the line somebody else sees his expenditures going up faster than his income so he's lost real wealth. Then you have a redistribution mechanism.

And on the other side now, because we have the banks and the Federal Reserve system, they have a redistribution mechanism as well. And when it's in the private sector it's called forced savings. And now the banks can divert streams of real wealth to their particular clients to whom they're lending this fictitious money, this fictitious currency that they're creating.

So we have really the worst of all possible worlds in the sense that there's no longer "democratic control" over the fiscal affairs of the government. The government has now freed itself from that control that was built into the Constitution. And we've set this vampire, this incubus, on us through the Federal Reserve cartel. So this private sector composed of the bankers and their financial speculator friends on Wall Street and London are capable now of sucking real resources out of the economy for their own uses, whatever they may be.

And if you look at all of this, and you ask well, when was this ever declared to be Constitutional? Well, certainly the Federal Reserve system was never declared to be Constitutional. You know, the fact thing about the Federal Reserve, if you go back to I think it was 1912, in the debates in Congress, one representative gets up and says you know, if we were doing the same thing we were proposing to do for the banks for the railroads and other industries, we are cartelizing these other industries. It just wouldn't be acceptable. People would not accept this. Why are we doing this for the banks? Well of course, there was no answer. To him, at least.

Now I was going to say 1933, that process actually took place. In the Roosevelt New Deal, one of the major steps – I think it was the first major economic step he put out after he sees the gold — shut the banks and sees the gold was National Industrial Recovery Act. And the National Industrial Recovery Act was designed to do in general industry what had been done for the Federal Reserve. They cartelized every industry. Now they were called code authorities, these cartels. And they had one for the steel, and they had one for coal, and so forth and so on.

And on top of each code authority, which was made up of the particular producers in that industry – on top of the whole thing there was an administrative agency called the National Recovery Act run by a fellow by the name of General Hugh Johnson. So the structure was exactly the same as the Federal Reserve structure. And one of these code authorities was the live poultry code authority, dealt with chicken sellers.

As a famous case, Schechter Poultry Company versus United States. The Schechter Poultry Company was selling chickens, and at the time chickens were sold typically in a coop. So there were two chickens in a coop. And the Schechters were allowing their customers to select an individual chicken out of a coop. They didn't have to buy both chickens. So a customer might come along and look at the two chickens and say, well this one looks a little sickly. I'm only going to take that one. But the live poultry code said that that couldn't be done. The poultry sellers had to sell only by the coop. And it was a criminal offense to do what the Schechters did. They were indicted and convicted. That's how the case came to the Supreme Court.

And the government's argument was well, what's really happening here is we're giving authority to the people in the industry who know what's going on, and they know how to resuscitate this industry. We're in the midst of a depression. We have to use their expertise. And the Supreme Court said wait a minute. That kind of delegation of authority is unknown to our law. That's an exact quote. Unknown to our law. And is a violation of prerogatives of Congress, so forth and so on. Unconstitutional. Unanimous decision.

Now of course, that didn't affect the Federal Reserve because the Federal Reserve had been created under a different statute. So the Federal Reserve sort of slipped through the cracks in this process of judicial review. And ever since then, the courts have been absolutely loathed to deal with any Constitutional question arising out of that system.

Catherine: One of the things that I find so frightening about this veering away from the whole Constitutional framework is if you look at the Federal credit mechanism, they're also violating the spending and appropriation laws. So you have a private group of bankers. You have the central bank and treasury issuing vast amounts of government debt for which we're all liable, but they're doing it on a non-accountable transparent basis because the reporting isn't proper. And the money is then being spent, including for government contracts and government spending, outside the Constitution. So it's not all being envisioned in the appropriation act. And essentially that money is going back into private corporations who are running things supposedly for government.

So we've created a private cartel of you know, on one side banks and on the other side defense contractors who are free to just borrow money globally on our credit, and spend it, you know, on building up private corporate empires outside of the control of Congress or the Constitution, or any of the financial management laws. It's quite remarkable. So you literally have a breakaway civilization that's being financed with our credit.

Mr. Vieira: Of course, back to counsel. What do you do with it? How do you deal with this problem?

Catherine: Right.

Mr. Vieira: It certainly will not be done through the court system.

Catherine: Right. I think Franklin and I would certainly agree given our experience in litigation.

Franklin: Well, you just can't expect the courts to do anything but what's politically expedient for them, and you know, a judge is a lawyer who couldn't make it as a lawyer. So he's got a political appointment, and his job is to reach the desired result. Who's desired result? The desired result of the people who put him in office.

Edwin, I'm sorry to be that cynical, but that's what I see. You know, there may be some honest judges out there just like there may be some government prosecutors who are not sociopaths. I just haven't ever run into any of them.

Mr. Vieira: Neither have I. Well you know, the case is on a certain side of the political line. If it's Joe Dokes against Jim Smith, and it has no political overtones, it doesn't threaten the system. Then you will see the judicial mechanism work beautifully. The rules are followed. They write the opinions properly, and so forth and so on. Everything goes swimmingly. But if you're challenging some important part of their structure, everything goes out the window. I mean, literally.

Franklin: The special rules get pulled out from under the bench.

Mr. Vieira: And they don't tell you what those rules are.

Franklin: You know, the special rules.

Mr. Vieira: I mean, you have to intuit this by going through a number of these cases and figure out what they're doing.

Franklin: Right.

Mr. Vieira: It's no longer —

Catherine: I do have to — in defense of one judge I do have to say that I won my big case, and it astonished everybody. It was one of her first decisions. She was a new judge, and they forgot to get to her.

Franklin: That would explain it. That's right. That would explain it.

Catherine: Somebody forgot to get to her. So it was kind of a minor miracle. Edwin, you've been following. There's been a series of efforts, and I think we're seeing more and more pop up, at state legislatures to try and — to make the use of gold and silver easier. Maybe you could talk about what's been going on at the state level.

Mr. Vieira: Well, basically there have been two approaches. One that I instigated originally in New Hampshire back in 2003, which was to have the state legislature adopt and alternative currency of gold and/or silver using the electronic currency format. Something along the lines of Goldmoney.com. The reason for that being twofold. Number one, in New Hampshire the Treasurer had told us it would be too costly for him to tool up to use coinage. But he was perfectly willing to be neutral on a bill that used the electronic gold format.

And number two, it struck me at the time that the average person was probably going to be much more comfortable using something along the lines of debit cards and internet transactions, and so forth. Then he was suddenly being told well now you're going to have to calculate these things in coinage. In any event, that's one approach.

But then some other states have looked at it from the direction of using coinage. South Carolina there was a bill that was proposed a year ago. I don't think that one made it out of committee at all. There was a bill that was proposed in Georgia. That's caused Utah that actually passed a bill last session that recognized United States gold and silver coins as legal tender in Utah. Now they are in the process out there of developing another bill that will expand on that, and essentially protect people who use gold and silver coin private transactions. Have the state begin to use that as a medium of taxation.

So it's kind of a sequential process. But basically what these state legislators are looking at is an alternative to the Federal Reserve note currency for state use, official use, in terms of taxation and spending, and then somehow tied to that within the state economy for private transactions. I call that alternative currency legislation of one kind or another, because the reality, even if you're using the United States gold and silver coinage, right now you would say — I would say, that that is not really being used as currency day to day. You'll find people here and there who make gold clause contracts and so they are using it, but the average person doesn't think in terms of the use of gold and silver coinage.

So right now I think we have two states are in the forefront of this. One is Utah, and then the other actually is Montana. Montana had an electronic gold bill in a session ago. It didn't get out of committee because they had a nine-to-nine split between the Republicans and the Democrats, and everyone was being a dog in the manger. So if a Republican put in a bill, the Democrats all voted against it and vice versa.

This last session, the Republicans had taken over control of the House, so it came out of committee, went to the floor of the House, and it lost I think 52-to-47, or 52-to-46. Democrats all voted against it, and some of the RINOs, Republicans In Name Only, moved over to the Democratic side and voted against it. Unfortunately, Montana is a legislature that meets only every other year, so we won't be hearing from them until 2013. But they have a fairly hardcore group in that legislature, so I think they will be continuing down that path.

People have told me that there's some interest in Indiana. I talked to someone from Ohio not too long ago. There's some people in Texas. So these ideas are floating around. Right now in the state of Virginia, in fact tomorrow, I'm going down to talk to some people in Richmond, and we're hoping to promote a bill to create a legislative study commission, the purpose of which will be to bring this issue to the floor. Bring in some what I would consider to be topflight witnesses. Educate some people in the Virginia general assembly. And then on that basis of laying that foundation, hand them one of these alternative currency bills and see if we can't get something percolating in at least one House of that legislature.

Catherine: I once did an estimation of how much value a county of 100,000 people lost between 2003 and 2008 because they were pulling their deposits on the dollar. And I calculated in 2008 dollars they had lost $3.3 billion of purchasing power. So the debasement issue is having an astonishing financial affect, and you can see it everywhere.

I wanted to mention one other thing. Because Franklin has done I think as much as anybody to encourage communities to really sit down and figure out how they can start to transact. Including developing this calculator that we now have up on the web. Because what he said is, you know, people just need a way to go back and forth between fiat currencies and coins, and so we now – that's now up on the internet, and there's another iPhone app soon to be up on the internet. But one of the obstacles, Edwin, has been people feeling insecure about the taxation treatment. If you use coins as a currency, will you be taxed as if it's an investment? Or can you just treat it as a currency and not worry about taxation? I think any guidance you can give us on how states might be dealing with that so that people can feel safe that this will be be a currency, not an investment to be taxed as a tangible.

Mr. Vieira: Well of course, the problem is at the Washington, D.C. level because that's the way the IRS tends to treat income received in gold or silver, or payments made in gold and silver, because they may treat on the payment side that the gold and silver has appreciated from the time that you initially received it, and therefore, you've gained some income when you sold it because of its imputation of gain.

Certainly on the other side when you receive gold and silver, it depends to whom you talk in the IRS. Some of them will say well if you receive a $50 United States gold eagle, you've received $50, report it as $50. But if you later on exchange it for 1,000 Federal Reserve note units, then you have a gain of 950, probably a capital gains over six the months.

Other IRS people will say oh, no. If you've received a $50 American eagle, you have to treat that as income at its fair market value measured in Federal Reserve units. So there's confusion even there within that agency about it.

But generally speaking, they refuse to take the position that if you received a $50 American eagle, you've received $50, and if you paid it out, you've paid out $50. Even though that's the denomination that Congress has given it. And of course, there was a Supreme Court case on this way back in the late 1800s on exactly that point. It was during the Greenback Era. Greenbacks were Treasury notes, and they would depreciate. They were redeemable at the time. And Mr. Butler and Mr. Thompson had a gold clause contract. Butler gets a judgment for over $5,000 payable in gold. And he reduced his judgment voluntarily to $5,000 because at that time the Supreme Court had a jurisdictional limit. If a case was not worth more than $5,000, the Supreme Court could not hear it. So this was Butler's way of stopping Thompson from appealing the case, but Thompson appealed anyway, and he said to the court, look, if you go onto the marketplace, this $5,000 in gold is really worth $6,000-something in paper currency, the Treasury notes. And everybody's using Treasury notes. Treasury notes are the actual currency that's circulating and people are hoarding, holding gold. And therefore the value of this judgment is really $6,000-something, and you have jurisdiction to hear it, and I want you to take the case.

The Supreme Court says no, wrong. Congress, for whatever reason, has designated this paper currency as being so many dollars, and the gold and silver currency as having a value of so many dollars, and so we have a dual currency system. And we in the courts cannot choose between them and say that one is the standard of value to the exclusion of the other.

So if you applied that case today, the short answer would be well, if you receive a $50 American gold eagle, you've received $50 in the same way as if you received a $50 grant Federal Reserve note. But you have this problem that that is not necessarily the way the IRS people are going to treat it, and so there's equivocation and anxiety if you will on the part of the taxpayer. How am I going to report this? And you talk to different accountants, obviously you'll get different answers.

Now at the state level, most state taxes a parasitic on the income tax, at least a parasitic on the Federal tax. So they're probably going to follow the same rule. And of course, you have in many of the states sales taxes where they attempt to tax exchanges of one form of United States currency for another. Clearly illegal. Clearly unconstitutional in the *McCulloch vs. Maryland* case. But Franklin will tell you that that doesn't make much difference in either certain state courts and some Federal courts.

Franklin: I will tell you from jail that doesn't make a difference.

Mr. Vieira: No, it doesn't make any difference at all.

Catherine: Say that again, Franklin.

Franklin: I'm sorry. I will tell you from jail that doesn't make any difference. Because I went to jail on just exactly that case.

Mr. Vieira: Now Utah people, within their own jurisdiction, are removing any of these tax burdens. So we could see that at the state level as far as state taxes are concerned. They could remove sales taxes. They could remove these capital gains taxes. They could remove these imputation of value calculations. And that's what Utah did do in their first statute, one's already passed. They gave a tax credit under the Utah tax for people who had paid a Federal capital gains tax in these types of transactions. I thought that was a little perverse because here you're having the taxpayers of Utah somehow subsidize an illegal tax collected by the Federal government. Alright?

But nonetheless, it was sending a message in a sense. So I think you may see that at the state level, because obviously to make these systems work, you have to remove these tax burdens and the first tax burden that's easy enough to remove, you're going to pass the legislation at the state level to remove the state tax burden.

What I think will happen at the Federal level if enough states do this so we now have an alternative currency actually working in a number of states, the state Treasurers will sit down with the Commissioner of the Internal Revenue, and Secretary of the Treasury and say look, we've got to come to an accommodation here, and here's what we're going to do. Our people will keep two sets of books — their gold-silver transactions on the one side, their paper transactions on the other — and you people in the IRS give us a double set of Internal Revenue reporting documents, and we'll report the gold transactions on Schedule G and we'll report the paper transactions on Schedule P, and we'll pay taxes on both of them, and pay you in gold on the gold transactions, and pay you in paper on the paper transactions. Oh, and by the way, if you don't like that, then you can whistle, because otherwise we're going to do something else. So there has to be some threat behind it.

And I think that this would, in fact, probably work because at that stage, the Federal government would have to be thinking about the possibility that wait a minute, our revenues are going to drop off seriously in real terms on the paper side, and we'd better protect ourselves by guaranteeing some revenues on the species side. People went hungry in the 1930s. Right?

Catherine: Yeah. One of the things that most concerns me is we've seen tremendous consolidation of wealth into a small number of hands, and that group has been able to accumulate significant gold and silver holdings. If suddenly we all wake up and the people who've been debased and don't own gold and silver now have to pay taxes, whether it's state, local, or Federal, with gold or silver, you know, then you're talking about a reversion to feudalism.

Mr. Vieira: Well, only if they've earned it in gold and silver.

Catherine: Right.

Mr. Vieira: Alright? What I see happening here is people walking away from the Federal Reserve system and stop dealing with paper at all. And I don't care how much the rich man has in gold in a box somewhere. He can't eat it. He has to spend it.

Catherine: Right.

Mr. Vieira: And if he doesn't spend it, say they took all their gold and silver to the Mariana Trench and dropped it in. So now it's gone forever. Well, the Austrians will tell you, that doesn't make any difference. Any amount of gold and silver in the world will function as a currency. All they've done is denuded themselves of the ability to spend it.

Catherine: Right.

Mr. Vieira: So I'm not too worried about those folks. Right? What I'm worried about is the possibility that we have a catastrophic breakdown of the Federal Reserve system, a hyper-inflationary type event, prior to the big depression. Because they'll try to blow things – keep the bubble blown up. And that we lose the entire price structure in this country, and then what happens? We have no alternative.

I was at a conference on the 20th of October. Professor Tom Rustici of GMU gave a talk about hyper-inflationary events in history. And one of the things he pointed out in the German hyperinflation of '23, he said we always think of that in terms of well here was the mark and within six months it was destroyed, and then they went to the new mark.

He said, at that time during that period, there were upwards of twenty-five alternative currencies being used in Germany. Foreign currencies of one kind or another, and even some private ones. So you did not have a situation where all of a sudden there was no currency and no price structure. They had this essentially black price structure, gray price structure below the mark level.

In this country, our difficulty is the average person has no conception of what a price structure would look like outside of the Federal Reserve note system.

Catherine: Right.

Mr. Vieira: So what happens if the Federal Reserve system collapses?

Catherine: Right.

Mr. Vieira: So that's what I'm looking at him. I'm saying we need to have this safety net. We can't all be Karl Wallenda, you know, walking back and forth on the tightrope without the safety net, because he did it once too often. Right?

Catherine: Right.

Mr. Vieira: That's our problem. We have no safety net. We have no alternative that we can fall back on in the case of a catastrophic event. And on the other side, of course, if they solve all the problems in the Federal Reserve and Bernanke turns out to be a monetary genius, well, then this alternative currency doesn't have to be used. It kind of sits there like an insurance policy that's never called upon, which is fine, too.

Catherine: I should never say it's completely impossible.

Mr. Vieira: Well, alright. No, I understand that. So I'm looking at this also through the sense – take the Titanic example. I mean the Titanic's big problem was they had no lifeboats, and they couldn't make anymore.

Catherine: Right.

Mr. Vieira: Whereas our Titanic, we do have fifty possible lifeboats that we could construct here. And actually those lifeboats could embrace a very large percentage of the population.

Catherine: Absolutely.

Mr. Vieira: The difficulty is that your average state legislator, when he's first confronted with this problem, his immediate reaction is that's not a state issue. That's for Congress. That's for the Federal Reserve. That's for the Treasury. That's for somebody up there in Washington. It's not a state matter. And so you have that tremendous hurdle, intellectual and legal hurdle, to get over. Oh, we can't do that. States have no authority to do that kind of thing.

I guess they never read Article 1, Section 10, of the Constitution. No state shall make anything but gold and silver coin a tender in payment of debts.

Now you know, when I talk to them about that, all of a sudden after a while that light bulb, that cartoon character light bulb, you can see that going on above their heads.

Catherine: What I see in state legislators in the state of Tennessee is they know if you don't deal with the money, you're going to go down. So you've got to deal with it.

Mr. Vieira: They're waking up to that fact. Nothing focuses a man's attention more than his impending hanging.

Catherine: Right. Well, taking that —

Mr. Vieira: The screws are now finally turning enough so that their eyes are opening up and saying wait a minute, this has to do with money. We have to get control of this. It won't be done in Congress. Do we have a way to do it here at the state level? And that's what I'm trying to give them, is a couple of different ways to do it. For the government to do it.

Catherine: Now us into your new book, because this is something I'm very much looking forward to, so I want to do everything I can to encourage you to explain it to the listeners, and I'm hoping you'll let us encourage them when the time comes to do or whatever. So take a minute and tell us about it, because I think it's very exciting.

Mr. Vieira: Well the new book is an analysis of homeland security from the Constitutional perspective. And going back to the colonial pre-Constitutional militia structures, which are still embodied in the Constitution. If you read the Constitution, that word militia comes up. And they're referring to a certain kind of structure.

And one aspect of this structure today is that the states retain a tremendous amount of authority. We don't have real militia structures, but assuming that we had, and assuming we revitalized them on Constitutional principles, the states would probably have 60-75% of the operational authority over these entities. Because the Constitution allows Congress to call forth the militia only for three purposes. Execute the laws of the union, suppress insurrections, repel invasions. Otherwise, these are state institutions and the states control them.

So if you looked at homeland security from the economic perspective, one would say oh, our major problem is in this monetary field. And what could we do with the militia there? Well, two things. Number one, the militia structure would enable you to bring everyone into the process immediately. The state sets up one of these alternative currency systems, and everyone in the militia is now required — from sixteen to sixty years old, you're required to have one of these accounts, have a debit card, whatever, so that you can function within the new currency system. So within a week or ten days after the statutes pass, every individual in the state from sixteen to sixty is capable of using the system, and of course, he's given information as to how to use it, and its advantages.

Then number two, you go to all the businessmen, women, who are also members of the militia as individuals, and you tell them within thirty, forty-five to ninety days of the passage of this statute we're requiring you as part of your militia duty to post a set of alternative currency prices for your goods and services. And we'll give you all the software, your barcodes and all the rest of that, and training if you need it. But we want to have an alternative price structure up ninety days from the passage of this legislation.

Now, we're not going to require anyone to use that price structure, but those who want voluntarily to engage in gold clause contracts, silver clause contracts, will now have the ability to do so because they're tied into the electronic currency depository, and they'll have a price structure that they can use to determine what the contractual terms should be.

And my guess is that very, very quickly you would see people actually using this system.

Catherine: Oh, I think so.

Mr. Vieira: From the high end, the Mercedes people, would be selling Mercedes for gold. At the low end, the people at Safeway would be selling food for silver. And we would actually have a reversal of Gresham's law, because people would start demanding to be paid in gold and silver, not in paper. And then of course, that spirals down to the next level.

The picture comes to my mind you have these contractors of the state. The state's collecting some taxes in gold and silver and it's offering to pay its creditors, and some of the creditors are state contractors. Well, what's the next step? I would take it to the employees of the suppliers of those state contractors would start demanding to be paid in gold, or in silver.

Catherine: Right.

Mr. Vieira: And then the thing spreads like oil on water. But the beauty of doing it through the militia system is twofold. Number one, you can bring everyone into the process right away because they have a statutory duty to do this, and I don't know any other way that you can essentially compel people to get into the system.

Number two, people who are doing this kind of thing pursuant to their statutory and Constitutional militia – because of the militia of Constitutional entities – they have a legal immunity equivalent to the legal immunity of the state itself against interference from the government in Washington. They're not like Bernard von NotHaus. You know, we know about Bernard von NotHaus. He was the private individual generating his own private coinage, and the next thing he knows, he has the mint and the Treasury and eventually the U.S. prosecutors down on him. He's been convicted in North Carolina of violating a couple of old and I think improperly applied Federal laws.

Why? Because he was a private individual with no governmental immunity. If Bernard von NotHaus had been doing that same activity pursuant to – where was he? North Carolina. Pursuant to the militia law of North Carolina, it would have been a completely different story.

Now of course, the difficulty with promoting these ideas is that second M word. Not the money. It's the militia M word. Because that has been thoroughly demonized in American political discourse.

Catherine: Right. I've been very remiss because we've gone over our time, so I'm keeping the subscribers later than I promised. But I did want to mention that that every week we have a hero, and you are of course, our hero this week. And Edwin, first of all, I can't thank you enough for coming on the Solari Report. I can't thank you enough for writing *Pieces of Eight*. And I can't thank you enough for working on this new book. And if there's anything that we can do to support your efforts, I hope you will let us know, because I think the Solari subscribers are going to be very, very interested in doing what they can to do that.

So before we close, anything else, Franklin, you'd like to ask or anything Edwin, you'd like to add before we end?

Franklin: No. I'd just like to point out that you know, there are two routes we can do this by, and one route is that we go through the state and change all these laws, and that won't be done easily. That has to be done in stages that spread over a number of years. Or we can do this individually. And it seems to me that from a leveraged standpoint, that we have the most leverage as individuals.

Mr. Vieira: Well, the two work hand-in-hand because the more individuals you get thinking about this and doing it as individuals, the more people you'll have on board for this other reform at the state governmental level.

Franklin: Right.

Mr. Vieira: So one will actually compliment the other.

Catherine: I want you both to promise me that you'll go look at the crowd-funding phenomena. Because this is about to be made —

Mr. Vieira: Alright, I'll do that.

Catherine: Quite fashionable, and you know, as our proposals can be used as Trojan horses by the big guys, you know, their proposals can also be used as Trojan horses by us. So take a look at that. Okay. And Edwin, you promise you'll let us know immediately when your book is available for order.

Mr. Vieira: Oh, absolutely. No question.

Catherine: Okay. Thank you very much.

Mr. Vieira: Thank you for having me.