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The Solari Report

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Missing Money Update
with
Dr. Mark Skidmore

Summary: This week, I speak with Dr. Mark Skidmore about his investigation into highly unusual Treasury securities patterns in the U.S. Thrift Savings Plan.

According to Wikipedia, the Thrift Savings Plan "is a defined contribution plan for United States civil service employees and retirees as well as for members of the uniformed services. As of December 31, 2018, TSP has approximately 5.5 million participants (of which approximately 3.3 million are actively participating through payroll deductions), and more than $558 billion in assets under management; it is the largest defined contribution plan in the world. The TSP is administered by the Federal Retirement Thrift Investment Board, an independent agency."

If you participate in the Thrift Savings Plan, particularly in the TSP G Fund, you will want to pay attention to this one. If you are a U.S. citizen and taxpayer, you will also want to pay attention. And if you are an investor in U.S. Treasury or related securities, you really want to pay attention as well. The combination of explosive debt and explosive secrecy in U.S. government accounts is cause for serious concern—no doubt reflected in the G7 central banks' approval of the "Going Direct" global reset.

Bio: Mark Skidmore is a tenured Professor and Morris Chair in State and Local Government Finance and Policy. His also Director of the North Central Regional Center for Rural Development (NCRCRD). He holds tenure system appointments in the Department of Agricultural, Food, and ResourceDavid Pare Economics and Economics. He has served as a consultant on a range of issues including economic development, government public finance and policy, and price determination. Recent research areas include economics of the public sector, economic development, and the economics of natural disasters. He has published the results of his research in journals such as Economic Inquiry, Economics Letters, Journal of Urban Economics, National Tax Journal, and Public Choice. Much of Skidmore's research and outreach focuses on public finance policy and the relationship between public finance policy and economic development.

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Research and Outreach Interests

Intergovernmental relations and the effectiveness of government operations
Interrelationship between government activities and economic development
The impact government tax/subsidies/development incentives on economic activity
Economics of natural disasters

Degree:
Ph.D., Economics, University of Colorado
M.A., Economics, University of Colorado
B.A., Economics, University of Washington

Publications:

"Cell Phones and Natural Disaster Vulnerability?" (with Hideki Toya), Sustainability, Vol. 10, 2970, 2018.
"The Effects of Natural Disasters on Social Trust: Evidence from South Korea" (with Sung Kang), Sustainability, Vol. 10, 2973, 2018.
"Assessment Inequity in a Declining Housing Market: The Case of Detroit" (with Tim Hodge, Daniel McMillen, and Gary Sands) Real Estate Economics, Vol. 45 (2), 2017.
"The Net Benefit of Demolishing Dilapidated Housing: The Case of Detroit" (with Dusan Paredes), Regional Science and Urban Economics, Vol. 66: 16-27, 2017.
"The Land Value Gradient in a (Nearly) Collapsed Urban Real Estate Market" (with Timothy Hodge and Gary Sands), Land Economics, Vol 93 (4), 2017.

C. Austin Fitts: Ladies and gentlemen, welcome to *The Solari Report*. Today we are joined by none other than Dr. Mark Skidmore with a new update to his *Missing Money Report*. It's always a pleasure, Mark, to have you on *The Solari Report*. You have done some incredible work here. We are going to talk about it, but first, let me say welcome.

Dr. Mark Skidmore: Thank you, Catherine. I'm glad to be on again and talk with you. It's always very interesting and enlightening.

Fitts: Diving into the very bottom of the subterranean Treasury market is always interesting.

I want to recap from the beginning. Your first report on the missing money rocked the world on September 28, 2017. If you haven't visited our website at www.MissingMoney.Solari.com, I would encourage you to do it. If you go there, the first item is '$21 Trillion Missing' on the navigation bar. You will find a series of Dr. Skidmore's reports and updates, along with the original documentation on the initial $21 trillion of undocumentable adjustments from fiscal 1998 to 2015 – both for HUD and Department of Defense.

If you go there, you will find the original September 2017 report. We did an update almost immediately in October. First of all, you kept finding more missing money. I don't know if you remember calling me and saying, "Oh my God! We found another trillion!" The Inspectors General also did us the honor of taking down their documents to your surprise and amazement. So we had to note that, which was in December.

Then we received an update from one of the departments on the missing money, and they redacted all the information. So that was worthy of a comment.

The big new update came in September and then December of 2018, with the promulgation of the FASAB statement 56. So maybe you could tell us what that is.

Skidmore: Sometimes we refer to it as FASAB. It's the Federal Accounting Standards Advisory Board that oversees and supposedly provides guidance to Federal government accounting standards. After all the questions and information, they recommended that the Federal government implement a new policy that said that they will reserve the right to modify all the financial statements available to the public in any way they like. There are no guidelines about the magnitude or the degree to which they agreed, and they wouldn't even acknowledge or tell us that those reports had been modified.

If you believed in the system, you could say, "Oh, well, they are just doing it to preserve some of those very sensitive issues. They don't want to reveal it."

But if you are not buying in to that, you see this total change in the laws, which is unconstitutional. There are no guidelines. We already had a black budget, and we couldn't see what was in that. So why do we need every single government entity and agency to potentially modify, change, move funds across areas, and conceal? There is no restriction as far as I can tell. I've read FASAB 56 numerous times, and there are no limitations to the degree to which these reports can be modified.

Fitts: It's quite amazing. First of all, you don't know who does it. It's a secret group of people who can do whatever they want and keep it secret. So when you are looking at the financial statements, you have no idea what they mean.

Skidmore: Shortly after the DOD put out their very first ever external audit. I was talking with a reporter, Matt Taibbi, on the phone. He said, "What is your impression of the audit results?"

I said, "Well, they just passed standard 56. They told us that they were going to modify any financial statements in ways that they like. How can I possibly offer any kind of assessment? Why would I take any amount of time to look at the financial statements if they told me they were going to modify everything?"

Fitts: I want to underscore that they issued this in time so they could use it before the first audit was issued.

Skidmore: That's right. It was approximately a month before those audit results.

I don't even know what to say. Sure, the financial statements came out, but we don't even know if they are modified. They won't tell you if these have been modified, and we don't know how much or how things have shifted. I don't even know what to say; you can't say anything.

Fitts: If you look at the missing money site, we have a section where we do all the financial laws. One of the things that we go through with FASAB 56 and the classification laws is that this applies to the 21 covered agencies and 150 other related agencies or entities of the US government. Then through the classification laws, it includes all the publicly traded companies that do business with the Federal government. So, they can have secret books as well.

So, you are talking about basically taking the US securities market dark.

Skidmore: What is amazing is that so few people are even talking about it.

Fitts: Yes, but you and I are talking a 'blue streak', and have been for two years now. Actually, it has been three years now; in September, it will be three years.

Another thing I want to point out before I leave FASAB 56 is that this was approved by the General Accountability Office of Congress and the Office of Management and Budget at the White House, and it was done on the week that we were having the Kavanaugh 'sex war' in Congress.

Most Americans thought the House and the Senate – Republicans and Democrats – were fighting and that they were all fighting with the White House. But in fact, the White House, the House, and the Senate – both sides of the aisle – got together and basically took the entire financials of the US government dark, and with it, they essentially took the US securities market.

Skidmore: That's right. One thing that I have learned since the last financial crisis is that there is always a distraction when something really important is happening. Our eyes are tempted to look elsewhere. The Kavanaugh hearings appeared to be that where we were worried about the activity of a man in his high school days.

Fitts: You pointed out to me that the Kavanaugh hearing was happening when they adopted it. I went back and forth with Taibbi by email. I became really frustrated and wrote to him and said, "What is it about secret money for secret armies that you don't understand?"

I said at the time, and I keep saying it, that I could have told Jeffrey Epstein that the minute FASAB passed, he was a dead man. What this means is that they can launder everything through government accounts. They don't need all these complicated money laundering schemes – Enron, Epstein, Clinton Foundation. You don't need them anymore. This is the low-cost solution.

Skidmore: Somehow they have to have enough people within the system to move this money around. They have to say, 'I guess that's the way it works."

Fitts: There are a couple of pieces on the Federal Accounting Standards Advisory Board or FASAB 56 that are linked from the series of reports and updates.

Let me keep going: You published a fabulous article, *Should We Care About Secrecy and Financial Reporting* where you talk about how important these issues are and why they are important.

Then you thought that one of the reporters writing about this was going to do a FOIA. In fact, in 2015, which was the last year we have undocumentable adjustments at the Department of Defense at the Army, if you look at the $6.5 trillion of undocumentable adjustments, which was the biggest number ever, there were 170 transactions that totaled $2.1 trillion. You said, "That's not a lot of transactions. Why don't we dig into that?"

You thought that a reporter had FOIA'd it, and they hadn't, so you put in a FOIA. It took quite a while to get a response. You got a response, and then you wrote the update this year in May (May 2020) on the FOIA response. But in the meantime, someone had encouraged you to look at the Treasury market, and you did.

You noted in the May report that there were very unusual patterns of redemptions and rollovers. We started the year with $21 trillion or $22 trillion outstanding, and now it's $26 trillion. The redemptions indicate they are carrying a float that is much bigger than $26 trillion. Of course, issuing Treasurys off balance sheet would be one great way to finance $21 trillion.

The big issue has always been: I have always said that the $21 trillion is real money, and the Department of Justice or HUD has always said, "It's just accounting. Those are just accounting confusions, and it's not real money."

If you have massive securities fraud, which we've seen in the mortgage market, and we also have it in the Treasury market, then it's another indication that we are talking about real money.

Now we are going to publish a new August 2020 update, and this one is rather amazing. The last one was quite amazing, but this one really 'rocks your world'.

Why don't we just dive in? Tell us about this new update.

Skidmore As you were going through the chronology, you said that I wrote *Do We Care About Secrecy and Financial Reporting*, but that was actually a joint effort between the two of us. I want to acknowledge that.

Fitts: Right, but you did more work than me, so I want to acknowledge that.

Skidmore: Fair enough. There were some contributions from your side and some key insights, so I don't want not to acknowledge that.

Similarly, when we did the update a few months ago, there were 170 transactions – which I've reviewed and talked about – but they are just enormous. If you keep in mind that in that fiscal year the Army's general fund budget was $122 billion, the $6.5 trillion in unsupported adjustments is just incomprehensible. But within that report, there were 170 transactions and adjustments that tallied $2.1 trillion, which is about as big as the Canadian economy. It's enormous in itself, but it's only 170 transactions. So, I just wanted to ask what those could have possibly been for.

We did get some information, and subscribers can go to your website and look at the detail there; we won't cover that again. But along the way, Tom Stanis, a lawyer in Michigan, had contacted me and said, "Hey, you should really look, not just at the uses side, but on the sources side. If there is a lot of money being spent, it would show up in Treasurys." He noted the very high redemptions and reissuances.

We talked about this in our last interview where you have government debt with different time periods of maturity. Some of it is short-term, and some of it is longer term. So when you are perpetually running deficits, by definition, when bonds come due, the government gives money back with interest, but in order to do that, it has to reissue another bond tomorrow. It takes money that I give them and gives it to you. This is the redemption/reissuance churn that has to occur.

What we did in the last update was talk about the churn and the turnover that would be required to manage $22 trillion in debt – at the time for 2018-2019. We weren't getting $95 trillion in redemptions that were needed, so we had clear data on the external debt, but there is about $6 trillion of debt that is held internally, the largest chunk of which is a social security trust fund, which has about $3 trillion.

Fitts: Let's talk about internal and what internal means. The government has different pots of money. There is the social security trust fund. Through their payroll, people pay their social security contribution, and then that money is invested in Treasurys. The government is managing the social security trust fund, and the Treasury is issuing the Treasurys. But that is an internal booking. Even though it's a trust fund, it's the government on both sides shifting money back and forth between a government account and a government-managed trust fund.

There are many of these different pools and pots that end up investing their money in Treasurys. So, you get a significant amount of internal transactions.

Skidmore: Yes, and it's all non-marketable data that happens within the government itself. It essentially owes money to itself on behalf of social security contributors, which is all of us.

The idea of the social security trust fund is that there was more money flowing in for many years on social security taxes than were being paid out. So, that money went into the fund. Now we are approaching the transition point where that money will be drawn down because we have more people qualifying for social security as our society ages, and we have fewer workers per retiree.

That would be the biggest of that $6 trillion. The social security trust fund is the largest one by about $3 trillion, but there are a number of other very large funds as well and numerous small funds that Treasury manages on behalf of the government and the system.

After we publish that report and we talked about it, I did an interview with Greg Hunter on *USA Watchdog*. I suggested that collective intelligence was a useful thing so that if people had ideas on what might be happening with all these redemptions, we would be open to it. I did get some help and some ideas.

We went back to the Treasury website, and on the TreasuryDirect website, you have access to daily transactions in each fund that Treasury manages, including the social security trust fund and numerous other funds. You can actually see on each day what the balance is.

David Pare, a software engineer, contacted me and said, "Hey, why don't I write some Python code, and we can systematically look at all these funds and see what is going on with each of them," which is really helpful. If you go on the website, you can only do one fund one day at a time, and it is difficult to get a big picture view on it. So, I want to acknowledge David Pare. And Rob Kirby has some real insights as well. You will see when the report comes out that they are acknowledged in the report as well as Tom Stanis. I thank him again for asking these questions and bringing it to our attention.

So, when we started looking more systematically at all of these 700 funds, there was one fund called the Thrift Savings Fund, which is somewhat like a 401(k) for Federal government employees where they can make contributions and the government matches it at some rate. The fund goes in, and then it is managed on behalf of Federal government employees and retirees. The total fund balance right now is about $550 or $560 billion, so it is a very large retirement fund. Part of the fund is managed by BlackRock. About 50-55% of the fund is composed of different types of index funds that are managed by BlackRock. Then there is a government account series fund that is managed solely by Treasury. This was the big red flag for us. We found something interesting because about half of the total amount of funds in the Thrift Savings Fund is in the G Fund-the government account fund that is managed by Treasury(by BlackRock). That fund is composed of 100% one day maturity securities.

Fitts: I want to stop you for a moment. We've gone over this several times with John Titus on *Money & Markets*, and we will continue to do so. One of the reasons this is so important is that BlackRock has used itself as a platform for a couple of retired central bankers including Stanley Fischer, former Vice Chairman of the Federal Reserve and former Chairman of the Israeli central bank. A group of central bankers designed a plan approved by the G7 central bankers at Jackson Hole called Going Direct, which then appointed BlackRock to manage whole aspects of the Going Direct global reset.

So, you have a group of central bankers sitting at BlackRock who are running major portfolios for the Federal Reserve right now. They are also running these accounts for the Thrift Savings Plan. At the same time, the G Fund, which is part of, but supposedly not managed by BlackRock but by Treasury, is having all the unusual patterns that you are about to describe.

The closeness of this money to the 'pots' that the Fed are running – and some of those pots are joint with Treasury – means you have Treasury with big pots of money, the Fed with big pots of money, BlackRock managing big pots of money for both Treasury and the Fed, and this is beginning to look mighty flexible and extremely close.

Skidmore: Thanks for that overall big picture view because this is only one piece of all that, but a really important and interesting piece.

What this means is that about $250 billion is churned every day. So at every period, the government redeems to itself $250 billion, and the next day it reissues – over and over and over again. So usually, if it's a long-term bond, -a 10-year note or similar- on average, a ten-year note would be churned once every ten years. So, 10% of the amount in there on any given year on average would need to be churned.

This needs to be churned every single working day. So, this fund alone is responsible for $40 to $50 trillion of that redemption and reissuance that we were talking about before. So in this report, we have presented all the daily transactions and aggregated them by year and then calculated the turnover and churn that is wired.

It is very interesting that this is a one-day fund. What in the world is that for?

I do want to say that it looks like, regardless of this being a one-day fund, it is required to offer an interest rate of the average of Treasurys in the marketplace of four years or greater.

Fitts: It's paying a four-year rate on a one-night paper.

Skidmore: Right, it's paying a four-year rate on a one-night paper. The employees and retirees are being made whole, but the question is: Why are they holding it in one-day Treasurys?

When you look at all the transactions dating back to 2001, which is all that is available on the website, there are these periods in which the fund balance at Treasury drops dramatically – in some cases down to zero. It can be very low for months at a time.

Fitts: It's very interesting when you look at the pattern. It is very much the pattern of: Aggregate the money, pay out a big dividend, aggregate the money, pay out a big dividend.

I'm not saying that's what is going on, but there is definitely a pattern to it, and it makes you wonder. Clearly, this fund looks like it is being used for multiple purposes. It's not just playing the game of the G Fund where you stockpile and invest people's retirement money.

Skidmore: BlackRock is known for its passive investment strategy. This is a point that Rob Kirby made. You would expect indexed funds not to be up and down and shifting around like you might see an active fund. In fact, some of these drops go all the way down to zero. The G Fund goes from $200+ billion down to zero or a very low amount for weeks or months at a time. Usually, the zero balances don't last more than a day or two.

Fitts: It looks like they are paying the four-year interest on the balance that should be there as opposed to what is there.

Skidmore: I think so. We just started asking questions. First of all, why is it all held exclusively in one-day securities? Secondly, why is there such variability? If this is a fund managed on behalf of retirees and future retirees, do the retirees even know that this money is being funneled in and funneled out?

Right now, we don't know where that money goes during the interim period when the fund balance drops so dramatically. So, we are talking about – in the later periods –$200 billion going somewhere according to these reports. So that begs the question: Is this even real? Is this really what is going on, or is it just a cover?

Fitts: It's very common for somebody who served in the Federal government or still serves in the Federal government to have money in the G Fund. I am highly confident that at least one person listening to or reading this is going to have money in the G Fund. If you have money in the G Fund, you have the ability to print off this report and send it and say, "What is going on with my money?"

Skidmore: If you look at the actual Thrift Savings Fund financial statements, - the last ten years are available on the link that you will have access to here in the report-you can see the balance in each of the funds, including the G Fund, on December 31 of each year – the last day of the year. That amount typically will match the amount on the last day in the Treasury data as well – the fund on the Treasury website. So at least they tend to match each other, except for 2017. On the last day of the year in 2017, the balance that Treasury had in its fund was quite low – in the tens of billions rather than $200 billion. The financial statement said that the G Fund had $200 billion or so.

Usually they match. They tend to put all that money back in by the last day of the fiscal year, and then they report that on the financial statements, except for 2017 where there seems to be a discrepancy.

If you have funds, you would want to know. I suspect that government employees and retirees don't know about the variability in the G Fund.

Fitts: I'm sure they don't know. I've looked at G Funds on behalf of one or more clients, and I'm sure they had no idea. I had no idea.

Skidmore: How could we?

It's interesting that all of this is reported in Treasury; it's interesting how it's composed exclusively of one-day notes that are churned every day; it's interesting that it yields $40 to $50 trillion every year in turnovers. That accounts for the largest chunk of the churn that we were talking about last time.

There are some other funds as well that have one-day securities, but there are 700 accounts or funds that Treasury manages, and it's difficult to get a handle on all of them. I think we need to really look carefully at all the funds that have one-day notes.

Sometimes when money is flowing in and flowing out, it might make sense to have these one-day notes so that it can facilitate the transactions into and out of another retirement fund or money flowing in and flowing out, but it should only be a small fraction, not all of them.

Fitts: Here is my speculation: I just finished *The State of Our Currencies*, and one of the most valuable pieces for building and holding a reserve currency position is to have, what I call, a 'financial bazooka'. A financial bazooka is the ability with great speed and great power to enter into the markets and command and drive a position with greater financial strength than anybody else on the planet.

I have to say that if you could turn the $6 trillion interagency accounts into a flexible pot of money that you could use for the financial bazooka and do it secretly, that would make you very powerful.

Skidmore: One of the things that I did was try to identify funds that I thought would have large balances like the Social Security Trust Fund or the Medicare Fund, etc. I was able to account for $4 or $5 trillion of the $6 trillion. I could spot-check funds, and most of those funds – like the Social Security Trust

Fund – is not composed of these one-day securities. There are a couple in DOD retirement funds and a type of health fund with fairly substantial amounts, but the real big one is this Thrift Savings Fund.

By the end of the period, we are talking about $250 billion that is 'sloshing' around in and out of the G Fund.

Fitts: I wanted to bring up why this is so important. As I've said, I always believe that the $21 trillion was real money, although it could be much smaller or much greater because you could be laundering money. You could be selling oil in Iraq and laundering the proceeds, so $10 to $12 trillion could be revenues, and $10 trillion could be those revenues going out the back door.

One of the reasons I believe it is real money is that I had so many different experiences that indicated to me that the mortgage securities fraud at the Department of Housing and Urban Development and related at Fannie and Freddie was of an extraordinary magnitude. Any time I tried to explain to people the magnitude of the mortgage securities fraud, they couldn't fathom it. Then with the bailouts and the financial crisis, we proceeded to have $24 to $29 trillion of transactions at a time when, according to the reports I read, $8 trillion would have paid off all the single-family mortgages in the country.

So whatever was going on, it wasn't a housing crisis; it was something else. It was incredible because I still had people who couldn't fathom the extent of the mortgage securities fraud. Then the servicing fraud happened in 2012, and when people began to understand the extent of the servicing fraud, that is when they realized that the mortgage securities fraud could be that great.

The reality is to do that kind of mortgage fraud, you have to have the Treasury, the Fed, the New York Fed, the New York Fed member banks, the Department of Justice, and HUD do it together. Once you have that mechanism in place where they are doing mortgage securities fraud to that extent, why wouldn't you also do Treasurys?

There were two stories that really brought it up for me. One was when HUD produced their first financial statements. I had been part of a group of people who got the laws passed that required them all to produce the financial statements that started to generate the undocumentable adjustments. A mortgage banker approached me with massive files, trying to persuade me that the amount of mortgage securities – of FHA insurance and related securitized mortgages in the market – were many multiples of what they showed on the balance sheet.

At the time, I thought that he was crazy because he was saying that the Treasury, the New York Fed, the Fed, the Department of Justice, HUD, and the New York Fed member banks were engaged in massive mortgage securities. I couldn't fathom it at that point.

The second thing that happened after I started to investigate the mortgage securities fraud when I was litigating, a researcher from London approached me with a series of documents on private placements that he claimed had been issued to Meyer Lansky to soak up the drug money, which was a private series that wasn't registered on the financial statements. I went through the documents, and the authorizing official was a person who I worked with at Dillon Read who had always had some kind of secret leverage on the chairman of the firm, Nick Brady. I took one look at the documents and I started to laugh.

I said to the researcher from London, "I'll bet you a dollar that this is real!"

It would make sense that they would be issuing Treasurys off balance sheet to soak up all the money in the narcotics trafficking and other illegal cash flows. So, I had seen some indication of 'funny business' in the Treasury markets, but I cannot believe that you would have the extent of the mortgage securities fraud and have set up the mechanism to do it, and you wouldn't have Treasury fraud.

One of the things that I mentioned to you earlier, and that I want to mention again, is that I got into a bit of a squabble at a conference in 2005 as part of the GATA group. I was talking about the missing money, and I was shouted down by someone saying that it wasn't really true.

Right after that, *The Financial Times* had an article about foreigners saying that the US owed them $2.3 trillion more than was shown on the accounts of the US.

I'll never forget Bill Murphy sending out an email saying, "Okay, everybody owes Fitts an apology. *The Financial Times* says she's right."

I looked at that number when *The Financial Times* wrote it, and realized that has to be the Treasury market; that can't only be mortgage securities. It has to involve Treasurys, but that is a guess; it's not proof.

Skidmore: We are all left to speculate to some degree. We are looking through this unclear information that is very opaque, and we are trying to make sense of it.

One of the things that I noted over the past few years is that we have focused a great deal on DOD and the unsupported adjustments there. Whatever happened to 'bubble up' in the mainstream media really focused on the 'waste and fraud' that occurs in the DOD, but not very many people will say, "Hey, if there is a lot of money flowing in or inappropriateness happening in DOD, the money comes from Treasury."

There is this linkage in systematic, and many times – not within the circles we are speaking with here directly – numerous people have this idea and this branding that the Federal government's bonding system is rock solid and it's straight up. So, they think the problem is with DOD, but that can't be right; it has to be integrated.

I think that is what you are saying about HUD and the mortgage security market, etc. You can't get these things done without some sort of coordinated effort, and I think that is a really important point. What is going on here? It's not only the DOD shenanigans; I think that it has to be a coordinated action.

Fitts: Absolutely. If you look at how these accounts are run, it's really a matrix structure. The New York Fed is the depository, but the execution of most of that function is through the New York member banks in coordination with Treasury and the different agencies, and the Department of Justice is thick in it. So, none of those things can happen unless they are working together to make it happen. By watching how they did it at HUD, I am confident that they can do it at DOD.

I've never worked at DOD, so I can't talk about DOD with the confidence that I can at HUD, but it was quite interesting when the FASAB went around through the regulatory process to get comments from all the different agencies. It was so interesting to see HUD come back and say, "Oh, yeah. This was great. We need this."

The question was: Why would a domestic housing agency need the ability to classify portions of its books? Then the SEC came back with, essentially, no comment.

Here you have an action being taken that will, in my opinion, take the US securities market dark, and the SEC has no comment? What? The reverberation of this is quite astonishing.

Skidmore: One of the things that we discussed in the *Do We Care About Secrecy* report was that it's not only on the government side that the opacity is increasing with FASAB 56, but years ago I believe the NSA was allowed to exempt some key companies from reporting their financial statements accurately if it was a matter of national security.

Fitts: It's the National Director of Intelligence; the National Director of Intelligence can do it.

Skidmore: Right. We do have a 'double-blind' there. There are some companies that we just don't know what their true balance sheet is and what their financial statement is.

Fitts: That means that if I take $21 trillion from the US government and move it into private hands, I can't see it on either side.

Skidmore: And we don't know which companies are exempt.

Fitts: It's quite extraordinary. We've had a change of government by accounting edict. There's the Constitution, then there's a law, and then there is a regulation. This doesn't even rise to the level of a regulation; this is an edict. So, we have changed the entire Constitution and all the laws and all the regulations by an obscure accounting edict.

Skidmore: Going back to the Thrift Savings Fund, I don't know how this works. I don't know if this is connected to the unsupported accounting adjustments at the DOD or at HUD. I do know that it is contrary to the stated passive investment strategy that is stated by the Thrift Savings Fund with nearly half of its portfolio in a fund that churns over every in a single day. It is very unusual for a passively managed fund to have dramatic variations from day-to-day, week-to-week, month-to-month in terms of its fund management strategy.

Fitts: One thing that I could say is dangerous for the G Fund retirees is if the US government declared bankruptcy or some kind of radical rechange, and that fund at that minute was at zero, then they could be in real trouble.

Skidmore: That is possible.

Fitts: One of the things that I wanted to say – because I think you've done an amazing job with these 'looks' at the Treasury market – is I love the expression 'no one is as smart as all of us'. It's clear that this is a topic that is just a 'bear' of a thing. You look at it, and you say, "What is going on? I have no idea."

But by circulating it around and getting Rob (Kirby) involved and being responsive to people who call, and then getting on Greg (Hunter) and inviting other people to come, I think we have been able to steadily accumulate more intelligence with the more 'eyeballs' we have to look at this. That is why I would ask everybody listening or reading this, if you know anybody who is significantly involved in the fixed income markets or the Treasury markets, or is at the rating agencies or is a beneficiary of the G Fund, or who would be interested, let's share this and see if we can't collect some more intelligence.

Skidmore: That is absolutely right. I think that each of us may have some pieces to offer, and collectively we can learn more about what is occurring. That is not to say that we haven't been trying to do that. We do have some people who are or have worked with or for Treasury that we have approached, and we are trying to get more information. But, having said that, sometimes it doesn't trickle in very quickly, and we aren't always responsive.

Fitts: I think that the thing I keep, first and foremost in my mind, is that wherever that $21 trillion went, it belongs to the American people, and it can be gotten back, or the assets can be gotten back, or the ownership interest can be returned. I think in the political process, it is very important to put that money on the table and say, "Wait a minute. Don't tell me there is no money. Where is the $21 trillion?"

I think that these accounts matter, and I think there is a real opportunity if we keep following the thread.

Skidmore: Also, I think a number of people haven't quite made the jump from the manufactured reality to something that is more in the realm of real truth. It's hard for us to make sense of that mapping of what is real and what's not. I think that if we can shed some light on this and ask questions and try to increase the transparency, that might help people say, "Wait. There is something wrong here, and we need to address it collectively."

It helps them come into a greater knowledge and a place that is healthier personally, but also the more people who are aware and can ask insightful questions, that is power.

Fitts: There is real power in this. When we publish the commentary of this, I was will put up Maria's song again on the missing money because her song reminds you how much power there is in knowing this, understanding it, and using it. It is very interesting. When I go back and try to explain to someone my version of the last 20 years, as opposed to the official reality, this really helps me document. We are working with government numbers; we are working with published government numbers. It gives me the ability to ground an alternative view of what has happened and prove that the official reality can't be true because the numbers don't match.

I think that the numbers help you get back to a more coherent view of what has happened that makes a good deal of sense. If you try to buy the official reality, you end up in a state of incoherence because it doesn't make any sense.

Skidmore: It doesn't make any sense, and it is also very disturbing when you make that transition. However, you come to a healthier place.

I think that is one of my big goals – to help people create a mapping from something they think is real because it's in the official reality, but it doesn't quite make sense. If you can use some linkage to something they can anchor on, like a government report, and show that this doesn't make sense, this gives them some stepping stones to getting to a place where they are in a better place of understanding what is happening.

Fitts: I was telling you earlier that if our average income in the United States is $65,000, if we do a global reset and we have to unwind the China trade, that could go to $10,000 or $15,000. You were saying that this was an 85% drop. I was thinking that it would be more like a 40% drop, but that is if it was shared evenly. If the people running the global reset decide to 'husband' everything for themselves and drop the general population much more, it could end up an 80% drop.

I think that knowing about the missing money, and being able to use it at the bargaining table, helps make sure that whatever that reallocation is, it's a much fairer one.

Skidmore: I think that is an excellent point. I think you have done such a great job of mapping out the scenarios that may emerge here in the not-too-distant future with your work on *The State of Our Currencies* and linking things together. Even the whole question about the pandemic and the shutdown, and then the subsequent ramping up of qualitative easing and the expansion of deficits by trillions of dollars, and then thinking, "What are the implications of all of this as we move forward?"

The other shoe hasn't dropped yet.

Fitts: One thing that most angers me is when I hear the reason for inequality is new technology because I think the reason for inequality is the manipulation of the Federal credit, whether through the missing money or quantitative easing of the bailouts. That is the primary source of inequality.

Skidmore: It is. I have attended Federal Reserve types of events to talk about inequality and improving rural communities and quality of life and concerns. In those events, there is not much said about the fact that we have really 'juiced' the system that benefits a relatively small number of people who are on the very upper end of the income and wealth distribution. That is a key cause to all of this.

There is the veneer, and then there is the reality.

Fitts: Do you have any other comments? You've gone through quite a journey, and every time you do another one of these things, I get the sense that I used to get. You would call and say, "Oh my God! We found another trillion!"

I have this image of you following on this string, and when you saw what was happening in the G Fund, it was kind of like, "Gulp!"

Tell us a little about Mark's great journey.

Skidmore: I am increasingly open to seeing the world in a different way. Every turn in the bend offers a new view and a new perspective. Just an example, I get many messages from people when I do an interview or talk about these issues. Sometimes it can be really useful, and sometimes not as useful. But in this one case, Tom Stanis from Michigan sent me a note. It brought to our attention this question about the very large number of redemptions. He probably has talked to a number of professors and accountants and others along the way, and they look at it and say, "Yes, that is really unusual, but there must be some explanation for it." Then they dismiss it.

I think that one of the things that I have learned is that is a 'glitch in the matrix'. Maybe it is something that you should dismiss, but not necessarily.

Fitts: My point is it is important to remember that we pay the government. Under the law, the government is obligated to give us full disclosure; that is under the Constitution.

If I don't understand the finances, it is because the government is failing to do what it is required to do. There is no reason you can't get a financial statement for your county or your state or the country that is understandable or digestible for you.

I'll never forget when you asked me to look at the HUD financials. I went in when the reporter was writing the article, so I read three years of the HUD financials and the FHA financials. I couldn't stop laughing because, if you look at how much experience I have with the HUD and FHA financials, and how much experience I have with mortgage and housing, and how much experience I have with accounting and economics, they make it almost impossible even for me, and there is no need. It could all be totally understandable to a layperson.

Skidmore: It is possible to share information in a coherent way.

In summary, I would say that I learned to be flexible. If it doesn't fit in with what I think the world is, it doesn't mean that I should dismiss it. You should be open, right? You should explore and ask questions and seek understanding. In this case, I think that we will learn more here in the coming weeks and months about the Thrift Savings Fund.

Fitts: Oh, I think so, too.

Skidmore: It is quite astounding that it is $250 billion, and it is in one-day securities and churns every day, and there is tremendous variability. This is not consistent with the passive investment strategy of the Thrift Savings Fund.

Fitts: My prediction is that when you do an interview with Greg Hunter on this, you will get somewhere between 70,000 to 100,000 views.
At least 1,000 of those people will be beneficiaries of the G Fund, and they are going to email it to some others. It will be great.

I already sent this to you, so I know that you know about it, but the rating agencies have been very afraid to comment on the Federal debt since the Department of Justice went after Standard & Poor's. It basically got the president fired and holding company almost bankrupt due to downgrading the Federal credit. Since then, the rating agencies have been surprisingly quiet.

Skidmore: I wonder why!

Fitts: Fitch just came out with a report 'ringing the bell' on the escalating amount of the Federal debt. So, between unwinding the China trade and now Fitch saying that, I think the pressure is on.

Skidmore: I think the pressure will be on. I suspect that we will continue the way we have through the election, but sometime after the election, I think that something is going to give. I'm very concerned about what the world will look like once we have that other shoe drop.

Fitts: I would say that whatever the world looks like, it will look much better to us if we are economically grounded and resilient personally.

Skidmore: That is the other thing that I have increasingly made adjustments to, which is our own personal lives. I've tried to become more resilient. I saw after the last financial crisis what a mess we are in. So you can take this information, use it, and then make decisions that hopefully improve your resiliency.

Fitts: I want to say that in September, assuming they don't 'pull the rug out' from under us, you and your wonderful wife and John Titus are going to be together at Lake Geneva for an event there. John is working on a major presentation. Darlene (*Solari's* Operations Manager) has been in contact with the resort audio-visual people. So, this one is going to be good. I want John to film it so he can put it up on *Solari* and on Best Evidence.

You and John are going to be available and will be there to meet. So if you want to come to Lake Geneva, check it out on the website. You can meet Dr. Mark Skidmore and John Titus together. It's an earth-shattering concept, and I'm somewhat irritated that I can't be there.

Skidmore: Kate and I are really looking forward to the event. I truly appreciate John's work, so I'm looking forward to meeting him in person and learning from all of his work. At a foundational level, he has really dug into all the years of the Federal Reserve. It is a very valuable service to society.

Fitts: Absolutely. He's a great person, as are you.

Dr. Mark Skidmore, I can't thank you enough for this report. Everyone should go to www.MissingMoney.Solari.com. There will also be a commentary on the home page, and you can find it through that or the commentary for this *Solari Report*. I want to thank you again, and you've done an incredible service. Keep following that thread.

Skidmore: Thank you, Catherine, for all of your work. It is really valuable for us all. Thank you.