

THE MONEYCHANGER

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— A Moneychanger Interview —

TENNESSEE STATE SENATOR FRANK NICELY Restoring Freedom in Tennessee

I first met Senator Frank Nicely in 2004 or 2005 when I was working with a group to decriminalize raw milk in Tennessee. I showed up at the Ag Committee hearing to find the only other person speaking in favor was Sally Fallon of the Weston Price Foundation. On the other side they had erected bleachers to seat all the bureaucrats who wanted to speak against it. We spoke, then the scathing bureaucratic denunciations began. At some ripe point, one committee member I didn't know read the riot act to the bureaucrats. As I remember he said, "It's easy for y'all to talk because you're all sitting at a desk drawing a fat government check. You have no idea what a farmer goes through or what this would mean to him." He cleaned their plows. I wanted to stand up and cheer, but restrained myself.

That man was Frank Nicely from Strawberry Plains, then a Republican state legislator but now a state senator. No stranger to hard work, Frank grew up on a dairy farm and worked as a dairyman and farmer. In fact, he still has an active farm in Strawberry Plains, Tennessee. In 1969 he graduated from the



University of Tennessee with a BS in soil science.

Frank remains one of the greatest friends of human freedom in the Tennessee legislature. He was first elected to a four-year term in 1988, stayed out for twelve years, and returned to the legislature in 2004, serving a total of twenty years. He and his wife Cyndie have four children.

Back in November Frank listed off to me the accomplishments of the Republican majority in the Tennessee legislature, so I asked him to share that amazing record with my readers. The surprising bottom line: freedom works.

Senator Nicely kindly made time for this interview on 7 February 2017. — F. Sanders

MONEYCHANGER When we talked in November, you told me about a number of things the Tennessee legislature has been doing for several years to make a freer and more business-friendly climate in Tennessee. It seemed you all were working from a long-term plan. Would you enumerate those things?

NICELY It is a long-term plan. We have

a bunch of really good conservative people down here. Speaker Harwell and Speaker Ramsey were both conservatives and both here when the Democrats were in control. They made up their minds that when the Republicans took control in the 2008 elections, we were going to make a difference and hit the ground running, and we did.

One of the first things we did was invite economist and former Reagan adviser Art Laffer down. He talked to the house caucus. He said, "If you'll eliminate the inheritance tax and the gift tax, it will take two or three years but you'll end up with more money than you know what to do with."

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So we did that. We abolished the inheritance tax, which is really hard on small farms, and the gift tax. We cut the tax on food twice. Now we're in the process of eliminating the Hall's Income Tax and we've got a billion-dollar surplus.

Art was right. It's amazing how that works. You cannot explain it to a liberal that you can cut taxes and have more revenue. They'll argue that down even though Harding did it, Kennedy did it, Reagan did it, and even Gladstone back in England did it. It always works. These liberals will still argue with you that it won't work. It does work and we've proven it here in Tennessee.

We were talking about some things that we had done to help the farmers.

One of the first things we did was pass a raw milk bill so that people can once again milk cows with very little investment. Just one cow. Milk it by hand and sell the milk. The going price for raw milk right now is about \$8.00 a gallon and people are tickled to death to get it. It's easy for a backyard cow to give five gallons a day. That's \$40.00 a day, \$280.00 a week, and it runs into money. If you got two cows, double that. You can milk three or four cows by hand until you eventually get a little milker if you want to or just milk by hand. Hand milked milk brings the premium.

We passed the raw milk bill and then, of course, the Department of Agriculture came back and said, "Well, you can sell raw milk, but you can't sell butter and cheese made from raw milk."

We asked the attorney general and the attorney general said, "Of course you can. If you can sell the raw milk, you can sell buttermilk, cheese, whatever." They ruled in our favor.

Also, the law says that you don't have to have a permit to sell eggs from your own flock. The Department of Agriculture said, "Oh, yeah. You've got to have a \$50.00 permit to sell eggs."

Again, I went to the attorney general and asked him for an opinion. The attorney general said, "No, the law clearly says you do

not have to have a permit to sell from your own flock."

One of our most popular bills has been this annexation bill, where the city cannot annex you unless the people vote. In that bill, there's a farm veto. If you have a farm on the outskirts of town and the city tries to annex you, all you have to do is say, "No, I don't want to be annexed. Leave me alone. Go on off." All you need is to be a "farm" and there are five different methods of qualifying as a farm in the code. This law keeps farms now from annexation.

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We also passed a bill for on-farm slaughter of chickens. There is a little-known rule at the federal level from the 1960s, the "small farm exemption." It provides that a farmer can slaughter 20,000 chickens a year on his own farm and sell them to anybody—restaurants, stores, retail. It's hard to find it in the rules—the federal rules—so we put that in the Tennessee code where people can find it and now people are doing that and making a little money. It's fast-turnover money. Within three months, you can buy your chicks, raise them

up and sell them. In two or three months, you know if you made money or not.

MONEYCHANGER And there's 100 percent markup on costs.

NICELY There's a demand for good chickens. They don't taste like caged chickens. They taste like a chicken ought to taste.

MONEYCHANGER That's exactly right.

NICELY And chickens will eat a lot of grass. It's amazing how much grass chickens will eat if they can.

We passed a bill to give you a defense of self-defense from wild animals. If a wild animal attacks you and you have to kill it, then the Tennessee Wildlife Resources Agency (TWRA) can't take you to jail. That doesn't seem like it's a big deal, but it is a big deal if you've been attacked by wild animals. We've had two people killed by bears in the national park. Of course, we passed a bill earlier allowing you to carry a gun in the national park if you have a carry permit.

We've been having trouble with black headed buzzards for ten years or so. They were in middle Tennessee but they finally got over to east Tennessee. They would swarm a cow having a calf or a sheep and eat mama and baby alive while they were down. They swarm like a bunch of bees. Even though it's still against federal law to shoot them, we passed a law that says no state personnel or energy or equipment will be used enforcing that law against killing black buzzards. Since then, the federal government has come around now and then and they will actually reimburse you if black headed buzzards kill a cow or a calf. Take pictures, send it your farm service agency, they will reimburse you for that cow and calf.

MONEYCHANGER This is part of the federal prohibition on killing birds of prey?

NICELY Yes. Black headed buzzards are a nuisance. We didn't have them years ago. They've come out of South America and they're running out the native turkey buzzards.

MONEYCHANGER Back to that Hall's

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Income Tax. Tennessee's income tax was a real income tax, as I understand.

NICELY They called it a tax on "unearned income," that is, dividends and interest, but somebody had earned it years ago.

MONEYCHANGER You talked about Art Laffer. What's the mechanism by which eliminating taxes raises revenue? Does it simply put so much more revenue in the hands of people that that makes up for the reduction in the other taxes?

NICELY It more than makes up for it. If we don't tax you and we leave the money in your hands, you spend that money and you create a job. That money is taxed, so we get a little money there. Then the guy that you created a job for spends his wages and we get a little tax off him.

Enthusiasm gets up and it speeds up the velocity of money. If you carry \$5.00 in your pocket for a month, that's pretty slow velocity, but if you spend it with me and then I spend it and we get that money moving, the faster it's moving, the more times it's taxed. A lot of this is enthusiasm. I think that's what's going on with Trump and it's what will help Trump. There's just an enthusiasm—a pent up enthusiasm that's going to speed up the velocity of money so that people will invest in things they have been waiting on. I think we're going to get growth up to three or four percent and that will help tremendously.

MONEYCHANGER When you eliminate taxes, does that attract businesses from out of state?

NICELY It does. We've got more out-of-state investment—more foreign investment—in Tennessee than any other state except California. Businesses want to go to a state where the legislature is business friendly and eliminating taxes and not raising them. We've proven that it works.

MONEYCHANGER Businesses want to go to a place where there's no political risk. By political risk, I mean the legislature this year does one thing and next year does the opposite. Then next year they change something else, so the climate is so uncertain that a business can't plan.

NICELY I like to say, we've got the best legislature that I could ever imagine. We have legislators half my age that are as conservative as I am. We're in pretty good shape. It's kind of encouraging.

MONEYCHANGER What have you all got planned for this year's legislative session?

NICELY The gas tax right now is a big

thing. Again, Art Laffer says that you're foolish to raise taxes if you have a surplus, and we have a surplus. The governor's plan is to raise taxes on gas and diesel and charge a little more to buy your license plate. The plan that seems to be developing over in the house is to dedicate a quarter of one percent of the sales tax to the roads. That would be about \$250 million. As I said, we've got a billion-dollar surplus. That would be a dedicated stream. It would be dependable and it would be indexed with inflation. The gas tax is not indexed with inflation. It's just so many cents—20 cents per gallon. Whether the gallon is \$1.00 a gallon or \$5.00 a gallon, it's still just 20 cents.

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The argument is, "We need to keep the two funds separate. Don't mix them up." But right now the gas tax goes into the general fund and we have general fund money going to the roads. The governor's argument is, "We've never done it that way before." That's not a good reason for doing something.

MONEYCHANGER You said the state of Tennessee has a billion-dollar surplus. On how big a budget?

NICELY \$32 to \$34 billion. It might be \$35 billion this year. [About \$5,834 per capita—FS]

MONEYCHANGER That is an enormous surplus, nearly 3%.

NICELY It is.

MONEYCHANGER Back to what you said about reducing taxes: It's based on Say's Law. Back in 1803 the French economist Jean-Baptist Say, explained that production

creates its own demand or consumption. When people earn wages, they'll spend them. But to get money in their hands in the first place, they have to have work to do, they have to produce something. This has been known for 200 years.

NICELY William Gladstone [1809–1898] was British prime minister four different times. Gladstone is a man I like to study because he cut the tax rate—the income tax—from 28 percent to 3 percent over his career. Every time he ended up in money. He said, "The only downside to cutting taxes was you always end up with a surplus and then the liberals wanted to start a new social program."

MONEYCHANGER They see the money and have to spend it.

NICELY Can't stand it. Just got to spend it.

MONEYCHANGER Let's take a little bit different direction. You talked about eliminating regulations on farmers. That's especially helpful to small farmers because that freedom raises their cash flow tremendously, as well as their profit margins.

But what about regulations in general? My radical view is that all regulation is an attempt to stifle the competition one way or another. Whatever humanitarian and do-gooding mask it wears, it really aims at stifling the competition. Do you in the legislature have a plan to reduce regulation? From the farmer's standpoint or anyone operating as small business, the biggest burden is regulation and the uncertainty of adding new regulations.

NICELY You're exactly right. Two or three years ago, the Feds had a rule that said kids couldn't drive a tractor on the farm until they were 18 years old. We immediately passed a bill that said no state funds or energy or personnel or equipment will be used enforcing that law. The Feds are going to have to come down here themselves if they want it enforced. The Feds went through the roof. They backed up on it.

We passed things like the micro distillery bill, the farm baked goods bill. We passed a bill where you don't have to subdivide your farm to build a house on your own farm if it's for you or your family or your hired help. That was a big deal. That drove these little local planners crazy. One called me on the phone and called me every bad name in the book, so I knew I was doing some good.

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Now they're trying to tax farms as commercial property instead of agriculture. Say your wife has a beauty shop on the corner of the barn or you sell some insurance out of your house or you've got a commercial kitchen in your basement or something—the locals are wanting to be able to zone and tax that as commercial instead of agriculture. That's 40 percent instead of 25 percent. I think we've got that beaten back. We've been working on that recently.

We've done a lot for the wine industry. Wine was overregulated to the point that the industry was non-existent. We've removed the regulations so at least wine producers can self-distribute and they can have satellite locations. If you grow grapes, you can cut a deal with a winery to turn your grapes or your apples or whatever into wine, pay the tax and bring it back to your farm and sell it off your farm. That's called a bulk crush. Then we've created a category called farm wineries. If you grow your own grapes and make your own wine, even if you have somebody else make it for you, you're considered a farm winery, whereas a regular winery may buy its juice from New York or west Tennessee or somewhere else.

We've done a lot of things to loosen up regulations. A lot of people think that the legislature needs to make the rules, that we can't delegate to these bureaucrats and let them make the rules. I go along with that. We create a law and in that law, we give the Department of Agriculture or any department rule-making authority to make the rules to go along with that law. Oftentimes, the bureaucrats will go crazy making rules. We're toying with the idea of making them come back to the same committee and run those rules by us and then let us vote on them to see whether or not they have gone overboard on the rules.

MONEYCHANGER The devil is in the details.

NICELY It is.

MONEYCHANGER You and I have talked about this before. The biggest danger is not the

legislature and the laws as it is the way they are enforced. I don't know why, but when people in a bureaucracy get a little power, they kind of go crazy. They have to be watched all the time.

NICELY It's a certain type of person and it seems lots of them end up being bureaucrats. I tell people, "If you had George Washington making the laws and Karl Marx making the rules, what kind of country would you have?"

MONEYCHANGER That's exactly right. How many years have you been in the legislature?

NICELY I first came down here in 1988 and was here four years, then I went home for 12 years. I've been back since 2004. At

The Feds are going to have to come down here themselves if they want it enforced.

the end of this term, I'll have been 20 years total with a 12-year vacation in the middle.

MONEYCHANGER I have been watching the political scene for the last 55 years. In that time I have seen not merely a drift, but a stampede toward a totalitarian state—towards socialism and control and against personal freedom. Is it possible to turn back that socialism?

NICELY I think we have in Tennessee.

MONEYCHANGER It certainly sounds like it.

NICELY She hasn't announced yet, but Speaker Harwell will probably run for governor. I refer to her as an "effective conservative." You have effective and ineffective. Ineffective conservatives beat their heads against the wall, beat their chests, and run their mouths, but never get anything done. Then you have the quiet, steady, effective

conservatives that just slowly, quietly get stuff done. The newspapers won't print it. It's not on the Internet. We do things that I've considered monumental and papers don't even write about it. I think Trump is turning it around in Washington. I think the pendulum swung too far and now it's swinging back and making all these snowflakes mad. It's unbelievable.

MONEYCHANGER I really appreciate your work in the legislature and I agree with you. Our Tennessee state legislature does an extraordinary job.

You left out one thing. Will the legislature remove the sales tax on gold and silver this year? They've been working on that five or six years.

NICELY I think we will. We're getting closer every year. That's not unusual for an effort to take several years, and I think this will be the year that we do it.

On that gold and silver topic, one of the big banks in Memphis has offered to store gold for the state, rent free. We've got \$40 billion in the retirement system to take care of our retirees. Where do you put \$40 billion that's safe? We've got about five percent in real estate. The rest of it is about half in stocks and half in bonds. A 50 to 60% stock market crash could really be hard on us. I recommended years ago we put a billion in gold. I think there's a little bit of move towards that. Gold has never gone to zero.

MONEYCHANGER In 2011 Kyle Bass on the board of University of Texas endowment convinced them to put 5% of the endowment into gold. It was a very controversial move and it's worked for them.

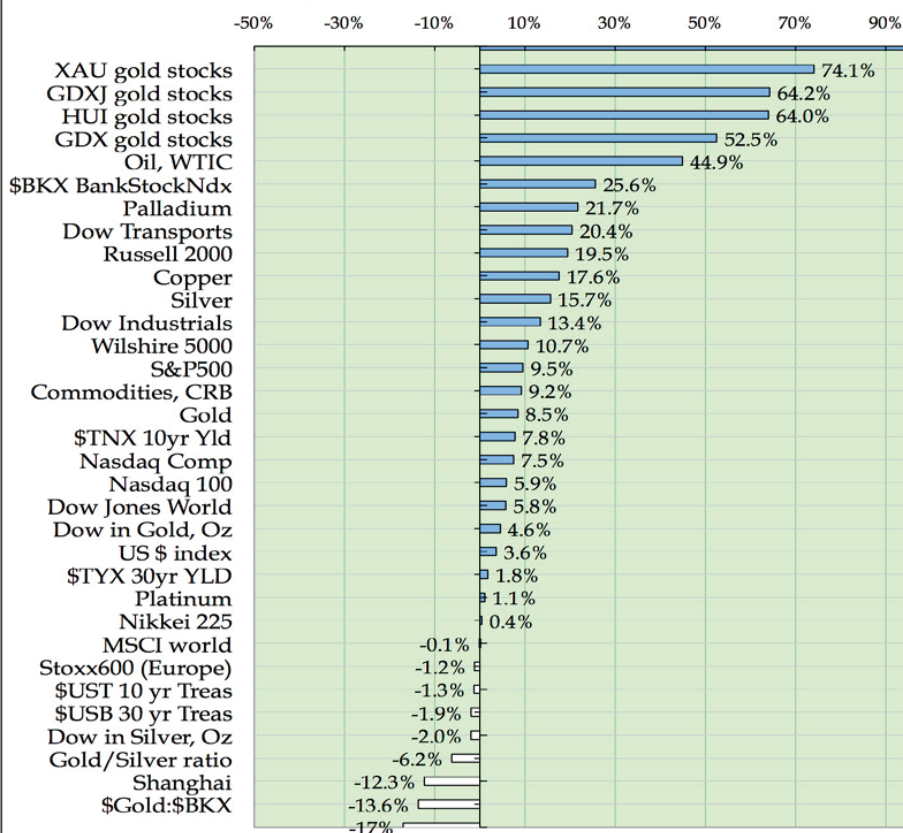
NICELY I told our state treasurer, "We need to do like Texas. We need a billion in gold." He wrote me a Christmas card and wrote a note, "Frank, you're always right. I should have listened to you. We should have bought gold." Gold was \$700.00 or \$800.00 an ounce at the time I recommended it. Like I said, it's never been worth zero.

MONEYCHANGER Thanks so much for your time. I deeply appreciate the interview and I deeply appreciate all the work you do up there.

NICELY Well, come up and see us. You've got a legislature you'd be proud of right now you, so you need to brag on us while you can. I don't know how long it will last. ■



PERFORMANCE 31 Dec 2015 to 30 December 2016



Gold Price Performance: % Annual Change

Friday, February 17, 2017

	USD	AUD	CAD	CHF	CNY	EUR	GBP	INR	JPY
2002	24.7%	13.3%	22.8%	5.7%	-	6.4%	13.1%	23.9%	-
2003	21.1%	-8.5%	0.6%	7.6%	-	1.7%	9.9%	14.8%	-
2004	5.4%	1.4%	-2.1%	-3.5%	13.6%	-3.1%	-2.4%	0.5%	3.7%
2005	20.0%	28.9%	15.4%	37.8%	21.3%	36.7%	33.0%	24.2%	37.6%
2006	23.0%	12.6%	23.0%	14.2%	18.7%	10.6%	8.3%	20.8%	24.4%
2007	30.9%	18.3%	12.1%	21.7%	23.3%	18.4%	29.2%	16.5%	22.9%
2008	5.6%	31.3%	30.1%	-0.1%	-2.4%	10.5%	43.2%	28.8%	-14.4%
2009	23.4%	-3.0%	5.9%	20.1%	23.6%	20.7%	12.7%	19.3%	26.8%
2010	27.1%	13.3%	21.3%	15.4%	22.8%	37.1%	31.4%	22.3%	11.4%
2011	10.1%	10.2%	13.5%	11.2%	5.9%	14.2%	10.5%	31.1%	4.5%
2012	7.0%	5.4%	4.3%	4.2%	6.2%	4.9%	2.2%	10.3%	20.7%
2013	-28.3%	-16.2%	-23.0%	-30.1%	-30.2%	-31.2%	-29.4%	-18.7%	-12.8%
2014	-1.5%	7.7%	7.9%	9.9%	1.2%	12.1%	5.0%	0.8%	12.3%
2015	-10.4%	0.4%	7.5%	-9.9%	-6.2%	-0.3%	-5.2%	-5.9%	-10.1%
2016	8.5%	10.1%	5.5%	10.4%	16.3%	12.0%	29.7%	11.5%	5.4%
2017	7.6%	0.8%	4.9%	5.3%	6.3%	6.1%	6.2%	5.8%	3.3%
Average	10.9%	7.9%	9.4%	7.5%	8.6%	9.8%	12.3%	12.9%	9.7%
Total Return	344.6%	195.9%	266.1%	171.5%	167.5%	272.7%	420.0%	518.0%	222.6%

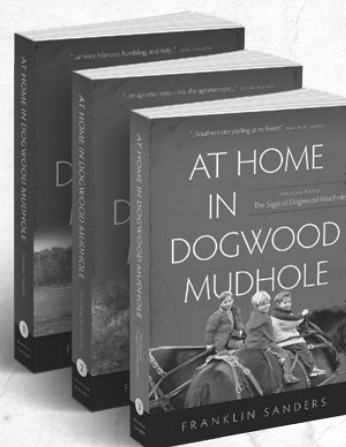
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